

Last Updated: December 17, 2021  
Nissan Chemical Corporation  
YAGI Shinsuke  
Representative Director,  
President & COO  
Contact: Corporate Planning Department  
Securities Code: 4021  
<https://www.nissanchem.co.jp/eng/>

The corporate governance of Nissan Chemical Corporation (the “Company”) is described below.

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

#### **1. Basic Views**

Following its ideal business model, “Future-Creating Enterprise that responds to social needs with unique, innovative technologies,” the Company is making concerted efforts to achieve sustainable growth and increase in corporate value over the medium to long term, with the aim of establishing the Company as “a corporate group that contributes to human survival and development” trusted among all its stakeholders.

As part of these activities, with the understanding of corporate governance as “the system for sound and efficient management to achieve the sustainable and medium to long-term profit for our stakeholders,” the Company is working to accelerate management decision-making and clarify management and business execution responsibilities. Also, through a Board of Directors and Audit & Supervisory Board including highly independent Outside Directors and Audit & Supervisory Board Members (collectively, “Outside Officers”), we are promoting the strengthening of our management monitoring function, compliance, risk management, and internal control system.

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

- The Company describes this Report according to Japan’s Corporate Governance Code revised in June 2021 (including principles applied only for companies listed on the Prime Market.)

The Company has implemented all principles of Japan’s Corporate Governance Code, excluding principles for companies listed on the Prime Market outlined in Supplementary Principle 3.1.3 (the disclosure required by TCFD or an equivalent framework) of the revised Code. For the principles for companies listed on the Prime Market outlined in Supplementary Principle 3.1.3 in the revised Code, the Company will disclose the information as required in the TCFD Recommendation in a phased manner.

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

- The Company describes this Report according to Japan’s Corporate Governance Code revised in June 2021 (including principles for companies listed on the Prime Market.)

##### **[Principle 1.3 Basic Strategy for Capital Policy]**

To achieve sustainable growth and increase corporate value over the medium to long term, the Company will invest aggressively, particularly in research and development that should drive the achievement of these goals, in line with the six-year medium-term business plan “Vista 2021” launched in the fiscal year 2016. In addition, the Company regards ROE as a topmost management priority and strives to increase shareholder value over the medium to long term.

Regarding the return of profits to shareholders, the Company achieved the below target for the fiscal year 2020, which was set in Stage II, the second three years (from the fiscal year 2019 to the fiscal year 2021) of the medium-term business plan “Vista 2021.”

	(Target)		(Results for the fiscal year 2020)
◆ Dividend payout ratio	45%	⇒	44.9%
◆ Total payout ratio	75%	⇒	74.6%

In Stage II, the Company is working to achieve the targets of maintaining a dividend payout ratio of 45% and a total payout ratio of 75% in the fiscal year 2021.

#### [Principle 1.4 Strategic Shareholdings]

The Company has established the following items regarding strategic shareholdings.

##### (1) Policy on strategic shareholdings

Each year, the Board of Directors comprehensively discusses the Company's strategic shareholdings, including aspects such as the necessity of maintaining or enhancing transactional and other relationships with the investee company, whether the benefit of holding the shares is commensurate with the capital cost, and whether such holdings will contribute to increases in the Company's corporate value over the medium to long-term. If no rationality for holding the shares can be confirmed, then the shares are sold while also considering the impact on the market and other pertinent matters.

##### (2) Policy on the exercise of voting rights on strategic shareholdings

Before exercising its voting rights, the Company comprehensively determines whether it approves or rejects each of the proposals, giving adequate weight to the management policies, strategies, and other aspects of the investee company and confirming such factors as whether the proposals would comply with the Company's holding policy and whether they would contribute to increasing the investee company's corporate value over the medium to long-term and its shareholder returns.

#### [Principle 1.7 Related Party Transactions]

To ensure against harming the interests of the Company or the common interests of its shareholders, when conducting transactions with officers or other related parties, the Company investigates details of each of such transactions and complies with the appropriate procedures in accordance with laws and regulations and the Company's internal rules, etc., to take the appropriate response. Important transactions, including competitive transactions and conflict-of-interest transactions by Directors, must be approved in advance by the Board of Directors and reported after they occur. As the Company has no major shareholder with 10% or more of voting rights, no procedures for transactions with such major shareholders have been established.

#### [Principle 2.1 Business Principles as the Foundation of Corporate Value Creation over the Medium to Long Term]

The Company's mission statement (Our Values), corporate philosophy (Raison d'être), corporate vision, and ideal business model are as follows:

##### Mission Statement (Our Values)

"Contribute to society with our excellent technologies and products."

"Join forces in always developing new fields to support prosperity and social welfare."

"Respect those who are full of inventiveness and zeal with a sense of responsibility."

##### Corporate Philosophy (Raison d'être):

"Contribute to society in harmony with the environment based on our excellent technologies, products, and services."

##### Corporate Vision:

"A corporate group that contributes to human survival and development"

##### Ideal Business Model:

“Future-Creating Enterprise that responds to social needs with unique, innovative technologies”

[Principle 2.2 Code of Conduct]

The Company’s Code of Conduct (basic CSR policy) is as follows:

- (1) Conduct sensible business activities as a member of the international community in compliance with laws and regulations.
- (2) Enhance corporate value by providing safe and useful products and services.
- (3) Strive proactively to eliminate accidents and disasters and protect the global environment.
- (4) Disclose information appropriately with a focus on dialogue with stakeholders.
- (5) Improve health and create a cheerful and pleasant place to work by respecting the individuality and personality of employees.
- (6) Conduct itself as a good corporate citizen and a respected member of society.

[Supplementary Principle 2.3.1 Sustainability Issues, Including Social and Environmental Matters]

Under the “basic CSR policy,” the Company has established the CSR Committee, the Risk Management & Compliance Committee, and the Environment, Safety & Quality Assurance Committee. Each committee reviews the summary of each fiscal year’s activities and prepares an activity plan for the following fiscal year based on the Company’s medium-term and long-term business plans. And those committees engage in activities according to their activity plans determined by the resolution of the Board of Directors. By steadily implementing this PDCA (plan-do-check-act) cycle in coordination among those committees, the Company strives to promote and strengthen sustainability activities.

Taking into consideration social issues and changes, such as SDGs (Sustainable Development Goals) and ESG (Environment, Society, and Governance,) the Company has concluded that “strengthening corporate governance, risk management, and compliance” is the most important priority to tackle. Specifically, we have identified 19 factors of material issues (“Materiality”) broadly grouped under the categories; “providing people with a new value that will help to enrich their lifestyles,” “strengthening the Company’s business foundation,” and “continuously strengthening responsible care activities.” Further, leveraging its strengths in management capital, such as personnel, R&D capabilities, and financial foundation, the Company has expanded its activities in the four business domains; “Information and Communication,” “Life Sciences,” “Environment & Energy,” and “Chemicals & Affiliates” based on its five core technologies, including fine organic synthesis. Also, by promoting initiatives for Materiality, the Company has presented a value creation process to grow sustainably together with society.

Moreover, the Company has identified 13 categories of “the Group major risks,” considering the environment surrounding its businesses. It has also drawn up a three-year plan for risk countermeasures starting in the fiscal year 2019 and is steadily implementing PDCA management practices relating to risks. In addition, for the risks and opportunities associated with climate change, the Company has assessed the impact on its businesses by using scenario analysis, under the result of which it is working on determining key strategic measures to take.

Details of the Company’s CSR management are posted on the Company’s website:  
([https://www.nissanchem.co.jp/eng/csr\\_info/](https://www.nissanchem.co.jp/eng/csr_info/))

[Supplementary Principle 2.4.1 Ensuring Diversity, Including Active Participation of Women]

From the standpoint of the active participation of diverse personnel being critical for enhancing the corporate value, the Company released the “Diversity Statement” and the “Diversity Vision” to propel its initiatives toward realizing diversity. The “Diversity Vision” states that “we will become a vibrant company with a sense of fulfillment of job and life by building a corporate culture that respects and accepts diverse opinions and ideas generated from various types of diversity and creating the opportunities to demonstrate individual talents.” The “Diversity Statement” and the “Diversity Vision” are posted on the Company’s website: ([https://www.nissanchem.co.jp/eng/csr\\_info/communication/employee/respect.html](https://www.nissanchem.co.jp/eng/csr_info/communication/employee/respect.html))

With regard to the recruitment of women, the Company has set the target of increasing the ratio of female professional staff from nearly 10% in the fiscal year 2020 to 13% by the end of the fiscal year 2025. As

concrete steps, the Company is working on expanding the range of positions for women in each division/department of the Company and maintaining a 30% ratio for female professional staff recruitment among new graduates. To promote female staff to managerial positions, the Company aims to double the number of female managers from the fiscal year 2021 to the end of 2026. In addition, we are enhancing our efforts to recruit and promote non-Japanese staff and mid-career to managerial positions.

Furthermore, to establish a pleasant workplace where diverse personnel can proactively work, from the fiscal year 2019, the Company has undertaken new personnel development programs based on the “Ideal Human Resources Portfolio,” the guidelines for fostering human resources. We are also introducing various programs to maintain a good work-life balance for each employee. For example, we strive to raise the percentage of employees (including managers) taking annual leaves (to exceed the currently achieved percentage of over 70%) and encourage male employees to take child-care leaves.

#### [Principle 2.5 Whistleblowing]

The Company has established a whistle-blowing system, which allows employees and other personnel to report openly or anonymously to the Risk Management & Compliance Office, outside attorneys, or the Outside Audit & Supervisory Board Members. Audit & Supervisory Board Members shall be notified about such a report whenever it has thus been received. The Chief Risk Management Officer (CRO) appointed by the Board of Directors oversees the whistle-blowing system, and the Board of Directors regularly receives reports on the operation of the whistle-blowing system from the Risk Management & Compliance Office to monitor the proper operation of the system.

Furthermore, the Company does not subject whistle-blowers to disadvantageous treatment in relation to the reporting. Moreover, in cases where the whistle-blower has violated compliance, he/she is not pardoned due to making a report. Still, the CRO may give special dispensation for the Company to act leniently or pardon the whistleblower if he/she assists in the early discovery, investigation, and resolution of the problem.

The Company promotes thorough understanding to that effect within the Company.

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

To ensure that the Company’s corporate pension fund can stably pay pensions to its beneficiaries into the future, the Company has set a ratio for strategic asset composition from a medium to long-term perspective after obtaining opinions from outside specialists. Furthermore, the Company has formulated a basic policy aimed at stable and efficient management of the corporate pension fund, and this policy is presented to institutions entrusted with fund management, and their management performance is monitored constantly. Furthermore, the Company has built a structure under which an Asset Management Committee, comprised of appropriately qualified personnel such as the Directors in charge and Heads, etc., of the Finance & Accounting Department and the Personnel Department, can confirm the sound management status of pension funds, including whether such annual fund management performance and management of conflicts of interest are properly operated, from the perspective of protecting beneficiaries.

#### [Principle 3.1 Information Disclosure]

##### i) The Company’s business strategies and business plans

To set the stage for implementing the long-term business plan “Progress 2030,” the Company has defined its vision of 2021 under the Stage II second three-year phase (from the fiscal year 2019 to the fiscal year 2021) of the medium-term business plan “Vista 2021” such that, 1) “performance materials and agricultural chemicals are driving business results while the next growth engines are being created”; 2) “organizations that enjoy challenges have been realized, and diverse human resources demonstrate their abilities to achieve goals”; and 3) “we contribute to the sustainable development of society through our business activities.” Meanwhile, the Company has set forth the basic strategies for achieving the vision as, 1) “increase profitability of products that are sources of growth”; 2) “strengthen the ability to create new products”; and 3) “improve the ability to adapt to social/market changes”; and is accordingly taking steps to achieve the following numerical targets.

Numerical targets for the fiscal year 2021 (the final year of Stage II)

◆ Net Sales

- 235.0 billion yen
- ◆ Operating income
- 43.0 billion yen
- ◆ Operating margin
- 18% or more (Results for the fiscal year 2020 - 20.3%)
- ◆ ROE (return on equity)
- 16% or more (Results for the fiscal year 2020 - 17.5%)
- ◆ Return of profits to shareholders
- Maintain dividend payout ratio of 45% (Results for the fiscal year 2020 – 44.9%)
- Maintain total payout ratio at 75% (Results for the fiscal year 2020 - 74.6%)

Details of Vista 2021 Stage II are provided on the Company’s website:  
[https://www.nissanchem.co.jp/eng/news\\_release/release/en2019\\_05\\_15b.pdf](https://www.nissanchem.co.jp/eng/news_release/release/en2019_05_15b.pdf)

[Supplementary Principle 3.1.3 Disclosure on sustainability and related matters]

### 1. Initiatives on sustainability

To attain sustainable growth together with society, the Company is promoting its initiatives on material issues (Materiality) identified, recognizing social issues and changes, such as SDGs and ESG. Those initiatives are described in “Supplementary Principle 2.3.1 Sustainability Issues, Including Social and Environmental Matters” in this Report.

