

The following is a description of our corporate governance structure.

I. Basic approach to corporate governance; capital structure, corporate attributes, and other basic information

1. Basic approach

The Nichi-Iko Group believes that the fundamental element of corporate governance is to ensure strict compliance with laws and regulations, enhance transparency in business management, raise awareness of corporate ethics, and make proper decisions and execute business transactions promptly. Enhancing and strengthening corporate governance is one of the key issues facing the group's business management unit. At present, we are in the process of developing internal control systems to strengthen our corporate governance structure.

We are also improving our auditing scheme and boosting our efforts to establish, maintain, and improve corporate ethics, compliance, internal controls, and risk management as a pharmaceutical company.

At the 56th annual shareholders meeting held June 18, 2020, we became a company with an audit and supervisory committee.

[Disclosure under the rules of the Corporate Governance Code]

[Rule 1-4] Policy shareholdings

<Basic policy on policy shareholdings>

For mid- to long-term policy shareholding purposes, we invest in companies expected to have a significant effect on our business strategies. We review our policy shareholdings periodically and dispose of any if the significance of holding them has been lost or we conclude through dialogues with the investee that such holdings will not affect our business results.

Every year, the board of directors will evaluate individual policy shareholdings in terms of the purposes of ownership, benefits, risks, and capital costs associated with ownership in order to determine whether they should be held or not. These evaluation results are then disclosed.

As of the end of March 2020, we owned 47 different stocks and recognized 2,725 million yen on the balance sheet.

<Criteria for exercising the voting rights of policy shareholdings>

We examine proposals and exercise our voting rights in line with our business policies. The fundamental criterion is whether a course of action will increase corporate value and returns to shareholders over the mid to long term.

[Rule 1-7] Related party transactions

Our company's transactions with its officers or any potential conflict-of-interest transactions are executed with the approval of the board of directors, and the results of such transactions are reported to the board of directors. Transactions with major shareholders, affiliated companies, or other related parties are also examined with regard to their business terms, and various procedures established under internal rules are conducted.

[Rule 2-6] Acting as a pension plan asset owner

Our company provides a defined contribution pension plan for employees to help them steadily build their own assets.

Our company provides plan participants with asset investment training and education and distributes investment return reports and related issues to them periodically. We will continue to strengthen training and education for participants and encourage use of the plan.

[Rule 3-1] Expanded disclosures

<Management philosophies, strategies, and plans>

(i) We formulate and announce mid-term management plans continuously to define our management strategies and provide IR information proactively for institutional and individual investors both at home and abroad in an effort to gain wider acceptance for our plans.

Go to our website:

<http://nichiiko-ir.irbridge.com/ja/Vision/Pian.html>

<Basic approach and policy>

(ii) Our basic policy on corporate governance can be found on our website and in our corporate governance and securities reports.

<http://nichiiko-ir.irbridge.com/ja/CorporateGovernance.html>

<Policy and procedure for determining remuneration>

(iii) Remuneration for directors not serving on the audit and supervisory committee is determined by the board of directors, within limits approved at the shareholders meeting and in compliance with the compensation committee's basic remuneration policies and reports on remuneration for specific positions.

Officer remuneration has two components: basic remuneration (paid in cash) and performance-based remuneration (paid in shares). Remuneration levels are established in light of remuneration at other companies within the same industry or of similar scale, domestic and abroad, and our company's financial status.

Remuneration for directors serving on the audit and supervisory committee is determined based on consultations among directors serving on the audit and supervisory committee within remuneration limits approved at the shareholders meeting.

<Appointment, removal, and candidate nomination policies and procedures for directors>

(iv) Decisions regarding the appointment and removal of directors are made after all relevant factors have been considered. These factors include experience and insight contributing to the company's sustainable growth and mid- to long-term increases in corporate value.

When prospective directors are proposed, we consider the sum of their potential impact across all business operations, including business management, sales, production, development, medicine, pharmaceuticals, finance and accounting, legal services, and auditing.

Prospective directors are discussed by the nominating committee for increased transparency and objectivity and selected by the board of directors. The appointments become final once approved at the shareholders meeting. Directors with titles and directors in charge of specific operations and related issues are discussed by the nominating committee and determined by the board of directors.

If any director is found to have engaged in dishonest actions or actions detrimental to the company's credibility or to be unfit for his or her post, the nominating committee will discuss the matter and advance suitable proposals to the board of directors. The board of directors will then approve a recommendation requesting the director resign. Such removal becomes final once approved at the shareholders meeting.