### 2. Initiatives to disclose information based on TCFD or an equivalent framework

According to the recommendation from the Task Force on Climate-related Financial Disclosures (TCFD), the Company applied 2- and 4-degree C climate scenarios to analyze the impact of climate change-related risks and earnings opportunities on its business activities and profits, and related aspects. For the carbon pricing, one of the crucial risks indicated in the 2-degree scenario, we plan to introduce the Internal Carbon Pricing (ICP) system and propel the low-carbon investments. Given the market changes associated with the rising demand from society to consider the environment, we prospect our business opportunities expand in the environmental energy area; one of our key business fields identified in our long-term business plan, the “Progress 2030,” started in 2016. For the 4-degree scenario analysis, which presented the risk of impact on the operation of factories and supply chains by the higher frequency of abnormal weather, the Company is working on a Business Continuity Plan (BCP) for key products. And we will review it as necessary, procure major raw materials from multiple suppliers, and take other necessary measures. Further, the scenarios analysis indicated that the rise of temperature and abnormal weather might give rise to the scarcity of water, outbreaks of infectious diseases, and other unforeseeable situations, and as a result, the market is expected to change. In this regard, we are sure to capture new business opportunities in the fields of agricultural chemicals and sterilizers or disinfectant for water to drink. Those actions to take in response to the analysis results were deliberated by the CSR Committee and are now under the Board of Directors’ supervision. The Company has also set its long-term target to down 30% of greenhouse gas emissions until the fiscal year 2030 compared to the fiscal year 2018.

The Company is enhancing its efforts to disclose information based on the framework of TCFD, such as the analysis results of 2- and 4-degree C climate scenarios, and it plans to disclose data required in the TCFD Recommendation in a phased manner. The scenario analysis results are posted on the Company’s website:

[https://www.nissanchem.co.jp/eng/csr\\_info/risk\\_management/policy.html](https://www.nissanchem.co.jp/eng/csr_info/risk_management/policy.html)

### 3. Investments in human capital

The Company places “the creation of the new growth engine by investing management resources intensively into research and development” as one of the keys to the Group’s advancement. In this regard, the Company’s R&D staff members account for about 40% of total professional staff members (for the Company alone), which represents its stance to focus on research and development.

Also, recognizing that the retention and training of personnel are essential for enhancing the sustainable corporate value, the Company provides various training programs. They include self-start training for new employees to study how to “create and propose a unique and original plan and put it into practice” for two or three years after their joining, training before promotion to manager or an equivalent position to “develop the future-creating leadership,” and overseas language study program to respond to the globalization of businesses. Besides, to grasp employees’ enthusiasm and attitude to their work, the Company assesses the degrees of their engagement into their respective jobs by conducting questionnaires survey every year and releases its numeral result.

#### 4. Investments in intellectual properties

The Company has a wealth of experience and proven records of investing into and utilizing intellectual properties. Under the Company Philosophy “Contribute to society in harmony with the environment based on our excellent technologies, products, and services,” we have consistently valued intellectual properties and intensively invested our management resources in research and development, the resources for growth. As an instance, the ratio between the sales turnover and R&D expenses has stayed at around 8 or 9% since 2016, ranking at the top level in many chemical manufacturers. The outcomes of research and development can be seen in the operating profit ratio over sales, which has stayed at 10% or over for eighteen consecutive years by prioritizing the business of high value. In addition, the Intellectual Property Department takes the lead in striving to secure intellectual property rights and protect its businesses, for example, by holding about 5,500 registered patents in and out of Japan and exercising those rights through IP litigations.

Further, to share common internal and external issues relating to intellectual properties, the Intellectual Property Department holds an intellectual property meeting at the head office (each of its business and administrative divisions/departments) and each R&D center and factory every year. For the portfolio of intellectual properties in each business field, we discuss and optimize them in keeping with the research and business strategies to sustain the Company’s ideal business model “Future-Creating Enterprise that responds to social needs with unique, innovative technologies.”

#### ii) Basic views and guidelines on corporate governance

##### <Basic views on corporate governance>

Adopting a new business model called “Future-Creating Enterprise that responds to social needs with unique, innovative technologies,” the Company is making concerted efforts to achieve sustainable growth and increase in corporate value over the medium to long-term with the aim of establishing the Company as “a corporate group that contributes to human survival and development” and as trusted by all stakeholders.

As part of these activities, with the understanding of corporate governance as “the system for sound and efficient management to achieve the sustainable and the medium to long-term profit for our stakeholders,” the Company is working to accelerate management decision-making and clarify management and business execution responsibilities. Also, through a Board of Directors and Audit & Supervisory Board, including highly independent Outside Officers, we are promoting the strengthening of our management monitoring function, compliance, risk management, and internal control system.

##### <Basic guidelines on corporate governance>

The Company’s basic guidelines on corporate governance are as follows:

#### (1) Securing the rights and equal treatment of shareholders

The Company acts lawfully and appropriately in accordance with laws and regulations and creates and maintains the necessary environments to secure the rights and equal treatment of shareholders substantially.

#### (2) Appropriate cooperation with stakeholders other than shareholders

The Company endeavors to cooperate appropriately with stakeholders to ensure the Group’s sustainable growth and increase its corporate value over the medium to long term.

#### (3) Ensuring appropriate information disclosure and transparency

The Company works to appropriately disclose and provide highly useful information, including financial and non-financial information such as management strategies and issues, and matters related to risk, governance, and social and environmental issues based on laws and regulations or as appropriate and necessary.

#### (4) Responsibilities of the Board of Directors

Given its fiduciary responsibility and accountability to shareholders, in order to promote the Group's sustainable growth, increase its corporate value over the medium to long term and enhance, among others, earnings power and capital efficiency, the Board of Directors appropriately fulfills its roles and responsibilities, including those described below.

- Keeping in mind the Group's corporate vision of being "a corporate group that contributes to human survival and development," the Board of Directors works to formulate and implement strategies for achieving the Group's sustainable growth and increasing its corporate value over the medium to long term.
- The Board of Directors appropriately establishes an environment that supports the taking of risks by the management, including the internal control system and the risk management system.
- By clarifying the swift management decision-making and oversight function and the execution function, the Board of Directors strives to strengthen both functions.
- Multiple Outside Directors and Outside Audit & Supervisory Board Members are appointed to monitor and oversee management from an outside perspective and provide additional third-party knowledge, thereby further enhancing management transparency, soundness, and objectivity.

#### (5) Dialogue with shareholders

The Company puts all its energies into being a corporate group that contributes to human survival and development and is trusted among all its stakeholders, with the aim of achieving the Company's sustainable growth and increasing its corporate value over the medium to long term. As part of these initiatives, the Company places value on the dialogue with stakeholders, including shareholders, and discloses information appropriately.

##### iii) Board of Directors' policies and procedures in determining the remuneration of senior management and Directors

Please refer to "II. 1. Organizational Composition and Operation, [Director Remuneration], Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof," presented later in this report.

##### iv) Board of Directors' policies and procedures in the nomination of Director and Audit & Supervisory Board Member candidates and appointment or dismissal of senior management

(Policies on the nomination of Director and Audit & Supervisory Board Member candidates and appointment or dismissal of senior management)

With regard to the nomination of Director candidates, the Board of Directors takes into consideration the balance and diversity of the overall Board of Directors in terms of knowledge, experience, skills, etc. in order to ensure appropriate and expeditious decision-making and oversight of the execution with respect to business activities in diverse fields, including chemicals, performance materials, agricultural chemicals, and pharmaceuticals. Moreover, the Board of Directors nominates candidates who are healthy, physically and mentally, and trusted, and respected for their excellent character, a high level of insight, and a sense of ethics.

For the Internal Director candidates, in addition to the above policy on the nomination of Director candidates, the Board of Directors nominates candidates with, in particular, specialized capabilities and knowledge in its individual business areas, corporate planning, personnel, finance and accounting, research and development, production technologies, and environmental safety and quality assurance, among others.

For the Outside Director candidates, in addition to the above policy on the nomination of Director candidates, the Board of Directors nominates candidates who will proactively voice opinions related to the Company's growth strategy, the enhancement of governance, and other areas from the perspective of diverse stakeholders and society, as well as who will raise questions and offer advice.

Regarding Audit & Supervisory Board Members, the Board of Directors nominates candidates who offer broad-ranging experience and insight focused on specialized areas including finance, accounting, and legal affairs, and who will audit business execution and offer opinions and advice to management from a fair and neutral standpoint. Nominations of Audit & Supervisory Board Member candidates are approved by the Audit & Supervisory Board in advance.

For senior management (Representative Director and Directors with special titles), appointments emphasize experience and ability to demonstrate strong leadership and expeditious, appropriate execution of the Company's management strategy and management plans.

If any senior management falls under the criteria for dismissal listed below, the senior management shall be subject to consideration of dismissal.

- In the case where the senior management is considered to have failed to perform his/her function appropriately based on an evaluation of the Company's performance and so forth.
- In the case where the senior management has committed misconduct or serious breach of laws and regulations or the Articles of Incorporation in executing his/her duties.
- In the case where any other reason arises that is recognized as impeding appropriate execution of his/her duties.

(Procedures in the nomination of Director and Audit & Supervisory Board Member candidates and appointment or dismissal of senior management)

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

- (1) In order to ensure the appropriateness and transparency of policies and procedures in the appointment of executive officers as well as to proactively obtain the involvement, advice, and supervision of the Outside Directors, the Company establishes, as an optional advisory body to the Board of Directors, the "Nomination and Remuneration Advisory Committee," which is comprised of three or more members, of which a majority are independent Outside Directors, appointed based on the resolution of the Board of Directors.
- (2) Pursuant to "policies on the nomination of Director and Audit & Supervisory Board Member candidates and appointment or dismissal of senior management," the Representative Director nominates personnel that is suitable to be candidates for Director and Audit & Supervisory Board Member and senior management and drafts its proposal.
- (3) The Nomination and Remuneration Advisory Committee deliberates on the proposal drafted by the Representative Director, determines its opinion, and reports it to the Board of Directors.
- (4) The Board of Directors deliberates based on the report made by the Nomination and Remuneration Advisory Committee and finalizes the proposal of candidates for Director, Audit & Supervisory Board Member, and senior management. (Directors and Audit & Supervisory Board Members are elected by a resolution of the General Meeting of Shareholders.)

2. Procedures in the dismissal of senior management

- (1) The Nomination and Remuneration Advisory Committee is to evaluate senior management in light of the Company's business performance and other factors at least once per year.
- (2) If results of the aforementioned evaluation indicate that the dismissal criteria apply to the senior management, then the Nomination and Remuneration Advisory Committee is to hold deliberations on the propriety of dismissing such senior management and furthermore is to report its opinions thereof to the Board of Directors.
- (3) The Board of Directors is to make a decision on whether or not to dismiss the senior management upon having deliberated on the matter in light of the report made by the Nomination and Remuneration Advisory Committee.

(Procedures for making decisions on the dismissal of Directors and Audit & Supervisory Board Members are to accord with provisions of the Companies Act.)

- v) Explanation of individual appointment or dismissal and nominations when Board of Directors appoints or dismisses senior management and nominates Director candidates and Audit & Supervisory Board Member candidates in accordance with iv) above

Nominations of Director candidates and Audit & Supervisory Board Member candidates are disclosed in the reference documents to the notice of the convocation of the Ordinary General Meeting of Shareholders. Please refer to the following:



Reference documents to the Notice of the Convocation of the 151st Ordinary General Meeting of Shareholders ([https://www.nissanchem.co.jp/eng/news\\_release/release/en2021\\_05\\_28.pdf](https://www.nissanchem.co.jp/eng/news_release/release/en2021_05_28.pdf))

Information regarding the appointment or dismissal of senior management is disclosed appropriately on the Company's website.

[Supplementary Principle 4.1.1 Summary of the Scope of Delegation by the Board of Directors to the Management]

The aim of introducing a system of executive officers in the Company is to clarify the management decision-making and oversight function and the executive function to strengthen both roles and enhance its capacity to establish and implement the management strategies. With that aim, the Board of Directors makes decisions on important matters related to management. For specific criteria for matters to be discussed at the board, the Board of Directors Rules set certain amounts of transactions and other criteria requiring the board's approval, taking into account the Company's business scale and other factors, and define the scope for decisions to be made by the board. In accordance with the Company's internal rules and within the scope permitted by laws and regulations and the Articles of Incorporation, the Board of Directors delegates to the Management Meeting and other bodies decisions corresponding to items not to be determined by the board in line with the Board of Directors Rules depending on the importance of the items.

[Supplementary Principle 4.2.2 Basic principles of initiatives relating to sustainability]

Recognizing that CSR management embraces sustainability management, the Company has set out the "basic CSR policy." Under that policy, we regularly hold meetings of the CSR Committee, twice a year, which consists of executive officers in charge of each business division/department, coordinated by the CSR & Public Relations Office, as the secretariat. The committee's objective is to tackle global social issues on the environment and other circumstances related to our business activities and management strategies more strategically. At those meetings, committee members deliberate various matters, including CSR-related policies, identification of Materiality, the medium-term and long-term plans and an ongoing plan for the current year, the review of activities, improvements based on the review, and other issues to be examined. The outcomes of those deliberations are submitted to the Board of Directors after obtaining the Management Meeting's approval.

[Principle 4.9 Independence Standards and Qualification for Independent Outside Directors]

The Company's independence standards for Outside Officers are as follows:

The Company's independent Outside Officers (Directors and Audit & Supervisory Board Members) and independent Outside Officer candidates shall fulfill the requirements for Outside Officers under the Companies Act and the following independence standards.

- (1) Not being an executive (a person who executes business) of the Company or its subsidiaries, nor have been the same during the past ten years (however, if he/she had been a non-executive director or audit & supervisory board member of the Company or its subsidiaries at some point during the past ten years, additional ten years prior to his/her assumption of that role should be counted.)
- (2) Not being one of the Company's major shareholders with 10% or more of voting rights or an executive thereof
- (3) Not being an executive of a corporation of which the Company is a major shareholder (a shareholder with 10% or more of voting rights)
- (4) Not being a major client or supplier (a client or supplier from whom the value of average payments for transactions to the Company or its subsidiaries over the past three fiscal years exceeds 2% of the average annual consolidated net sales of the Company over the past three fiscal years) of the Company or its subsidiaries or an executive thereof
- (5) Not being a party, whose major client or supplier is the Company or its subsidiaries (a party to whom the value of average payments for transactions by the Company or its subsidiaries over the past three fiscal years exceeds 2% of the average annual consolidated net sales of that party over the past three fiscal years), or an executive thereof
- (6) Not being an executive of a major financial institution with which the Company has borrowings (a financial institution from whom the average amount of the Company's consolidated fiscal-year-end balance of borrowings over the past three fiscal years exceeds 2% of the Company's average annual consolidated

fiscal-year-end total assets over the past three fiscal years) nor having been an executive thereof for the past three years

- (7) Not being an attorney, certified public accountant, certified public tax accountant, another consultant, researcher, or educator who receives from the Company of a large amount of monetary consideration or other property (an average annual amount over the past three fiscal years of over ¥10 million for individuals or, in the event the recipient is a corporation or other organization that said individual is affiliated with or retained by, of an amount in excess of 2% of that organization's average annual total revenues over the past three fiscal years) other than Director and Audit & Supervisory Board Member remunerations
- (8) Not being a close relative (spouse, person within the second degree of kinship or relative living together) of an executive (limited to key personnel) of the Company or its subsidiaries
- (9) In addition to items (1) through (8) above, being such person as the Board of Directors rationally determined that his/her independence as an independent Outside Officer is unquestionable and there is no risk of a conflict of interest with the general shareholders of the Company.

[Supplementary Principle 4.10.1 Disclosure on the Nomination Committee and the Remuneration Committee]

The Company's views on the independence of the Nomination and Remuneration Advisory Committee, their mandates and roles, and other functions are described in Supplementary Explanation for the "Committees Voluntarily Established, Composition of Committee Members, and Attributes of Committee Chair" in this Report.

[Supplementary Principle 4.11.1 View on the Appropriate Balance between Knowledge, Experience and Skills of the Board as a Whole, and on Diversity and Appropriate Board Size]

The Company aims to strengthen both the swift management decision-making and oversight function and the executive function by clarifying their roles to enhance its capacity to establish and implement the management strategies. For achieving that objective, it is required to ensure substantial deliberation by the Board of Directors. In addition, the Company considers the board to be formed by members selected from various viewpoints to make appropriate and expeditious decision-making and oversee the execution of business activities in diverse fields (including chemicals, performance materials, agricultural chemicals, and pharmaceuticals). Those points include the balance of knowledge, experience, skills, and other capacity and diversity, including gender, internationality, and practical experience in totality of the board. To ensure a well-balanced and diverse board composition, based on the Company Philosophy and Management Strategy, the Company has identified the expertness and experience required for its directors (skills requirements): "corporate management," "research and development/technologies," "finance and accounting," "legal/risk management/internal control," "personnel affairs/personnel strategies," and "global experience." And the Company makes the board consist of appropriate persons as its directors, who have met the above-skills requirements appropriately, and who are healthy, physically and mentally, and trusted and respected for their excellent characters, a high level of insight, and a sense of ethics. We will review the above skills requirements as necessary based on the Management Strategy and relevant policies. The Company has set the number of the Directors at no more than twelve (including more than one Outside Directors), and the board is currently composed of ten Directors (including four independent Outside Directors consisting of three males and one female). As it comprises diverse members who have abundant knowledge, experience, and skills in international business development, we consider the board is functioning adequately and effectively.

For the skills matrix for the board, which lists the expertness and experience expected for the Company's directors, see "2. Other Matters Concerning Corporate Governance System under V. Other" in this Report. The same information is posted on the Company's website:

<https://www.nissanchem.co.jp/eng/profile/corporate.html>

[Supplementary Principle 4.11.2 Status of Concurrent Appointments of Directors or Audit & Supervisory Board Members at Other Listed Companies]

The status of concurrent appointments of the Company's Directors and Audit & Supervisory Board Members at other listed companies is as follows:

- Outside Director, KATAOKA Kazunori  
Outside Director of NanoCarrier Co., Ltd.

- Outside Director, NAKAGAWA Miyuki  
Outside Director of NITTO KOGYO CORPORATION, Outside Audit & Supervisory Board Member of FANCL CORPORATION
- Outside Audit & Supervisory Board Member, KATAYAMA Noriyuki  
Outside Director of Nippon Den kai, Ltd., Outside Audit & Supervisory Board Member of Livesense Inc.,  
Outside Audit & Supervisory Board Member of AIDA ENGINEERING, LTD.

[Supplementary Principle 4.11.3 Analysis and Evaluation of the Board of Directors' Effectiveness as a Whole]

(1) Viewpoints and methods of analysis and evaluation

The Company recognizes that the primary roles and responsibilities of its Board of Directors are as follows: (1) establishing a strategy for achieving sustainable growth and increase in corporate value over the medium to long term, and facilitating the execution of the strategy; (2) establishing an environment that supports risk-taking by the management, including the internal control system and the risk management system; (3) strengthening its swift management decision-making and oversight function and business execution function by clarifying those respective functions; and (4) further enhancing management transparency, soundness, and objectivity through, among other efforts, the appointment of Outside Officers who monitor and oversee the management from external viewpoints. Given the foregoing, the Company performs analysis and evaluation (the "Effectiveness Evaluation") every year to see if the Board of Directors has fulfilled those roles and responsibilities.

The Company has employed the Effectiveness Evaluation program since the fiscal year 2015. That evaluation is generally conducted using the "Self-Evaluation" method in which the Board of Directors performs its self-evaluation. More specifically, all the Directors and Audit and Supervisory Committee Members are required to answer the questionnaires combining a five-point scale and free description. Through the questionnaire survey, the Company intends to grasp the current situation and identify issues from two aspects of quantitative and qualitative assessments. Also, for ensuring anonymity, the Company contracts out to an external organization to gather the responses and aggregate the information to enhance the self-evaluation.

In addition, the Company carries out a third-party evaluation every several years using an external organization that holds no relationships of interest with the Company in order to ensure neutrality and objectivity. The latest third-party evaluation was conducted in the fiscal year 2020.

Based on the results of the Effectiveness Evaluation implemented with the third-party evaluation for the fiscal year 2020, including the questionnaire responses, the Company had an internal opinion-exchange meeting in April 2021. The meeting was attended by all independent Officers consisting of three Outside Directors and three Outside Audit & Supervisory Board Members (including two full-time members), the Chairman & CEO, the President & COO, and the Senior Executive Vice President. They discussed, analyzed, and evaluated issues and necessary measures, and those analysis and evaluation results were further discussed and confirmed at the Board of Directors held in May 2021.

(2) Outline of the results of Effectiveness Evaluation for the fiscal year 2020

Based on the result of the Effectiveness Evaluation for the fiscal year 2020, it was concluded that the Company's Board of Directors was generally operating appropriately overall from the perspective of carrying out its primary roles and responsibilities and that the effectiveness of the Board of Directors was ensured as improvement measures were taken with regard to issues\* identified in the previous Effectiveness Evaluation for the fiscal year 2019.

\*Issues identified in the Effectiveness Evaluation for the fiscal year 2019

- i) To enrich the information sharing with the Board of Directors on the matters discussed at the Nomination and Remuneration Advisory Committee to enhance the Board of Directors' oversight function with regard to the remuneration for and the appointment of the senior management and their succession plan.
- ii) To deepen discussions at the Board of Directors overall with respect to the diversity of its constituent members (in particular, from the viewpoint of gender fairness).

- iii) To ensure the effectiveness of the decision-making process by further devising ways to boost quality, quantity, and clarity of the information (matters to be discussed at the Board of Directors) to be shared with the Directors (in particular, Outside Directors) and the Audit & Supervisory Committee Members.

### (3) Points of future improvement

Through the discussions made as above, the Company recognized the following issues to address for further enhancing the effectiveness of the Board of Directors and determined to work on improvements.

- i) To promote deeper discussions at the Board of Directors with regard to the Company's directions, strategies, business portfolio, development of new business fields, and risks. When discussing the medium and long-term directions, the Board of Directors provides its members with a forum for "free discussion" to exchange their opinions from various viewpoints.
- ii) When discussing medium to long-term issues, the Board of Directors facilitates a debate about the Company's sustainability, relating to its management strategies and from the viewpoints of risks and opportunities.
- iii) To consider how to set appropriate agenda to enable the Board of Directors to focus on the discussion on material matters over the medium to long term. During setting the agenda, the Corporate Planning Department actively plays its role as the secretariat for the Board of Directors.
- iv) To make further efforts to deepen Outside Directors' understandings of the Company business and management strategies and to use opportunities for briefings and discussions other than the Board of Directors.
- v) To discuss at the Nomination and Remuneration Advisory Committee about the Board of Directors itself, for example, what the Board of Directors is supposed to be, what roles Inside Directors should take, what kind of person (in terms of gender, nationality, expertise, etc.) should be appointed as an Inside Director, and what is the balanced ratio of Inside Directors and Outside Directors to the whole Board of Directors.
- vi) To discuss at the Nomination and Remuneration Advisory Committee how to share the information with the Board of Directors.

The outline of the results of the Effectiveness Evaluation for the fiscal year 2020 is posted on the Company's website: ([https://www.nissanchem.co.jp/eng/news\\_release/release/en2021\\_06\\_04.pdf](https://www.nissanchem.co.jp/eng/news_release/release/en2021_06_04.pdf))

By enabling deeper discussion in the Board of Directors based on the recent evaluation result and continuing to implement measures to improve the effectiveness of the Board of Directors, the Company will ascertain the status of improvement on a regular basis through the Effectiveness Evaluation and further enhance the effectiveness of the Board of Directors in an effort to achieve sustainable growth and increase in corporate value.

#### [Supplementary Principle 4.13.3 Information gathering and support system]

To help the Board of Directors and the Audit & Supervisory Board fulfill their functions, the Company's Internal Audit Department reports its internal audit activity summary for the past one year and submits the following years' internal audit activity plan (including internal audits for subsidiaries) to the board regularly (in June, the end of the audit year, December for the interim report, and at any time when any material issue is discovered.) The Internal Audit Department also reports bi-monthly on the progress of its internal audit activity and the audit findings to the Audit & Supervisory Committee Members and the top management. In addition, it reports monthly to the Director in charge and exchanges information quarterly with Outside Directors. Through those activities, the Internal Audit Department strives to ensure coordination with the Directors and the Audit & Supervisory Committee Members.