<Information on individual director nominations>

(v) Reasons for nominating each of the proposed directors can be found in the following notice of the shareholders meeting:

<http://nichiiko-ir.irbridge.com/ja/Stock/StockholderMtg.html>

[Supplementary Rule 4-1-1] An overview of the board of directors' roles and duties and of matters delegated to the management team

At our company, the board of directors is in charge of decision making and monitoring of the matters specified in the Companies Act, relevant laws and regulations and the company's Articles of Incorporation as well as the matters set forth below. The board of directors also supervises business management activities to ensure they are aligned with the company's business plans and management philosophies.

- (1) Matters regarding shareholders meetings, etc.
- (2) Matters regarding officers, etc.
- (3) Matters regarding shares, etc.
- (4) Basic business management policies and similar matters
- (5) Matters regarding internal controls
- (6) Matters regarding important business activities

The board of directors may delegate matters pertaining to business executive decisions other than those set forth above to directors and executive officers in order to introduce stricter supervision of business management in general. The board of directors ensures the establishment of appropriate structures within the Nichi-Iko Group, such as management meetings, internal control systems, and risk management schemes, so that decision making regarding the delegated matters is done in a rational manner.

To fulfill the roles and duties set forth above, directors are considered separately from executive officers. The directors' responsibilities for business management and supervision and the executive officers' responsibilities for business execution are clearly defined. Directors (except for those serving on the audit and supervisory committee) are assigned certain business management issues based on their expertise and are required to seek to ensure, by exercising supervision and direction across divisions and organizations, that issues are resolved and optimal decisions are made by the board of directors.

[Rule 4-9] Criteria for evaluating the independence of independent outside directors and their qualifications
We have established our criteria for evaluating the independence of independent outside directors in line with those of a similar nature established by the Tokyo Stock Exchange and rely on these criteria when evaluating the independence of our independent outside directors.

Independent outside directors are chosen to make direct, decisive, and constructive contributions to the board. When making selections, we seek to expand diversity in terms of gender; we also seek to promote diversity with respect to nationality.

[Supplementary Rule 4-11-1] The balance, diversity, and size of the board of directors
Our board of directors has six inside directors and six outside directors. Basic qualifications for appointment to the board include expertise and experience in business management, sales, production, development, medicine, pharmaceuticals, finance and accounting, legal services, or auditing. The current board members include a commerce and industry chamber president, university professor, lawyer, physician, certified public accountant, certified public tax accountant, and other individuals of considerable expertise. Due attention has been paid to ensure an effective balance of knowledge, experience, and competence on the board. In addition to seeking, as we have always done, to further gender diversity, we will continue to promote diversity in national representation.

[Supplementary Rule 4-11-2] Directors holding positions in other organizations
Positions in other organizations held by outside directors are disclosed annually in the notice of shareholders meeting and in securities reports.
Some outside directors concurrently serve as officers at other listed companies, but only to the extent deemed reasonable.

[Supplementary Rule 4-11-3] The evaluation of the overall effectiveness of the board of directors

From April to May 2020, we asked all directors and auditors to respond to a questionnaire intended to help us evaluate, following a fiscal 2018 evaluation, whether our directors in fiscal 2019 fulfilled their expected roles and the duties specified in our basic approach to corporate governance and to identify matters we must examine to increase the effectiveness of the board.

Major questions were asked concerning the following:

(1) composition of the board, (2) administration of the board, (3) agenda of the board, and (4) organizational support for the board.

Based on our analysis of answers to 43 questions, we exchanged opinions at a board meeting in June 2020. We concluded that our board is highly effective.

Based on the results of this effectiveness evaluation, we will seek to make board meetings a more effective forum for discussions to make the board still more effective.

An overview of the results of this board effectiveness evaluation can be found on our website:

<http://nichiiko-ir.irbridge.com/ja/CorporateGovernance.html>

[Supplementary Rule 4-14-2] Training for directors

We proactively provide our directors with opportunities to participate in internal training sessions and external seminars so that they can encounter new information and perspectives on current events, pharmaceutical affairs, and revisions to applicable laws and acquire knowledge in their respective areas of responsibility, thereby better fulfilling their roles and duties.

[Rule 5-1] A policy on constructive dialogues with our shareholders

We are committed to dialogues with our shareholders through IR activities in order to promote sustainable growth and mid- to long-term increases in our corporate value.

Specifically, our president and CEO, directors, and the senior executive officer and head of the Administrative Division attend IR activities to engage in constructive dialogue with shareholders.

The Corporate Communication Department was established within the President Office in order to improve information disclosure to our investors and other stakeholders.

We hold semi-annual financial briefings and small meetings for our shareholders and investors. Further, given our shareholder composition, we hold briefing sessions for domestic individual investors from time to time, while the basic policy is to pay regular visits to foreign investors in the United States, Europe, and Asia.