#### [Supplementary Principle 4.14.2 Training Policy for Directors and Audit & Supervisory Board Members]

To help its Directors and Audit & Supervisory Board Members fulfill their roles and responsibilities appropriately, upon their appointment, the Company provides Directors with training conducted by outside specialists concerning matters they must comply with as officers, such as the legal obligations and responsibilities. In addition, following their appointment, the Company conducts training necessary for Directors and Audit & Supervisory Board Members to fulfill their roles and responsibilities appropriately and provides them with opportunities for training, etc. The Company provides and arranges such opportunities on

an ongoing basis. In the fiscal year 2020, the Company provided them with training programs conducted by outside specialists focused on diversity (the promotion of female empowerment in the workplace) in October 2019 and corporate governance in January 2021, respectively.

Furthermore, the Company provides Outside Officers with explanations about its businesses and organizations upon their appointment; after that, it offers information about its business issues and other aspects, as needed, to enhance their understanding of the Group's management strategies, business content, the status of operations, etc. The Company also provides them with opportunities to participate in visits to factories, research laboratories, and other facilities, as well as with opportunities to participate in internal meetings, etc.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

The Company puts all its energies into being a corporate group that contributes to human survival and development and is trusted among all its stakeholders, with the aim of achieving sustainable growth and increase in corporate value over the medium to long term. As part of these initiatives, the Company places value on the dialogue with stakeholders, including shareholders, and discloses information appropriately.

Other policies related to the creation of systems and initiatives to promote constructive dialogue with shareholders are described below.

- (1) Appointment of a member of management or a Director who is responsible for overseeing general dialogue and ensuring that constructive dialogue with shareholders takes place

The Company has in place a CFO, a Director in charge of Finance & Accounting Department (Director and Senior Executive Vice President), and a department in charge of IR (Finance & Accounting Department) in order to oversee general dialogue with shareholders and institutional investors and engage in constructive dialogue.

- (2) Measures to ensure positive cooperation between internal departments such as IR, corporate planning, general affairs, corporate finance, accounting, and legal affairs with the aim of supporting dialogue

The Company has a department in charge of IR (Finance & Accounting Department), a department in charge of Shareholder Relations (Corporate Planning Department), and a department in charge of CSR and Public Relations (Corporate Planning Department) to cooperate with each other and endeavors to provide timely disclosure and other information in an appropriate manner for purposes of promoting constructive dialogue with shareholders and institutional investors, and providing information required for investment decisions in a timely, fair, equitable and ongoing manner.

- (3) Measures to promote opportunities for dialogue aside from individual meetings (e.g., general investor meetings and other IR activities)

In Japan, the President & COO conducts briefings on business plans, and the CFO, the Director in charge of the Finance & Accounting Department (Director and Senior Executive Vice President), conducts briefings (including telephone conferences) on each quarterly financial result. In addition, each year, the CFO, the Director in charge of Finance & Accounting Department (Director and Senior Executive Vice President), participates in conferences sponsored by securities companies in the United States, Europe, Asia, and other regions, in an effort to engage directly in dialogue with overseas institutional investors. For the fiscal year 2020, under the global spread of COVID-19 infection, the Company attended the above conferences online.

As to the briefings on financial results above, the materials (in the Japanese and English versions), audio files (only the Japanese version), and their scripts, including Q&A sessions (in the Japanese and English versions), are posted on the Company's website and provided to shareholders.

- (4) Measures to appropriately and effectively relay shareholder views and concerns learned through dialogue to the senior management and the Board of Directors

Opinions, concerns, and other feedback from shareholders and institutional investors picked up during dialogue with shareholders, and institutional investors are regularly reported to the Board of Directors, etc. Such information is utilized for subsequent IR and SR policies and dialogue with shareholders and institutional investors.

- (5) Measures to control insider information when engaging in dialogue

The Company has internal rules (such as the Insider Trading Management Rules) in place to prevent the communication of insider information when engaging in dialogue and endeavors to respond appropriately.

[Supplementary Principle 5.2.1 Compiling and announcement of business strategy and plan]

At the briefing on financial results where the long-term business plan “Progress 2030” and the medium-term business plan “Vista 2021” were announced, the Company explained its basic policy on the business portfolio determined by the Board of Directors. And at subsequent briefings on financial results and other occasions, we also described the progress and the reviewing process for those plans. The long-term business plan “Progress 2030” and the medium-term business plan “Vista 2021” are posted on the Company’s web pages:

([https://www.nissanchem.co.jp/eng/ir\\_info/library/business\\_plan.html](https://www.nissanchem.co.jp/eng/ir_info/library/business_plan.html))

([https://www.nissanchem.co.jp/eng/ir\\_info/nissanchem/plan.html](https://www.nissanchem.co.jp/eng/ir_info/nissanchem/plan.html))

## 2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
----------------------------	---------------------------

### [Status of Major Shareholders] [Updated]

Name/Company Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	34,610,300	24.28
Custody Bank of Japan, Ltd. (Trust Account)	13,239,800	9.29
Custody Bank of Japan, Ltd. as trustee for the Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust	5,767,800	4.05
The Norinchukin Bank	4,800,000	3.37
Nissan Chemical Corporation Customer Shareholders Association	3,746,800	2.63
Custody Bank of Japan (Securities Investment Trust Account)	2,711,900	1.90
STATE STREET BANK WEST CLIENT – TREATY 505234	1,956,611	1.37
Meiji Yasuda Life Insurance Company	1,861,000	1.31
JP MORGAN CHASE BANK 385781	1,735,273	1.22
The Nissan Chemical Employees Shareholding Association	1,678,800	1.18

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

### Supplementary Explanation [Updated]

- (1) Other than the above, the Company owns 448 thousand treasury shares.
- (2) In the Statement of Large-Volume Holdings (Statement of Changes) provided for public viewing on April 6, 2020, it is reported that BlackRock Japan Co., Ltd. and its joint holders hold 7,326 thousand shares (the holders’ holding ratio of shares and other securities 5.02%) as of March 31, 2020. However, since the Company is unable to confirm the actual number of shares held by each company as of September 30,

2021, they are not included in the status of major shareholders above.

- (3) In the Statement of Large-Volume Holdings (Statement of Changes) provided for public viewing on July 7, 2020, it is reported that Nomura Securities Co., Ltd. and its joint holders hold 15,735 thousand shares (the holders' holding ratio of shares and other securities 10.78%) as of July 1, 2020. However, since the Company is unable to confirm the actual number of shares held by each company as of September 30, 2021, they are not included in the status of major shareholders above.
- (4) In the Statement of Large-Volume Holdings (Statement of Changes) provided for public viewing on March 22, 2021, it is reported that Mizuho Bank, Ltd. and its joint holders hold 10,878 thousand shares (the holders' holding ratio of shares and other securities 7.50%) as of March 15, 2021. However, since the Company is unable to confirm the actual number of shares held by each company as of September 30, 2021, they are not included in the status of major shareholders above.
- (5) In the Statement of Large-Volume Holdings (Statement of Changes) provided for public viewing on August 5, 2021, it is reported that Sumitomo Mitsui Trust Bank, Limited and its joint holders hold 13,313 thousand shares (the holders' holding ratio of shares and other securities 9.25%) as of July 30, 2021. However, since the Company is unable to confirm the actual number of shares held by each company as of September 30, 2021, they are not included in the status of major shareholders above.

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Chemicals
Number of Employees (consolidated) as of the 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 as of the End of the Previous Fiscal Year	Less than 10

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

—

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

—

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

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
-------------------	--

#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors	Chairman & CEO
Number of Directors [Updated]	10
Appointment of Outside Directors	Appointed
Number of Outside Directors [Updated]	4
Number of Independent Officers Designated from among Outside Directors [Updated]	4

#### Outside Directors' Relationships with the Company (1) [Updated]

Name	Attribute	Relationships with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
OHE Tadashi	Attorney-at-law												
OBAYASHI Hidehito	From another company							△					
KATAOKA Kazunori	Scholar							○					
NAKAGAWA Miyuki	Attorney-at-law												

\* Categories for "Relationships with the Company."

\* "○" when the Director presently falls or has recently fallen under the category;

"△" when the Director fell under the category in the past

\* "●" when a close relative of the Director presently falls or has recently fallen under the category;

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

- Executive of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A 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, accountant, or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of the Company (which does not correspond to any of d., e., or f.) (the Director himself/herself only)
- Executive of a company, between which and the Company Outside Officers are mutually appointed (the Director himself/herself only)



- j. Executive of a company or other organization that receives a donation from the Company (the Director himself/herself only)
- k. Others

Outside Directors' Relationships with the Company (2) [Updated]

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
OHE Tadashi	○	Mr. OHE Tadashi, an independent Outside Director, is an attorney-at-law at OHE TANAKA and OYA Law Office. No transactional relationship exists between this firm and the Company.	The Company believes that Mr. OHE's abundant experience and specialist knowledge as an attorney-at-law and his experience to date in contributing to corporate management multiple times as an outside director and outside audit & supervisory board member make him suitable as an Outside Director. Furthermore, the Company judges that Mr. OHE has no special-interest relationships with management, and there is no risk of conflict of interest with general shareholders.
OBAYASHI Hidehito	○	Mr. OBAYASHI Hidehito, an independent Outside Director, is Chairman Emeritus of Hitachi High-Tech Corporation. The Company has transactions with Hitachi High-Tech Corporation that include the purchase of analytical instruments. However, in light of the scale and nature of the transactions (an annual average of less than 0.1% of the corporation's total revenues for the past three fiscal years), the Company judges there to be no risk of affecting the decisions of shareholders and investors.	The Company believes that Mr. OBAYASHI's abundant experience and extensive insight as an experienced manager of a corporate group that pursues diverse business globally make him suitable as an Outside Director. Furthermore, the Company judges that Mr. OBAYASHI has no special-interest relationships with management, and there is no risk of conflict of interest with general shareholders.

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
KATAOKA Kazunori	○	Mr. KATAOKA Kazunori, an independent Outside Director, serves as Deputy Chairman of Kawasaki Institute of Industrial Promotion, Director General of Innovation Center of NanoMedicine of the said institute, and Professor Emeritus at The University of Tokyo. The Company has transactions with The University of Tokyo, such as contracted testing. However, given the scale and nature of this involvement (an annual average of less than 0.1% of the university's ordinary revenue for the past three fiscal years), the Company judges there to be no risk of affecting the decisions of shareholders and investors. No transactional relationship exists between the Kawasaki Institute of Industrial Promotion and the Company.	The Company believes that Mr. KATAOKA's expertise as a Doctor of Engineering and his abundant experience and wide-ranging knowledge make him suitable as an Outside Director. Furthermore, the Company judges that Mr. KATAOKA has no special-interest relationships with management, and there is no risk of conflict of interest with general shareholders.
NAKAGAWA Miyuki	○	Ms. NAKAGAWA Miyuki, an independent Outside Director, is an attorney-at-law at Kousui Law Office and Professor at Chuo Law School. No transactional relationship exists between this firm and the Company, and this university and the Company, respectively.	The Company believes that Ms. NAKAGAWA's abundant experience and specialist knowledge as a prosecutor and her experience to date in contributing to corporate management as an outside director make her suitable as an Outside Director. Furthermore, the Company judges that Ms. NAKAGAWA has no special-interest relationships with management, and there is no risk of conflict of interest with general shareholders.

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

Committees Voluntarily Established, Composition of Committee Members, and Attributes of Committee Chair

	Name of committee	Number of committee members	Number of full-time committee members	Number of Internal Directors	Number of Outside Directors	Number of external experts	Number of others	Committee chair

Voluntarily established committee equivalent to nomination committee	Nomination and Remuneration Advisory Committee	6	0	2	4	0	0	Internal Director
Voluntarily established committee equivalent to remuneration committee	Nomination and Remuneration Advisory Committee	6	0	2	4	0	0	Internal Director

#### Supplementary Explanation [Updated]

On April 1, 2019, the Company established its Nomination and Remuneration Advisory Committee, which acts as an advisory body under the Board of Directors with the aims of strengthening the Board of Directors' independence, objectivity, and accountability in relation to matters such as the nomination and remuneration of the Directors, and further enhancing corporate governance. The Nomination and Remuneration Advisory Committee functions as both a nomination committee and a remuneration committee.

A majority of the Nomination and Remuneration Advisory Committee's members are independent Outside Directors, with no fewer than three of its members selected by resolution of the Board of Directors. The Chairman & CEO is selected as the committee chair by resolution of the committee from among its members. The Corporate Planning Department manages the secretariat established in the Nomination and Remuneration Advisory Committee. As of December 14, 2021, the committee chair and members of the Nomination and Remuneration Advisory Committee are as follows:

- Committee chair: KINOSHITA Kojiro (Chairman & CEO) (served since April 1, 2019)
- Committee member: OHE Tadashi (independent Outside Director) (served since April 1, 2019)
- Committee member: OBAYASHI Hidehito (independent Outside Director) (served since June 26, 2019)
- Committee member: KATAOKA Kazunori (independent Outside Director) (served since June 25, 2020)
- Committee member: NAKAGAWA Miyuki (independent Outside Director) (served since June 25, 2021)
- Committee member: YAGI Shinsuke (President & COO) (served since April 1, 2021)

In response to the consultation by the Board of Directors, the Nomination and Remuneration Advisory Committee deliberates on matters that include nomination of Director and Audit & Supervisory Board Member candidates, the appointment of senior management, senior management succession planning, and remuneration of Directors. The committee then reports details of such deliberations to the Board of Directors. In the fiscal year 2020, the committee met on four occasions in June, November, December 2020, and March 2021. The committee chair and all of its members attended both sessions.

#### [Audit & Supervisory Board Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	4

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

- Cooperation takes place through such measures as regular and as-needed exchanges of opinion among the Company's Audit & Supervisory Board Members, Accounting Auditors, Internal Audit Department, Outside Directors, audit & supervisory board members of subsidiaries, and other parties.

- If deemed necessary by its Audit & Supervisory Board Members and Outside Directors, they may obtain advice from outside specialists at the Company's expense.
- In order to properly provide company information if directed by the Audit & Supervisory Board Members or Outside Directors, the assistant to Audit & Supervisory Board Members, Corporate Planning Department or other departments conducts appropriate contact and coordination internally and with subsidiaries, etc.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Officers Designated from among Outside Audit & Supervisory Board Members [Updated]	3

#### Outside Audit & Supervisory Board Members' Relationships with the Company (1)

Name	Attribute	Relationships with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
SUZUKI Norihiro	From another company							△						
TAKEMOTO Shuichi	From another company							△						
KATAYAMA Noriyuki	Attorney-at-law													

\* Categories for "Relationships with the Company."

\* "○" when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;  
 "△" when the Audit & Supervisory Board Members fell under the category in the past

\* "●" when a close relative of the Audit & Supervisory Board Members presently falls or has recently fallen under the category;

"▲" when a close relative of the Audit & Supervisory Board Members fell under the category in the past

- Executive of the Company or its subsidiaries
- Non-executive director or accounting advisor of the Company or its subsidiaries
- Non-executive director or executive of a parent company of the Company
- Audit & Supervisory Board Member of a parent company of the Company
- Executive of a fellow subsidiary company 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, accountant, or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of the Company (which does not correspond to any of f., g., or h.) (the Audit & Supervisory Board Member himself/herself only)
- Executive of a company, between which and the Company Outside Officers are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- Executive of a company or other organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- Others

Outside Audit & Supervisory Board Members' Relationships with the Company (2) [Updated]

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
SUZUKI Norihiro	○	Mr. SUZUKI Norihiro, an independent Outside Audit & Supervisory Board Member, is from The Norinchukin Bank, which is a lender to the Company. The bank falls under a major financial institution in light of the independence standards published by the Company. However, because Mr. SUZUKI is not currently an executive of the bank, nor has he been in that position over the last three years, the Company judges there to be no risk of affecting the decisions of shareholders and investors.	The Company believes that Mr. SUZUKI's extensive experience at financial institutions and considerable knowledge of finance and accounting make him suitable as an Outside Audit & Supervisory Board Member. Furthermore, the Company judges that Mr. SUZUKI has no special-interest relationships with management, and there is no risk of conflict of interest with general shareholders.
TAKEMOTO Shuichi	○	Mr. TAKEMOTO Shuichi, an independent Outside Audit & Supervisory Board Member, is from Mizuho Financial Group, which is a lender to the Company. Mizuho Bank, Ltd. falls under a major financial institution in light of the independence standards published by the Company. However, because Mr. TAKEMOTO is not currently an executive of Mizuho Financial Group, nor has he been in that position over the last three years, the Company judges there to be no risk of affecting the decisions of shareholders and investors.	The Company believes that Mr. TAKEMOTO's extensive experience at financial institutions and considerable knowledge of finance and accounting make him suitable as an Outside Audit & Supervisory Board Member. Furthermore, the Company judges that Mr. TAKEMOTO has no special-interest relationships with management, and there is no risk of conflict of interest with general shareholders.
KATAYAMA Noriyuki	○	Mr. KATAYAMA Noriyuki, an independent Outside Audit & Supervisory Board Member, is a partner attorney at City-Yuwa Partners. No transactional relationship exists between this firm and the Company.	The Company believes that Mr. KATAYAMA's abundant experience and specialist knowledge as an attorney-at-law make him suitable as an Outside Audit & Supervisory Board Member. Furthermore, the Company judges that Mr. KATAYAMA has no special-interest relationships with management, and there is no risk of conflict of interest with general shareholders.

## [Independent Officers]

Number of Independent Officers [Updated]	7
--	---

Matters relating to independent Officers

–

## [Incentives]

Implementation of Measures to Provide Incentives to Directors	Performance-linked compensation plan
---	--------------------------------------

### Supplementary Explanation

The Company has adopted performance-linked stock compensation for Directors (excluding Outside Directors) with the aim of increasing awareness about improving earnings over the medium to long term and contributing to enhancing corporate value by clarifying the link between the Company's performance and its stock price, and by having Directors share with the shareholders not only the benefits of increases in the stock price but also the risk of decreases in the stock price.

The Nomination and Remuneration Advisory Committee, established as an advisory body under the Board of Directors, enlists the involvement and advice of independent Outside Directors with respect to matters concerning Director remuneration amounts and the method for determining such amounts. A majority of the Nomination and Remuneration Advisory Committee's members shall be independent Outside Directors, with no fewer than three of its members selected by resolution of the Board of Directors. Meanwhile, the Chairman & CEO is selected as the committee chair by resolution of the committee from among its members.

Under the Company's performance-linked stock compensation plan, the Company grants its officers points based on its net income attributable to owners of parent (year-on-year rate of change and average rate of change over the last three years), EBITDA (year-on-year rate of change), ROE (actual results for the current fiscal year), and comparison of rates of year-on-year volatility with respect to the Company's stock price and TOPIX. Each fiscal year, the Company determines whether the points are to be granted to officers or not and the number of points to be granted, if any, and ultimately pays its officers remuneration, etc., equivalent to such points accumulated upon their retirement.

The benchmarks pertaining to the performance-linked stock compensation were selected for the following reasons.

- (1) Net income attributable to owners of parent (year-on-year rate of change and average rate of change over the last three years):  
This has been selected as a benchmark given that management needs to remain aware of its bottom-line profit over the short, medium, and long term.
- (2) EBITDA (year-on-year rate of change):  
This has been selected because the Company deems it appropriate to evaluate business performance using EBITDA, which incorporates depreciation and amortization of goodwill into operating income, given that the Company is focusing on capital expenditure and R&D investment geared to achieving future growth.
- (3) ROE (actual results for the current fiscal year):  
This has been selected because the Company deems it appropriate to use ROE as a performance benchmark of the performance-linked stock compensation plan, given that it is the Company's most important financial indicator.
- (4) Comparison of rates of year-on-year volatility with respect to the Company's stock price and TOPIX (rate of the volatility of the Company's stock price - the rate of TOPIX volatility):  
This has been selected because the Company deems it to be a benchmark of which those involved in management need to remain aware, knowing that stock prices are formed as a reflection of market expectations based on a medium- to long-term perspective.

For details on the method for determining amounts of performance-linked stock compensation, please refer to “II. 1. Organizational Composition and Operation, [Director Remuneration], Disclosure of Policy for Determining Remuneration Amounts or Calculation Methods Thereof,” presented later in this report.

Recipients of Stock Options	
-----------------------------	--

Supplementary Explanation	
---------------------------	--

—

#### [Director Remuneration]

Disclosure of Individual Directors’ Remuneration	No Individual Disclosure
--	--------------------------

Supplementary Explanation [Updated]	
-------------------------------------	--

The total amount of remuneration paid to Directors in the fiscal year 2020:

¥346 million for eleven Directors

(Note) The above amount of remuneration includes ¥15 million of expenses recorded in the fiscal year 2020 (the 151st fiscal year) for stock compensation paid to six Directors excluding Outside Directors.

(Note) The above number of Directors includes two Directors who retired at the close of the 150th Ordinary General Meeting of Shareholders held on June 25, 2020; also, the above amount of remuneration includes the amount paid to the retired Directors.

Policy for Determining Remuneration Amounts or Calculation Methods Thereof [Updated]	Established
--	-------------

Disclosure of Policy on Determining Remuneration Amounts or Calculation Methods Thereof	
---	--

#### 1. Basic policy

In determining remunerations for our Directors, we, the Company, maintain, as our fundamental principle, the remuneration structure that encourages the Directors to contribute to increasing operating performance on a continuing basis over the medium to long term and toward enhancing the overall value of the Group in line with the Company’s management policy; thereby, meeting our shareholders’ expectations. Under the principle, we make it our basic approach to set the appropriate level of remunerations, taking into account such factors as the management environment, operating performance, and consistency with payments and benefits for our employees.

Specifically, the Directors' remuneration package shall consist of monetary remuneration (base remuneration and performance-related one) and performance-linked stock compensation. The monetary remuneration is divided into the base remuneration and the performance-related one determined according to several factors, including the fluctuation of our employees’ bonuses to be decided holistically considering various circumstances. However, in the light of their roles and independence from the Company, the Outside Directors’ remuneration package shall be simply the base remuneration as monetary payment, not containing the performance-linked stock compensation.

As for the performance-linked stock compensation, it is aimed to raise the Directors’ consciousness for improving the Company’s operating performance over the medium to long term and contributing to the enhancement of corporate value by clarifying the linkage between the Company’s performance and its stock price, and by having them share with our shareholders not only the benefits of an increase but also the risk of a decrease in the stock price.

2. Policy on determining the respective amounts of monetary remuneration (base remuneration and performance-related one) for individual Directors (including rules on determining the time or the conditions of payment)

The base remuneration of monetary one for a Director shall be an annual fixed pay. It shall be determined according to his/her title, duties, and holistically considering the level of other companies' directors' payments, the Company's operational performance, and the level of our employees' salaries.

Also, the performance-related remuneration shall be an annual fixed pay. It shall be determined according to several factors, including the fluctuation of our employees' bonuses to be decided holistically considering various circumstances.

The above annual monetary remuneration for individual Directors shall be decided to fall, when totaling, within the limits of the total amount of the Directors' remunerations determined by resolution of a general meeting of shareholders and will be paid to each Director every month in twelve installments.

3. Policy on determining details of performance-linked stock compensation, the breakdown of performance indicators, and the methodology to calculate the amount or the number of evaluation points for performance measurement (including rules on determining the time or the conditions for giving the stock compensation)

As for the performance-linked stock compensation for the Directors, every fiscal year, the Company shall compute a specific number of evaluation points for each Director by multiplying (i) his/her title point depending on the job title which he/she has assumed during the execution of duties by (ii) the performance measurement index showing the achievement of the performance targets consisting of income attributable to owners of our parent company (year-on-year rate of change and the average rate of change over the last three years), EBITDA (year-on-year rate of change), ROE (actual results for the current fiscal year), as well as the comparison of rates of year-on-year volatility with respect to the Company's stock price and TOPIX; and give each Director the evaluation points calculated as above; provided, however, that the total evaluation points to be given to the Directors shall be within the limit of the number determined by the resolution of a general shareholders' meeting. The above evaluation points shall be accumulated until the retirement of each Director, respectively. At the same time, the Company shall contribute a specific amount of cash to the Board Benefit Trust as its funds up to the limit determined by the resolution of a general shareholders' meeting. Upon the retirement of a Director, the Company shall vest him/her a specific number of the Company's stock equivalent to the number of his/her accumulated evaluation points. When a Director retires for the expiration of his/her term of office, he/she will be given the Company's stock equivalent to about 75% of the accumulated evaluation points and the remaining approximately 25% in cash (which sum is computed at the current price of the Company's stock at the time of his/her retirement).