2. Capital structure

Foreign shareholder ratio

10% or more but less than 20%

[Status of major shareholders]

Name	Number of shares owned	Percentage
TAMURA Co., Ltd.	4,552,000	7.09
The Hokuriku Bank, Ltd.	2,831,000	4.41
The Master Trust Bank of Japan, Ltd. (Trust account)	2,582,000	4.02
Japan Trustee Service Bank, Ltd. (Trust account 9)	2,499,000	3.89
Taku Co., Ltd.	2,122,000	3.31
Japan Trustee Service Bank, Ltd. (Trust account)	1,813,000	2.82
Yuichi Tamura	1,790,000	2.79

Nipro Corporation	1,321,000	2.06
JPMC GOLDMAN SACHS TRUST JASDEC LENDING ACCOUNT	1,208,000	1.88
Japan Trustee Service Bank, Ltd. (Trust account 5)	1,152,000	1.80

Controlling shareholders (other than the parent company)	-----
Parent company	None

Supplementary explanation

Taku Co., Ltd. is a wholly owned subsidiary company of TAMURA Co., Ltd.

3. Corporate attributes

Stock exchange listing and market segment	First Section of the Tokyo Stock Exchange
Fiscal year end	March
Line of business	Pharmaceutical products
Number of (group) employees at the end of the immediately preceding business year	1,000 persons or more
(Consolidated) Sales in the immediately preceding business year	100 billion yen or more but less than one trillion yen
Number of consolidated subsidiary companies at the end of the immediately preceding business year	10 or more but less than 50

4. Guidelines on the protection of minority shareholders in transactions with a controlling shareholder

5. Other special circumstances that may have material effects on corporate governance

II. Status of management control organizations and other corporate governance structures regarding business decision making, execution, and supervision

1. Structure of organs: matters regarding the structure of organs and organization management, etc.

Form of organization	A company with company auditors
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[Matters regarding directors]

Number of directors prescribed in the Articles of Incorporation	Twelve
Term of director's office prescribed in the Articles of Incorporation	One year
Chairperson of the board of directors	President
Number of directors	Twelve
The appointment of outside directors	Appointed
Number of outside directors	Six
Number of outside directors designated as independent officers	Six

Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Shigeo Takagi	From another company					△						
Hideki Sakai	Scholar										○	
Hajime Imamura	Lawyer											
Kyoko Tanebe	Other											
Hitoshi Hori	Certified public accountant											
Ko Sato	Certified public accountant								△			

* Options regarding the type of relationship with the Company

* A white circle (○) indicates that the person falls or recently fell under the relevant category, and a white triangle (△) indicates that the person fell under the relevant category in the past.

* A black circle (●) indicates that the person's relative falls or recently fell under the relevant category, and a black triangle (▲) indicates that the person's relative fell under the relevant category in the past.

a. An executive of a listed company or its subsidiary company

b. An executive or a non-executive director of the parent company of a listed company

c. An executive of a fellow subsidiary company of a listed company

d. A person who mainly does business with a listed company, or its executive

e. A main business counterparty of a listed company, or its executive

f. A consultant or accounting or legal specialist who receives a large amount of money or other property from a listed company in addition to executive compensation

g. A major shareholder of a listed company (or an executive of that major shareholder if it is a juridical person)

h. An executive of a business counterparty of a listed company (one that does not fall under any of the categories d, e, and f above) (applicable only to the person under consideration)

- i. An executive of a legal entity that accepts cross-installation of outside officers (applicable only to the person under consideration)
- j. An executive of a legal entity that receives a donation from a listed company (applicable only to the person under consideration)
- k. Other

Relationship with the Company (2)

Name	Audit and supervisory committee member	Independent officer	Supplementary explanation about conformity	Grounds for selection
Shigeo Takagi		○	President of Toyama Chambers of Commerce and Industry	He developed extensive experience and insight through many years of service in the banking industry. He can be expected to deliver useful advice and judgment as an independent outside director, helping to increase board transparency and governance. This is why he has been appointed as an outside director and independent officer.
Hideki Sakai		○	Dean of School of Pharmacy and Pharmaceutical Sciences, University of Toyama	As a university professor, he has accumulated extensive expertise and insights related to pharmaceutical sciences. We expect him to deliver useful advice and judgment as an independent outside director, helping to strengthen board transparency and governance. These are the factors underlying his appointment as outside director and independent officer.
Hajime Imamura		○	Head of Imamura Law Office	He has developed legal expertise and insight as a lawyer. He can be expected to deliver useful advice and judgment as an independent outside director, helping to increase board transparency and governance. This is why he has been appointed as an outside director and independent officer.
Kyoko Tanebe		○	Representative of Ladies' Clinic We! Toyama, Touseikai Medical Corporation	She has developed high levels of medical expertise and insight as a physician. She can be expected to deliver useful advice and judgment as an independent outside director, helping to increase board transparency and governance. This is why she has been appointed as an outside director and independent officer.
Hitoshi Hori	○	○	Representative Partner of HORI Certified Public Tax Accountant's Corporation	He offers extensive expertise and insights related to finance, accounting, and tax systems. We expect him to deliver useful advice and exercise good judgment as an independent outside director, helping to strengthen board transparency and governance. These are the factors underlying his appointment as outside director and independent officer.
Ko Sato	○	○	General Manager of Certified Public Accountant Sato Ko Office	He offers extensive expertise and insights related to finance, accounting, and tax systems. We expect him to deliver useful advice and exercise good judgment as an independent outside director, helping to strengthen board transparency and governance. These are the factors underlying his appointment as outside director and independent officer.

[Audit and supervisory committee]

Membership composition and chairperson's attributes

	Total number of members	Full-time members	Inside directors	Outside directors	Chairperson
Audit and supervisory committee	3	1	1	2	Inside director
Appointment of directors and employees engaged to assist the audit and supervisory committee in its duties	Appointed				

Matters regarding the independence of such directors and employees from executive directors

Support staff members for the audit and supervisory committee are appointed with the consent of the audit and supervisory committee.

Cooperation among the audit and supervisory committee, accounting auditor, and internal audit department

The audit and supervisory committee is composed of one full-time member (inside director) and two outside directors. The committee members attend meetings of the board of directors and other important meetings to deliver their opinions on the legality and validity of certain business transactions, participate in voting, and audit overall business management from an impartial perspective.

The audit and supervisory committee periodically holds tripartite information exchange meetings with the internal audit department and the accounting auditor. The committee advances necessary proposals to the internal control department on corporate ethics, compliance, risk management, and the establishment, improvement, and application of internal checks, all matters vital to a pharmaceutical company.

[Voluntary committees]

Establishment of voluntary committee equivalent to a nominating or compensation committee	Established
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Establishing voluntary committees, composition of committees, and attributes of chairpersons

	Name of committee	Total number of members	Full-time members	Inside directors	Outside directors	Outside experts	Others	Chairperson
Voluntary committee equivalent to nominating committee	Nominating committee	5	0	2	3	0	0	Inside director
Voluntary committee equivalent to compensation committee	Compensation committee	5	0	2	3	0	0	Inside director

Supplementary explanation

To further transparency and objectivity in our officer appointment decisions, our company has established nominating and compensation committees to serve as advisory bodies for the board of directors. Independent outside directors account for more than half of each committee.

[Matters regarding independent officers]

Number of independent officers	Six
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Other matters regarding independent officers

We have established a board of independent officers of which independent outside directors (six individuals) are members. A lead independent officer is chosen by mutual vote. As a general rule, the board meets every six months.

Through its meetings, the board seeks to make independent and objective proposals regarding business management.

[Matters regarding incentives]

The status of plans granting incentives to directors	A performance-based remuneration plan and a stock option plan have been introduced.
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Supplementary explanations about applicable items

We offer short-term and long-term incentive stock options.

Persons eligible for stock options	Inside directors and other officers
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Supplementary explanations about applicable items

We offer a stock option plan to inside directors, entrusted executive officers, and entrusted administration officers.

[Matters regarding directors' remuneration]

Disclosure (of remuneration for individual directors)	Remuneration for each individual director is not disclosed.
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Supplementary explanations about applicable items

The totals disclosed are for all inside and outside officers, respectively.

Policy for determining the amount of remuneration or its calculation method	Provided
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The compensation committee discussed a basic remuneration policy, including its basic structure and amounts for specific positions. This policy was approved by the board of directors. Officer remuneration consists of two components: basic remuneration (paid in cash) and performance-based remuneration (paid in shares). Remuneration levels are established in light of remuneration at other companies within the same industry or of similar scale, domestic and abroad, and our company's financial status.

[Support for outside directors]

Outside directors not serving on the audit and supervisory committee are informed through the Administrative Division.

Outside directors serving on the audit and supervisory committee are informed through the internal audit department.

2. Matters regarding business execution, audit and oversight, nomination, determination of remuneration, and other functions (an overview of our current corporate governance structure)

An overview of our corporate governance structure is provided below.

At our 56th annual shareholders meeting held June 18, 2020, we became a company with an audit and supervisory committee. The objective is to place on the board of directors audit and supervisory committee members responsible for auditing the execution of duties by directors, thereby strengthening oversight of the board of directors and further upgrade our corporate governance structure.

The board of directors determines basic business policies, strategies and related issues, and supervises business execution.