The performance indicators and their targets, which are the basis of granting evaluation points, shall be reset each time of formulating the Company's medium-term business plan to align with the said plan. The Company shall determine those indicators and targets by the Board of Directors' resolution based on advice from the Nomination and Remuneration Advisory Committee.

4. Policy on determining the proportion of monetary remuneration and performance-linked stock compensation to the total remunerations for individual Directors

For the proportion of each of the Directors' remuneration types (except for Outside Directors), the Nomination and Remuneration Advisory Committee shall deliberate based on the remuneration levels in the industry using the data of other companies in similar business sizes as the Company as well as related business types and categories as a benchmark. The Board of Directors and the Representative Director who is delegated from the board shall respect the Nomination and Remuneration Advisory Committee's proposal and determine details of remunerations for individual Directors within the respective limits of each remuneration type suggested in the proposal.

The approximate proportion of the respective remuneration types shall be reset each time of formulating the Company's medium-term business plan and determined by the Board of Directors' resolution based on a proposal from the Nomination and Remuneration Advisory Committee. The following proportion is currently effective as fixed when formulating the ongoing medium-term business plan commenced in the fiscal year 2019.



The proportion of the base remuneration (monetary remuneration), the performance-related remuneration (monetary remuneration), and the performance-linked stock compensation to the total remunerations shall be 68:25:7. (where the achievement of the performance indicators' targets is 100%).

5. Matters regarding the delegation of a decision on details of remunerations for individual Directors

For the monetary remuneration (base remuneration and performance-related one) for individual Directors, the Representative Director will be delegated the authority to decide the breakdown based on the Board of Directors' resolution. Specifically, the Representative Director will be authorized to determine the specific amounts of base remuneration and performance-related one for each Director. The Representative Director will prepare a draft on those respective amounts. To ensure the appropriate execution of the authority by the Representative Director, the Board of Directors shall seek and receive advice or comments from the Nomination and Remuneration Advisory Committee. The Representative Director delegated as above shall respect the said advice to make his/her decision.

6. Other matters regarding the process to determine details of remunerations for individual Directors

The Company has established the Nomination and Remuneration Advisory Committee as an advisory body to the Board of Directors. Accordingly, the Company shall ask the Nomination and Remuneration Advisory Committee to deliberate and advise on the establishment, amendment, or abolishment of any existing policy regarding the Directors' remunerations and the determination of the Directors' monetary remuneration, to ensure the appropriateness of the remuneration levels as well as objectivity and transparency of the decision-making process. The Nomination and Remuneration Advisory Committee shall consist of three committee members or more to be appointed by resolution of the Board of Directors, and independent Outside Directors shall form its simple majority.

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

1. Supporting system for Outside Directors (four Outside Directors)

- Outside Directors attend Board of Directors meetings and other meetings, offer appropriate advice on management policy and improving management, as well as other areas. They also maintain cooperation with the Audit & Supervisory Board Members, etc., and oversee management.
- The Corporate Planning Department and other departments provide prior explanations to the Outside Audit & Supervisory Board Member on the content of proposals on the agenda for Board of Directors meetings and serve as the contact point for inquiries.

2. Supporting system for Outside Audit & Supervisory Board Members (three Outside Audit & Supervisory Board Members)

- The three Outside Audit & Supervisory Board Members attend Board of Directors meetings and other meetings, offer appropriate advice on management policy, management improvement, and other areas, and perform management audit.
- If requested by the Audit & Supervisory Board Members to facilitate the efficient and smooth execution of their duties, employees may be assigned as an assistant to Audit & Supervisory Board Members. These employees perform such tasks as assisting with audits and gathering and communicating information.
- Two of the Outside Audit & Supervisory Board Members are full-time Audit & Supervisory Board Members. They alternate with the Internal Audit & Supervisory Board Member (full-time) in attending Management Meeting, CSR Committee, and Risk Management & Compliance Committee and other meetings, receive reports on Management Meeting and other important items from a management perspective, and receive other communications at the same level as the Internal Audit & Supervisory Board Member.
- The Corporate Planning Department and other departments provide prior explanations to the Outside Audit & Supervisory Board Member on the content of proposals on the agenda for Board of Directors meetings and other related matters and serves as the contact point for inquiries.

[Status of individuals who have retired from the office of Representative Director and President, or similar office]

Name and other information regarding Former Representative Director and President or the like as Corporate Consultant ( <i>Sodanyaku</i> ), Corporate Advisor, or other position					
Name	Position/Title	Description of duties	Working form/conditions (Full-time/part-time, paid/unpaid, etc.)	Date of retirement as President or the like	Term of office

Total number of Former Representative Director and Presidents or the like acting as Corporate Consultants ( <i>Sodanyaku</i> ), Corporate Advisors, or other positions	0 person
--	----------

Other matters
There are no individuals who had once served as Representative Director and President or the like and are currently serving in another position, such as a Corporate Consultant ( <i>Sodanyaku</i> ) or a Corporate Advisor.  Under the Articles of Incorporation of the Company, the Company may appoint one or more Corporate Consultants ( <i>Sodanyaku</i> ) by resolution of the Board of Directors.

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

### (1) Overview of the current corporate governance system

#### 1. Business execution and oversight

By clarifying the swift management decision-making and oversight function and the execution function, the Company strives to strengthen both functions. The Company also endeavors to enhance its capacity to establish and implement its management strategies. Furthermore, by setting the terms of office for Directors and Executive Officers at one year, the Company clarifies management responsibility and business execution responsibility.

#### 2. Board of Directors

The Company's Board of Directors comprises ten members (four of whom are Outside Directors). In principle, the board meets once each month to resolve important matters related to management and oversee the execution of business by the Directors and Executive Officers. Important management-related matters are decided through careful deliberation by the Board of Directors or the Management Meeting. In this manner, the Company strives to reduce or eliminate business risks. In the fiscal year 2020, the board met on 11 occasions, and all of the Directors attended each meeting, except for Chairman and CEO KINOSHITA Kojiro and Senior Executive Vice President MIYAZAKI Junichi, who were absent from the meeting of the Board of Directors twice, respectively. As of June 25 in the fiscal year 2021, the board has met on three occasions in the months of April, May, and June 2021. The meetings were attended by all of the Directors.

In addition, with the aim of enhancing the oversight function of the Board of Directors, the Company reports to the Board of Directors matters resolved by the Management Meeting and the outcomes of business executions based on a resolution by the Board of Directors, etc. The Company further strives to ensure and improve effectiveness in the execution of roles and responsibilities of the Board of Directors by conducting the Effectiveness Evaluation on the overall Board of Directors every fiscal year.

#### 3. Audit & Supervisory Board

The Company's Audit & Supervisory Board comprises four members (three of whom are Outside Audit & Supervisory Board Members). The Audit & Supervisory Board Members, based on the audit plan set by the Audit & Supervisory Board (Board of Audit & Supervisory Board Members), audit the execution of business by Directors primarily by attending Board of Directors meetings and other important meetings, and regularly visiting each division/department of the headquarters and each research laboratory/plant and exchanging

opinions. Notably, Messrs. SUZUKI Norihiro and TAKEMOTO Shuichi, both full-time Audit & Supervisory Board Members, have extensive experience at financial institutions and considerable knowledge of finance and accounting.

#### 4. Nomination and Remuneration Advisory Committee

On April 1, 2019, the Company established its Nomination and Remuneration Advisory Committee, which acts as an advisory body under the Board of Directors with the aims of strengthening the Board of Directors' independence, objectivity, and accountability in relation to matters such as the nomination and remuneration of the Directors, and further enhancing corporate governance. For details on activities of the Nomination and Remuneration Advisory Committee, please refer to "II. 1. Organizational Composition and Operation, [Directors], Voluntary Establishment of Committee(s) Equivalent to Nomination Committee or Remuneration Committee," presented previously in this report.

#### 5. Accounting Audit

The Company has appointed the Yaesu Audit Company as its Accounting Auditor since the fiscal year 1975 (the 106th fiscal year) (ongoing audit involvement for 46 years) and undergoes appropriate audits throughout the fiscal year, as well as at the end of each fiscal year.

In the fiscal year 2020, the Company's audit activities were executed by three certified public accountants: SAITO Tsutomu, SHIRAHAMA Taku, and IGUCHI Tomohiro, and persons providing assistance to said audit activities included seven certified public accountants and two associate members of The Japanese Institute of Certified Public Accountants.

#### 6. Internal Audit

The Company has established an Internal Audit Department that conducts internal audits for the Group from a fair and independent standpoint. The department submits its internal audit activity plan and reports the outcomes to the Chairman & CEO, the President & COO, the Directors in charge, and the Board of Directors. The department also shares information with the Company's Accounting Auditor and the Audit & Supervisory Board Members to coordinate with them.

#### 7. Risk Management System and Compliance Promotion Structure

The Company has established the Risk Management & Compliance Committee as an organization to increase the effectiveness of risk management activities and promote maintenance and improvement of compliance. The Committee is chaired by the Chief Risk Management Officer (CRO) appointed by the Board of Directors. The Committee members are comprised of risk & compliance managers of each division/department, research laboratory/plant, and consolidated domestic subsidiary, all designated by the CRO.

Important matters, countermeasure plans, and other matters related to risk management and compliance promotion are discussed by the Committee before being decided by the Board of Directors. As for 13 categories of "the Group major risks" identified in the fiscal year 2018, the Company has drawn up a three-year plan for risk countermeasures with the fiscal year 2019 as its initial fiscal year and has been steadily implementing PDCA management practices.

##### (2) Status of initiatives for strengthening the function of Audit & Supervisory Board Members

For information related to the strengthening of the function of Audit & Supervisory Board Members, please refer to the sections entitled "Cooperation among Audit & Supervisory Board Members, Accounting Auditor, and Internal Audit Department," "Appointment of Outside Audit & Supervisory Board Members" and "Supporting System for Outside Directors and/or Audit & Supervisory Board Members."

##### (3) Overview of limited liability agreements

The Company entered into agreements with Mr. OHE Tadashi, Director, Mr. OBAYASHI Hidehito, Director, Mr. KATAOKA Kazunori, Director, Ms. NAKAGAWA Miyuki, Director, and Mr. KATAYAMA Noriyuki, Audit & Supervisory Board Member, respectively that limit their liability when they perform their duties concerning the responsibilities under Paragraph 1, Article 423 of the Companies Act in good faith with no serious negligence to the minimum liability provided for by the relevant laws and regulations (agreements specified in Paragraph 1, Article 427 of the Companies Act).

(4) Overview of officers' liability insurance contracts

The Company will enter into an officers' liability insurance contract as stipulated in Article 430-3 (i) of the Companies Act with an insurance company to cover damages claimed under the law and legal expenses to be borne by the insured persons, including the Company's Directors and Audit & Supervisory Board Members.

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

The Company is a company with an Audit & Supervisory Board. The Company has adopted the current system to enhance management efficiency and soundness.

The objective and neutral monitoring of management is functioning satisfactorily by audits which are performed by Outside Audit & Supervisory Board Members (three, of whom two are full-time).

The Company also appoints four Outside Directors to monitor and oversee management from an outside perspective and provide additional third-party knowledge, thereby further enhancing management transparency, soundness, and objectivity.