Structures related to business execution include a management meeting, which discusses important matters, and officers appointed to address and supervise business management issues.

As advisory bodies to the board of directors, there are nominating and compensation committees, on each of which outside directors account for more than half of the members.

We established a board of independent officers on which independent outside directors are members. This board makes proposals to the board of directors.

(Directors/board of directors)

As of June 18, 2020, the board of directors was composed of 12 directors (11 men and one woman), including six independent outside directors. It makes decisions and supervises business execution to ensure the transparency and validity of business management. The board of directors meets at least once a month to discuss and determine basic business management policies and strategies to respond effectively to current changes and needs.

The board of directors analyzes and evaluates its overall effectiveness in various ways, including self-evaluations by directors, in efforts to be more effective.

(Audit and supervisory committee)

The audit and supervisory committee is composed of three directors serving concurrently as audit and supervisory committee members, including two independent outside directors. The chairperson is appointed by committee resolution. Qualifications for appointment to the audit and supervisory committee include extensive expertise, experience, and requisite knowledge of finance, accounting, and tax systems. To ensure audits and related issues are handled more effectively, one full-time member and highly experienced audit assistants are appointed.

(Board of independent officers)

The board of independent officers is composed of six independent outside directors. The board was established based on the belief that the directors must constantly strive to deepen their understanding of our company's business in order for them to positively contribute to discussions at meetings of the board of

directors. The independent outside directors make proposals to the board of directors about what can and should be done to enhance corporate governance structures, based on information shared and opinions exchanged at meetings of the board of independent officers.

(Nominating committee)

The nominating committee is composed of five members appointed by the board of directors (two inside directors and three outside directors). The committee was established as an advisory body for the board of directors whose purpose is to strengthen the transparency and objectivity of decisions on officer appointments. The committee discusses matters regarding the appointment and removal of directors, and related matters, and reports the results to the board of directors.

(Compensation committee)

The compensation committee is composed of five members appointed by the board of directors (two inside directors and three outside directors). The committee was established as an advisory body for the board of directors whose purpose is to strengthen the transparency and objectivity of the director remuneration plans. The committee discusses matters regarding remuneration policies, remuneration amounts, and related matters for the board of directors and reports the results to the board of directors.

(Agreements limiting liability)

Pursuant to the provisions of Article 426, paragraph 1 of the Companies Act, our company's Articles of Incorporation stipulate that directors (including past directors) may be relieved by resolution of the board of directors, to the extent permitted by laws and regulations, of liability for damages arising from their neglect of duties. This is intended to provide environments in which directors can display their potential to the full in executing their duties and in fulfilling their anticipated roles.

Pursuant to the provisions of Article 427, paragraph 1 of the Companies Act, our company concluded agreements with outside directors limiting their liability for damages specified in Article 423, paragraph 1 of the same Act. The maximum liability for damages under such agreements is the amount specified by laws and regulations.

(Structures and initiatives for strengthening business execution)

As structures for strengthening business execution, we established a management meeting chaired by the President and CEO, the purpose of which is to discuss important matters regarding the management of our entire group, and appointed executive officers for each division.

To build optimal business management structures allowing faster and more effective decision-making, the divisions assigned to handle development and planning, procurement, production, quality management, reliability assurance, sales, administration, and business planning, as well as subsidiary companies in and outside Japan, are designated as executive organizations.

In the interests of appropriate business conduct, our company established cross-divisional committees.

(Management meeting)

As a general rule, a management meeting is called weekly. Directors and executive officers attend the meeting to report on and discuss the execution of important matters. All attendees are encouraged to share issues and develop a sense of solidarity in doing what should be done. Judgments and instructions regarding business execution are made and issued to advance the transparency and soundness of the entire Group in an effective and agile manner.

(Internal control committee)

As a general rule, the internal control committee is called quarterly (or whenever the need arises). Its purpose is to discuss and share information on Nichi-Iko Group's internal controls and to develop and maintain various structures, including systems for ensuring efficient transmission of instructions and requests. The committee issues and exercise appropriate instructions, recommendations, and supervision to each business executive function regarding the development and maintenance of internal control systems.

(Risk management committee)

As a general rule, the risk management committee is called quarterly (or whenever the need arises). Pursuant

to our basic risk management policies, the committee addresses risks that may affect the Group's overall business promotion and expansion and its corporate value, identifying risks that pose the risk of material consequences for business management by establishing risk management structures and processes and by issuing and exercising instructions, recommendations, and supervision to each business executive function regarding appropriate courses of action.

(Compliance committee)

As a general rule, the compliance committee is called quarterly (or whenever the need arises). It seeks to identify, analyze, and address compliance issues for the entire Group and develops relevant rules and guidelines, and arranges for related training. The committee also seeks to collect information pursuant to the Whistleblower System Rules, investigate reported information, and, based on consultations with each business executive function, issue/exercise instructions, recommendations, and supervision related to recurrence prevention measures.

(Environmental management committee)

As a general rule, the environmental management committee is called quarterly (or whenever the need arises). It promotes initiatives for environmental conservation across the entire Group and sets environmental policies and goals. Based on consultations with each business executive function, it issues/exercises instructions, recommendations, and supervision regarding resource-saving and environmental load reductions in business activities.

3. Rationale for the current corporate governance structure

We believe the quality of our corporate governance structure is critical to implementing good business management and winning the trust of shareholders and other investors. We chose to become a company with an audit and supervisory committee to place on the board of directors audit and supervisory committee members responsible for auditing the execution of their duties by directors, thereby strengthening supervision of the board of directors and upgrading our corporate governance structure. In addition, we believe important matters regarding directors, such as their appointment and remuneration, should be discussed and determined by the board of directors based on reports from the committees, of which independent outside directors account for more than half of members.

III The status of measures regarding shareholders and other stakeholders

1. Initiatives to invigorate a shareholders meeting and ensure the smooth exercise of voting rights

	Supplementary explanation
Early delivery of a notice of shareholders meeting	A shareholders meeting was held June 18, 2020. The notice was sent on June 3, 2020 and disclosed online on June 1, 2020.
Avoidance of common meeting dates	Common meeting dates are avoided so that as many shareholders as possible can be present.
Exercise of voting rights by electromagnetic means	Voting rights can be exercised online.
Participation in an electronic voting platform and other initiatives to facilitate the exercise of voting rights by institutional investors	We have opened an electronic voting platform.
Provision of a notice of meeting (summary) in English	A notice of meeting and reference documents for the meeting are provided in English.
Other	Management policies, business strategies, business reports, and other matters are presented in an easy-to-understand way at shareholders meetings via narrated videos.

2. The status of IR activities

	Supplementary explanation	Explanation by the representative himself/herself
Periodic briefing sessions for individual investors	We hold briefing sessions for individual investors from time to time.	Provided
Periodic briefing sessions for analysts and institutional investors	We hold Q2 and whole-year financial briefings. We hold meetings with individual domestic institutional investors.	Provided
Periodic briefing sessions for foreign investors	We periodically visit individual foreign investors to engage in dialogue. We also participate in conferences organized by securities firms to have dialogues with investors.	Provided
Other release of IR materials	Reference materials for financial briefings, mid-term management plans, financial summaries, securities reports, integrated reports, and related issues are available on our website: http://nichiiko-ir.irbridge.com/ja/Library . The reference materials for financial briefings, mid-term management plans, financial summaries, and integrated reports are also available in English.	
Appointment of a department (person) in charge of IR activities	The Corporate Communication Department within the President Office is in charge of IR activities. Contact ir@nichiiko.co.jp	
Other	We hold meetings with individual institutional investors both at home and abroad.	

3. Initiatives for respecting stakeholders' position

	Supplementary explanation
Internal rules, etc., that respect the position of stakeholders	We wrote the Nichi-Iko Group Corporate Charter of Conduct to ensure respect for the position of stakeholders and distributed a mission statement handbook to all employees.
Environmental protection and CSR activities, etc.	Since 2005, we have been supporting seeing-eye dog training projects. We support the Cool Biz campaign to prevent global warming. We have concluded regional cooperation agreements with local governments of the country to hold workshops on hand disinfection and related issues.
Formulation of policies on the provision of information to stakeholders	The Nichi-Iko Group Corporate Charter of Conduct provides for information disclosure to stakeholders and its protection.

IV Matters regarding internal control systems, etc.

1. Basic approach to internal control systems and structures for ensuring appropriate business conduct

1) The establishment of structures for ensuring the conformity of the execution of duties by directors to laws and regulations and the Articles of Incorporation

As foundations for its compliance structure, we will establish the Nichi-Iko Group Corporate Charter of Conduct, the Nichi-Iko Group Code of Conduct for Officers and Employees, and the Nichi-Iko Group Compliance Rules to establish codes of conduct that will ensure compliance with laws and regulations and the Articles of Incorporation. The President and CEO will repeatedly communicate the spirit behind these materials so that compliance will be the fundamental element of all corporate activities. To this end, we will establish an internal control committee composed of the President and CEO as the chairperson and division heads and directors, etc., as members in order to promote the establishment, maintenance, and improvement of Internal Control Systems. We will further establish a compliance committee in order to improve and maintain the Internal Control Systems.

The compliance committee is chaired by the director in charge of ESG. The Compliance Office seeks to identify, analyze and address compliance issues for the Nichi-Iko Group, develops relevant rules and guidelines, and arranges for/administer related training.