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

#### 1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights [Updated]

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	<ul style="list-style-type: none"> <li>• To provide shareholders with ample time to consider the proposals, the Company has accelerated its sending of convocation notices. These notices were sent out on June 3, 2021, 22 days prior to the date of the 151st Ordinary General Meeting of Shareholders (June 25, 2021).</li> <li>• Furthermore, the Company posted this convocation notice on its website (<a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a>) on May 28, 2021, 28 days prior to the meeting date (June 25, 2021).</li> </ul>
Scheduling General Meeting of Shareholders Avoiding the Peak Day	<p>To promote constructive dialogue with shareholders, the Company avoids holding its General Meeting of Shareholders on the peak day for general meetings of shareholders.</p> <p>The 151st Ordinary General Meeting of Shareholders was held on June 25, 2021.</p>
Allowing Electronic or Magnetic Exercise of Voting Rights	<p>The Company provides shareholders with an environment to exercise their voting rights over the Internet. This method of exercising voting rights and other information is provided in the convocation notice.</p>
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	<ul style="list-style-type: none"> <li>• The Company participates in the Electronic Voting Rights Exercise Platform for institutional investors operated by ICJ Inc.</li> <li>• The convocation notice is posted on the Company's website (<a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a>).</li> </ul>
Providing Convocation Notice in English (Partly Translated)	<ul style="list-style-type: none"> <li>• An English-language convocation notice (summary) is posted on the Company's website (<a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a>).</li> </ul>
Other	<ul style="list-style-type: none"> <li>• For the convenience of shareholders, the Company posts its convocation notice, a notice of resolutions, and special report (voting results) on its website (<a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a>).</li> <li>• At the General Meeting of Shareholders, business reports and explanations of proposals are provided using video and audio to enhance shareholders' understanding.</li> </ul>

## 2. IR Activities [Updated]

	Supplementary Explanations	Explanations by the Representative Himself /Herself
Preparation and Publication of Disclosure Policy	The content of the Company's disclosure policy is posted on the Company's website ( <a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a> ).	
Investor Briefings for Individual Investors	The Company held an investor briefing for individual investors, which was given by the CFO, the Director in charge of the Finance & Accounting Department (Director and Senior Executive Vice President). The materials used in the briefing and the audio files are posted on the Company's website ( <a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a> ).	None
Regular Investor Briefings for Analysts and Institutional Investors	Materials, audio files, and their scripts, including Q&A sessions from briefings on the business plans given by the President & COO, and briefings (including telephone conferences) on each quarterly financial result given by the CFO, the Director in charge of Finance & Accounting Department (Director and Senior Executive Vice President) are posted on the Company's website ( <a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a> ).	Yes
Regular Investor Briefings for Overseas Investors	Each year, the CFO, the Director in charge of the Finance & Accounting Department (Director and Senior Executive Vice President) participates in conferences sponsored by securities companies in the United States, Europe, Asia, and other regions, in an effort to provide explanations and exchange opinions directly with overseas investors. For the fiscal year 2020, under the global spread of COVID-19 infection, the Company attended the above conferences online. As to the briefings (including telephone conferences) on business plans, each quarterly financial result, the materials (in the Japanese and English versions), audio files (only the Japanese version), and their scripts, including Q&A sessions (in the Japanese and English versions), are posted on the Company website ( <a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a> ).	None

	Supplementary Explanations
Posting of IR Materials on Website	<p>The following materials are posted on the Company's website (<a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a>).</p> <ul style="list-style-type: none"> <li>*Corporate philosophy, corporate vision, basic CSR policy</li> <li>*Account settlement information (Summary of financial results, supplemental materials, securities report, etc.)</li> <li>*Timely disclosure materials other than account settlement information</li> <li>*Status of corporate governance (including the corporate governance report)</li> <li>*Notice of the convocation of the General Meeting of Shareholders, a notice of resolutions, presentation materials of the General Meeting of Shareholders, extraordinary reports</li> <li>*Shareholder newsletter (business report)</li> <li>*Business Plans</li> <li>*CSR (including Integrated Report)</li> <li>*Shareholders' return (dividend policy), etc.</li> </ul>
Establishment of Department and/or Manager in Charge of IR	<ul style="list-style-type: none"> <li>• To engage in constructive dialogue with shareholders and institutional investors, the Company has appointed a CFO, a Director in charge of the Finance &amp; Accounting Department (Director and Senior Executive Vice President), and established a department in charge of IR (Finance &amp; Accounting Department).</li> <li>• The Company has a department in charge of IR (Finance &amp; Accounting Department), a department in charge of Shareholder Relations (Corporate Planning Department), and a department in charge of CSR and Public Relations (Corporate Planning Department) to cooperate with each other and endeavors to provide timely disclosure and others in an appropriate manner for purposes of promoting constructive dialogue with shareholders and institutional investors, and providing information required for investment decisions in a timely, fair, equitable and ongoing manner.</li> </ul>
Other	<ul style="list-style-type: none"> <li>• Opinions and concerns from shareholders and institutional investors picked up during dialogue with shareholders, and institutional investors are regularly reported to the Board of Directors, etc.</li> <li>• With regard to dialogue with shareholders and institutional investors, the Company has internal rules (such as the Insider Trading Management Rules) in place, through which it endeavors to respond appropriately.</li> <li>• The Company regularly conducts shareholder identification surveys and endeavors to determine its shareholder composition and analyze voting results. The Company utilizes such information in subsequent dialogues with shareholders and institutional investors.</li> </ul>

**3. Measures to Ensure Due Respect for Stakeholders [Updated]**

	Supplementary Explanations
Internal Rules etc. Stipulated for Respecting the Position of Stakeholders	<p>The Company defines the stakeholders as “customers, shareholders/investors, employees, communities/society, and business partners” and has decided the following basic CSR policy in order to respond to the expectations of all stakeholders and strengthen their confidence in us.</p> <ol style="list-style-type: none"> <li>1. Conduct sensible business activities as a member of the international community in compliance with laws and regulations.</li> <li>2. Enhance corporate value by providing safe and useful products and services.</li> <li>3. Strive proactively to eliminate accidents and disasters and protect the global environment.</li> <li>4. Disclose information appropriately with a focus on dialogue with stakeholders.</li> <li>5. Improve health and create a cheerful and pleasant place to work by respecting the individuality and personality of employees.</li> <li>6. Conduct itself as a good corporate citizen and a respected member of society.</li> </ol>



<p>Implementation of Environmental Activities, CSR Activities, etc.</p>	<p>The fundamental policy for the Company’s business activities is its corporate philosophy: “Contribute to the society in harmony with the environment, based on its excellent technologies, products. and services,” and the Company believes that putting this philosophy into practice is its CSR activities. The CSR Committee, Risk Management &amp; Compliance Committee, and Environment, Safety &amp; Quality Assurance Committee cooperate to promote and enhance CSR activities.</p> <p>&lt;CSR activities&gt;</p> <p>The Company has set out the “Responsible Care Basic Policies” to secure and continuously improve the environment, health, and safety (EHS) performance throughout the entire process, from the development of chemical substances to disposal. In addition, the Company established the “Nissan Chemical Biodiversity Action Guidelines” with the aim of strengthening environmental activities. In the fiscal year 2020, the Company publicly declared support for the TCFD (Task Force on Climate-related Financial Disclosures) and set its long-term target to down 30% of greenhouse gas emissions until the fiscal year 2030 compared to the fiscal year 2018.</p> <p>Also, the Company has supported ten principles in the four fields of human rights, labor, the environment, and anti-corruption, which are advocated by the United Nations Global Compact (UNGC). To clarify its stance, the Company formulated the “Human Rights Policy,” including labor, and the “Anti-Corruption Policy” in the fiscal year 2019. Further, as a part of the corporate human rights due diligence process, the Company listed up the Group risks associated with its key business fields and identified priority risks related to human rights to address.</p> <p>Moreover, the Company set a policy on social contribution based on its corporate vision, “A corporate group that contributes to human survival and development” in order to proactively participate in society and contribute to the sound and sustainable development of society.</p> <p>Information including the details of the Company’s environmental and CSR activities is contained in the Integrated Report as well as other reports and also posted on the Company’s website (<a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a>).</p>
<p>Formulation of Policies on Information Provision to Stakeholders</p>	<p>The Company places value on the dialogue with stakeholders and discloses information appropriately based on its basic CSR policy and Disclosure Policy.</p>

Other	<p>The Company has established the “Basic Health Policy” with the aim of maintaining and improving the health of its employees based on the belief that employees’ health is a “foundation that supports sound corporate growth.” Information regarding the “Basic Health Policy” is posted on the Company’s website (<a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a>).</p> <p>In recognition of the efforts in promoting employees’ health, the Company was chosen as a “Certified Health and Productivity Management Organization (the White 500)” for five consecutive years from 2017.</p> <p>To keep the work-life balance for employees, the Company has been striving to reduce overtime work, encourage employees to take annual leave, adopt hourly leave, and adopt a system of short working hours that exceeds the statutory standards. In addition, the Company has implemented measures to address harassment in the workplace, for example, offering training sessions to all its management personnel.</p> <p>Further, the Company recognizes diversity management as its material strategy to pursue enhancing its corporate value. As the diversification of lifestyle and values accelerates, to contribute to society as a “Future-Creating Enterprise,” the Company has announced “Diversity Statement” and “Diversity Vision,” which are posted on the Company’s website (<a href="http://www.nissanchem.co.jp.eng/">http://www.nissanchem.co.jp.eng/</a>)</p>
-------	--

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

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

(1) Systems for ensuring compliance with laws and regulations and the Articles of Incorporation in the execution of duties by directors and employees of the Company and its subsidiaries

- The Company expedites management decision-making and clarifies management responsibility and business execution responsibility in accordance with the “Board of Directors Rules” and other relevant company rules (rules regarding company operations). At the same time, the Company will strengthen its management monitoring function, risk management system, compliance system, and internal control system under the Board of Directors and Audit & Supervisory Board, including highly independent Outside Officers.
- Under the “basic CSR policy,” the Company has established the CSR Committee, the Risk Management & Compliance Committee, and the Environment, Safety & Quality Assurance Committee, which coordinate with one another to make the necessary operational and other improvements to ensure the survival and sound development of the Company, and to secure the maximum trust possible from stakeholders.
- The Company has formulated the “Compliance Rules” for the Company and its subsidiaries and ensures that its officers and employees comply with relevant laws, regulations, and company rules in their business activities and that they keep within social norms when conducting business activities.
- The Chief Risk Management Officer (CRO) is appointed by the Board of Directors to oversee the general compliance of the Company and its subsidiaries.
- The Company has in place a whistle-blowing system for routine compliance with laws and regulations.
- The Company maintains absolutely no relations with anti-social forces. In the event an inappropriate request is received, the Company cooperates with specialized external institutions and responds in a resolute manner.
- The Internal Audit Department audits the status of implementation and operation of internal controls, the objectives of which include compliance, from a fair and independent standpoint based on the “Internal Audit Rules.”

(2) Systems for storing and managing information related to the execution of duties by Directors

- The Company stores and manages documents and other information related to the execution of duties by Directors in accordance with the “Information Management Rules” and other internal rules.
- The Director in charge of the Corporate Planning Department is appointed as the Chief Information Officer (CIO), who oversees information management and overall protection of personal information and specified personal information.

(3) Rules and other systems related to managing the risk of losses to the Company and its subsidiaries

- The Company has formulated the “Risk Management Rules” for the Company and its subsidiaries, which serve to prevent the materialization of risks that could impede the achievement of business objectives and minimize the impact of those that materialize.
- The Chief Risk Management Officer (CRO) is appointed by the Board of Directors to oversee general risk management of the Company and its subsidiaries.
- The Company has established the “Nissan Chemical Group Crisis and Emergency Response Guidelines,” and when a crisis or emergency situation arises, under the direction of the CRO, the Company will strive to prevent the damage and the spread of impact and to recover quickly and continue its operations.
- The Company’s “Business Continuity Plan (BCP) Formulation Guidelines” set out the basic points for formulating a BCP.
- The Company has formulated the “Responsible Care Management Rules” for the Company and its subsidiaries and aims to ensure and improve environmental preservation, safety, and disaster prevention, occupational safety and health, chemicals and product safety, and logistic safety in all of its business activities.