Any compliance issue discovered at a division or subsidiary company must be promptly reported to the Compliance Office. The office will then seek to collect information pursuant to the Whistleblower System Rules, investigate the information reported, determine recurrence prevention measures after consultations with relevant business departments, ensure their implementation across the Group, and submit reports to the risk management committee, the President and CEO, and board of directors.

The director in charge of ESG, the audit and supervisory committee, the Internal Audit Office, and the accounting auditor will meet periodically to exchange information and report the results to the compliance committee.

We will take an uncompromising attitude towards antisocial forces and groups that are threats to the order and safety of civil society. If we receive any undue or unlawful demands, we will make systematic responses in close cooperation with the police, lawyers, and other outside specialist organizations.

2) The establishment of other structures prescribed in a Ministry of Justice ordinance as necessary to ensure the appropriate conduct of the business of a stock company and of an enterprise group composed of that stock company and its subsidiary companies

① Structures regarding the storage and management of information on the execution of duties by directors
Pursuant to the document handling rules, document management rules, and confidential document management rules, we will record and store information on the execution of duties by directors in writing or using electronic media (“Documents”). Directors can access these Documents at any time pursuant to document handling rules, document management rules, and confidential document management rules. The Documents will remain available for at least 10 years.

Pursuant to the basic information security policy and other information security rules, we will protect and manage electronic information and promote its smooth and effective utilization.

② Rules regarding management of loss risk and other structures

As a foundation for our risk management structure, we will establish the Nichi-Iko Group Risk Management Rules and organize a risk management committee composed of the President and CEO as the chairperson and division heads and directors, etc., as members. Pursuant to our basic risk management policy, we will identify and properly address (by establishing structures and series of processes for risk management)

material risks to the Group, including potential risks to the promotion and expansion of its business and to its corporate value, to ensure that its business can grow continuously and steadily.

③ Structures for ensuring the efficient execution of duties by directors

We will set goals for ourselves and communicate them across the Group. Each business director will determine efficient ways to attain these goals, including exactly what should be done by each department and how necessary authorities should be apportioned, and carry out business activities accordingly. We will establish IT-based systems that will promptly digitize the results, enable the board of directors to conduct periodic reviews, and encourage the elimination or reduction of hindrances to efficiency improvement, thereby helping to increase the probability of achieving our goals and enhancing business efficiency across the Group.

④ Structures for ensuring the conformity of the execution of duties by employees to laws and regulations and the Articles of Incorporation

The basic policy regarding the “establishment of structures for ensuring the conformity of the execution of duties by directors to laws and regulations and the Articles of Incorporation” in 1) above will be applied *mutatis mutandis*.

⑤ The structures set forth below and other structures for ensuring the appropriate conduct of the business of an enterprise group composed of our company and its subsidiary companies (“Nichi-Iko Group”)

Our company’s internal control committee will establish structures and systems for achieving efficiency in internal control discussions, the sharing of information, and the relaying of instructions and requests within the Nichi-Iko Group. The directors, executive officers and department managers of our company, and the presidents of subsidiary companies will have the authority and responsibility to establish and operate internal structures ensuring appropriate business execution within their departments. Our company’s Internal Audit Office will conduct internal audits of the Nichi-Iko Group and report the results to the internal control committee and relevant department managers. The internal control committee will provide suitable guidance, support, and advice on internal control improvements.

Pursuant to the Financial Instruments and Exchange Act, we will establish and operate necessary and appropriate internal control systems to ensure the reliability of financial reports for the Nichi-Iko Group. The Internal Audit Office will evaluate the effectiveness of internal controls, propose corrective actions if inadequacies are found, and report the results (including the results of such corrections) to the board of directors.

a. Structures regarding the reporting to our company of matters regarding the execution of duties by the directors, etc., of subsidiary companies

- Pursuant to its affiliate management rules, our company will request the submission of relevant documents, etc., from its subsidiary companies so that our company can have an accurate picture of their business management activities.

- Our company will hold subsidiary company meetings at which its subsidiary companies will report on their operating results, financial condition, and other important information to our company.

b. Rules regarding management of loss risk and other structures for subsidiary companies

- Our company will require risk management by its subsidiary companies in its Nichi-Iko Group Risk Management Rules, which provide for risk management by and for the Nichi-Iko Group. Our company will also act as a general and chief risk manager for the Nichi-Iko Group.

- Our company will administer the risk management committee as an organ responsible for risk management for the Nichi-Iko Group, discussing issues and measures regarding the promotion of risk management for the Nichi-Iko Group.

c. Structures for ensuring the efficient execution of duties by the directors, etc., of subsidiary companies

Our company will formulate a mid-term management plan for the Nichi-Iko Group and establish annual management plans and budgets, etc., for the Nichi-Iko Group as a means of giving a concrete form to the mid-term management plan.

d. Structures for ensuring the conformity of the execution of duties by the directors, etc., and employees of subsidiary companies to laws and regulations and the Articles of Incorporation

- Our company will cause structures to be established that will notify all the officers and employees of the Nichi-Iko Group that their business activities must be conducted in a legal and fair way as demanded by society, pursuant to the Nichi-Iko Group Corporate Charter of Conduct and the Nichi-Iko Group Code of Conduct for Officers and Employees.

- Our company will provide the officers and employees of the Nichi-Iko Group with annual compliance training and establish whistleblower systems that will enable our company to discover and respond to any violations of laws and other compliance issues early on.

⑥ Matters regarding employees engaged to assist the audit and supervisory committee with its duties (assistant employees)

Our company will assign certain employees to assist the audit and supervisory committee with its duties on a full-time basis. These employees will be selected jointly by the audit and supervisory committee and the Board of Senior Directors.

⑦ Matters regarding the independence of assistant employees from directors (except for those serving on the audit and supervisory committee)

Employees engaged to assist the audit and supervisory committee with its duties are independent of and do not take instructions or orders from directors (except for those serving on the committee) with respect to the implementation of auditing operations pursuant to the committee's instructions.

⑧ Matters regarding assuring the effectiveness of instructions to employees engaged to assist the audit and supervisory committee with its duties

Our company will notify its officers and employees that employees engaged to assist the audit and supervisory committee with its duties will follow the committee's instructions and orders.

⑨ The structures set forth below and other structures regarding reporting to our company's audit and supervisory committee:

a. Structures by which our company's directors (except for those serving on the audit and supervisory committee) and employees report certain matters to the auditors

- Directors (except for those serving on the audit and supervisory committee) and employees will present reports to the audit and supervisory committee on legal matters as well as matters having material effects upon the Nichi-Iko Group. In addition, the director in charge of ESG will present periodic reports on the status of internal audits and reports received under the Whistleblower System Rules, including their contents.

b. Structures whereby directors, auditors, and employees of subsidiary companies or individuals receiving reports from them report certain matters to our company's audit and supervisory committee

- The officers and employees of subsidiary companies will promptly submit appropriate reports to our company's audit and supervisory committee on matters regarding business execution, if so requested.

- If an officer or employee of any subsidiary company discovers violations of laws or other illegal actions or other matters with the potential to cause significant damage to the Nichi-Iko Group, he or she will immediately report to our company's subsidiaries management department or the designated contact for whistleblowers.

- Departments within our company assigned responsibility for internal audits, compliance, risk management,

and related issues will make periodic reports to our company's audit and supervisory committee on the status of subsidiary companies.

- Departments assigned to receive whistleblowers' reports will make periodic reports to our company's directors on such reports from officers and employees of the Nichi-Iko Group, taking all due steps to ensure the anonymity of the whistleblowers.

⑩ Structures for ensuring that individuals submitting reports to the audit and supervisory committee will not receive disadvantageous treatment as a consequence of such reporting

Our company will introduce a policy against disadvantageous treatment of officers or employees of the Nichi-Iko Group who have made reports to the audit and supervisory committee as a consequence of such reporting. We will notify all Nichi-Iko Group officers and employees of this policy.

⑪ Matters regarding procedures for paying in advance or returning expenses incurred in connection with the execution of duties by the members of the audit and supervisory committee (limited to those related to the execution of the committee duties) and other policies governing the handling of expenses or debts incurred in connection with the execution of such duties

Expenses incurred in connection with the execution of duties by the members of the audit and supervisory committee will be borne by the company pursuant to specified procedures within the limits of the company's expense budgets.

⑫ Other structures for ensuring effective audits by the audit and supervisory committee

The audit and supervisory committee will meet with the President and CEO and the accounting auditor separately and periodically to exchange opinions.

2. Basic approach to the exclusion of antisocial forces, and the status of structures

For this purpose pursuant to the Guideline on How Companies Can Prevent Damage from Antisocial Forces, our company has established its Antisocial Force Response Management Rules and notified all group companies on how they should respond to antisocial forces.

V Other

1. Anti-takeover Measures

Anti-takeover Measures	Not provided
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Supplementary explanations about applicable items

At the meeting of the board of directors on May 12, 2020, our company decided to discontinue and abolish the Countermeasures Against Large Scale Purchases of Company Share Certificates, etc. (Anti-takeover Measures). This policy was set to expire at the close of the 56th annual shareholders meeting.

2. Other matters regarding corporate governance structures, etc.