- (4) Systems for ensuring the efficient execution of duties by directors of the Company and its subsidiaries
- The Company has introduced a system of executive officers to clarify the management decision-making and oversight function and the execution function, through which it works to strengthen both functions and enhance its capacity to establish and implement management strategies.
  - Important management-related matters are decided by the Board of Directors and Management Meeting in accordance with the “Board of Directors Rules,” “Management Meeting Rules,” and other internal rules.
  - Executive Officers execute their duties based on decisions by the Board of Directors and the Management Meeting.
  - The Board of Directors oversees the execution of business by the Directors and Executive Officers in relation to such matters as the state of progress on decisions on important matters. By appointing Outside Directors, the oversight function of the Board of Directors is strengthened.
  - The “Affiliated Company Management Rules” provide for overall management policies related to subsidiaries and enhance management soundness for the corporate group.
- (5) Systems for ensuring the appropriate operations of the corporate group comprising the Company and its subsidiaries
- Based on the “Affiliated Company Management Rules” and other internal rules, subsidiaries report to the Company on their execution of business. While respecting subsidiaries’ management independence, the Company provides advice and instruction as necessary to contribute to their sound execution of business.
  - The Company’s Directors or employees may serve concurrently as directors or audit & supervisory board members of subsidiaries in order to oversee and audit subsidiaries.
  - The Company requires its subsidiaries to comply with its own internal control system and performs audits via the Internal Audit Department.
- (6) Items related to the employees and items related to the independence of the employees from Directors in the event that Audit & Supervisory Board Members request that employees be provided to assist them in their duties
- In line with Audit & Supervisory Board Member requests, the Company provides employees to assist the Audit & Supervisory Board Members in their duties. While these employees are assisting the Audit & Supervisory Board Members in their duties, they do not receive instructions or commands from the Directors or their superiors. Also, to ensure the independence of these employees from the Directors and their superiors, matters related to the appointment of these employees who assist Audit & Supervisory Board Members and decisions on their appointments and reassignments will require the prior consent of the Audit & Supervisory Board.
- (7) Systems for reporting to Audit & Supervisory Board Members by directors and employees of the Company and its subsidiaries and other systems for reporting to Audit & Supervisory Board Members
- The Audit & Supervisory Board Members can attend meetings of the Board of Directors, CSR Committee, Risk Management & Compliance Committee, and other important meetings.
  - Of the outcomes of business execution based on decisions by the Board of Directors, Management Meeting, and other meetings, matters of importance are reported to the Audit & Supervisory Board Members by directors and employees of the Company and its subsidiaries. In addition, when they find the acts that violate laws and regulations in material respects or the facts that have the potential to cause severe damage to the Company, matters related to those facts are reported promptly to the Audit & Supervisory Board Members.
- (8) Other systems for ensuring effective audits by Audit & Supervisory Board Members
- To ensure effective audits by the Audit & Supervisory Board Members, the Audit & Supervisory Board Members regularly exchange opinions with the Accounting Auditor, Directors, Internal Audit Department, the audit & supervisory board members of subsidiaries, and other parties. In the event that the Audit & Supervisory Board Members request the Company to make any advance payment or reimbursement payment or to deal with expenses or liabilities, which are required to perform their duties, the Company will be responsible for such payment and expenses.

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

In the “basic CSR policy,” the Company outlines compliance with laws and regulations and respect for social norms. At the same time, the Company has formulated a compliance manual in the interest of maintaining, enhancing, and promoting compliance, and the directors and employees of the Company and its subsidiaries are universally acquainted with this manual. This manual expresses the Company’s resolute response to anti-social forces and its position of maintaining absolutely no relationships with such forces.

To insulate itself from relationships with anti-social forces, the Company cooperates with specialized outside institutions through its response department, which is the department in charge of general affairs. This department puts systems in place and endeavors to gather and manage information related to anti-social forces.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	None
------------------------------------	------

#### Supplementary Explanation

The Company has not adopted anti-takeover measures. In the case of an attempt to make a large-scale purchase of the Company's shares, the Company will strive to secure the necessary information and time for shareholders to consider, while disclosing the opinions of the Company's Board of Directors and taking appropriate measures in accordance with applicable laws and regulations. Going forward, the Company will strive to secure and increase the Company's corporate value and the mutual benefit of shareholders.

### 2. Other Matters Concerning Corporate Governance System

The Company's "basic CSR policy" prioritizes dialogue with shareholders and stipulates the appropriate disclosure of corporate information. The person responsible for handling information, Head of Corporate Planning Department, is responsible for the timely disclosure of material facts and other corporate information as stipulated by the Tokyo Stock Exchange and handles information for timely disclosure as described below, in accordance with internal rules (such as the Insider Trading Management Rules).

#### 1. Information related to corporate decisions and account settlement

Information related to decisions and account settlement is approved by the Board of Directors or the Management Meeting. The Corporate Planning Department is the secretariat for both bodies; thus, the Head of Corporate Planning Department is in a position to ascertain such information quickly and accurately.

Following the approval of information related to decisions and account settlement, the Head of the Corporate Planning Department discloses this information without delay.

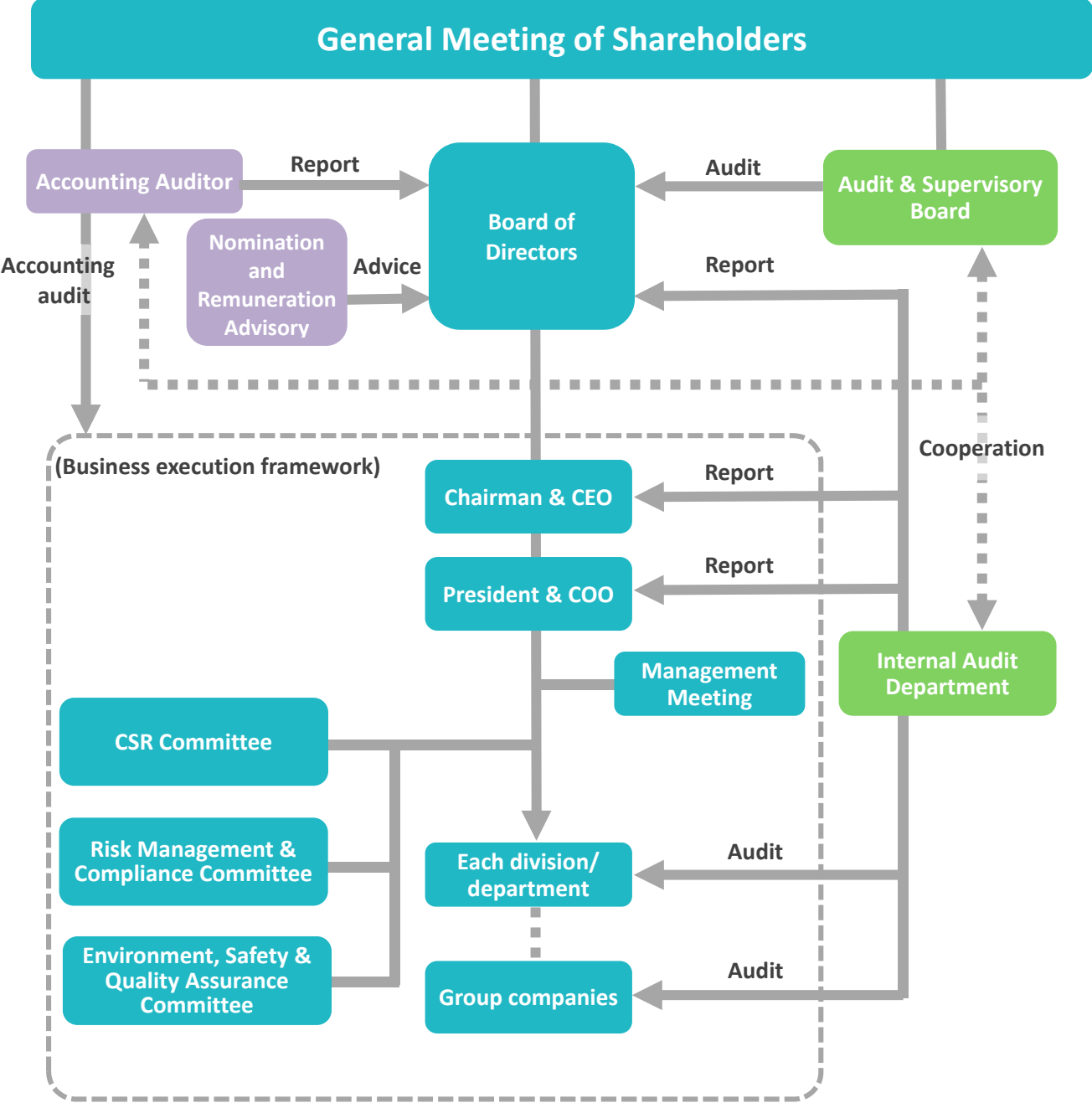
#### 2. Information related to occurrences of material facts and subsidiaries

Information related to occurrences at the Company and information related to decisions, occurrences, and account settlement for subsidiaries is reported promptly to the Head of Corporate Planning Department by the relevant heads of the Company's divisions/departments and subsidiaries.

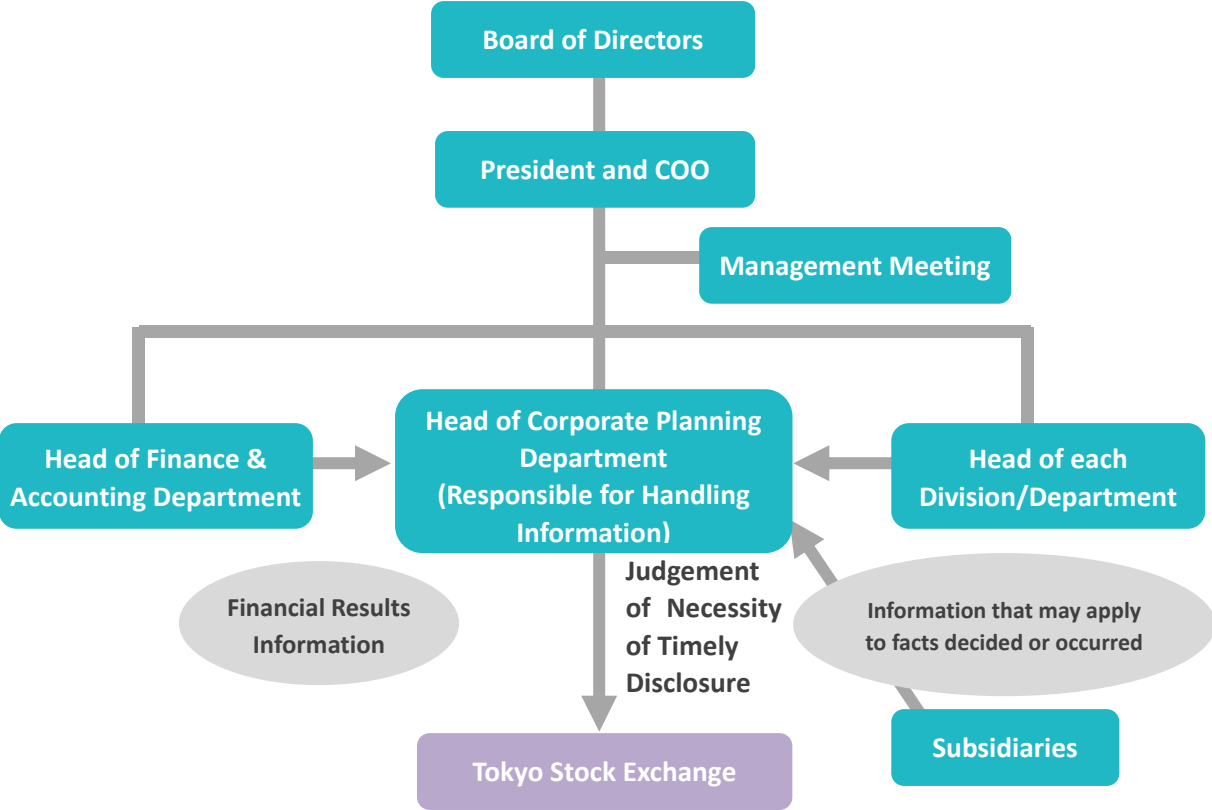
In the event the Head of Corporate Planning Department determines that the gathered information should be disclosed based on the Tokyo Stock Exchange's timely disclosure regulations, the Head is to disclose it without delay while reporting the same to the President & COO and other relevant persons.

The Company's disclosure policy is posted on the Company's website (<https://www.nissanchem.co.jp/eng/>).

Relationships between the Company's corporate organizations and internal control, etc.



The Company's systems related to the timely disclosure of corporate information





Skills Matrix for the Company's Board of Directors

Director		The expertness and experience required for the Company's directors					
		Corporate Management	R&D/Technologies (※)	Finance & Accounting	Legal/Risk Management/Internal Control	Personnel Affairs/Personnel Strategies	Global Experience
Representative Director, Chairman	KINOSHITA Kojiro	●			●	●	
Representative Director, President	YAGI Shinsuke	●	●			●	
Director, Senior Executive Vice President	MIYAZAKI Junichi	●		●	●		●
Director, Senior Managing Executive Officer	HONDA Takashi	●	●				●
Director, Managing Executive Officer	SUZUKI Hitoshi	●	●				●
Director, Managing Executive Officer	YOSHIDA Hironori	●		●	●	●	
Outside Director	OHE Tadashi				●		
Outside Director	OBAYASHI Hidehito	●	●				●
Outside Director	KATAOKA Kazunori	●	●				●
Outside Director	NAKAGAWA Miyuki				●		

- "R&D/Technologies" include the expertness and practical experience in the fields of IT, DX (Digital Transformation,) environmental safety, and quality assurance.