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## Nippon Sanso Holdings Corporation

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<https://www.nipponsanso-hd.co.jp>

The corporate governance of Nippon Sanso Holdings Corporation (the “Company”) is described below:

### I. Basic thinking on corporate governance, capital structure, corporate attributes and other basic information

#### 1. Basic Thinking on Corporate Governance

From the perspective of ensuring sustainable growth of the Company and long-term increase of corporate value, taking into account the positions of shareholders and other stakeholders, customers, employees, and local communities, the Company believes that the essence of corporate governance involves ensuring transparency and fairness of decision-making, making effective use of the management resources available, and maximizing the efficiency and strength of management through prompt and decisive decision-making. The Company will work toward a full implementation of correct corporate governance based on the basic approach below.

- (1) The Company will respect shareholders’ rights and ensure their equality.
- (2) The Company will consider the benefits of shareholders and other stakeholders and work appropriately in partnership with those stakeholders.
- (3) The Company will ensure transparency by releasing appropriate corporate information at appropriate times.
- (4) By separating supervisory and executive functions, the Company will improve effectiveness of the Board of Directors’ supervisory function over the Company’s business executions.
- (5) The Company will engage in constructive dialogue with shareholders in order to contribute to the sustainable growth of the Group and the medium- to long-term improvement of corporate value.

#### **[Reasons for Not Implementing the Respective Principles of the Corporate Governance Code]**

The Company has implemented each of the principles of the Corporate Governance Code.

**[Disclosure Based on the Principles of the Corporate Governance Code] [Updated]**

**[Principle 1.4 Cross-Shareholdings]**

The Company has established its policy on strategic holdings of listed stock and basic rules on exercising voting rights in relation to strategic stock holdings in Article 4 of “Principles of Corporate Governance” available on its corporate website. The Board of Directors annually carries out a comprehensive assessment of each of strategic stock holdings both quantitatively, by using the Return on Invested Capital (ROIC) indicator, and qualitatively, by analyzing its business needs and other matters, and thereby verify whether there are sufficient reasons for each individual stock holding.

([https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/principles\\_jp.pdf](https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/principles_jp.pdf))

**[Principle 1.7 Related Party Transactions]**

The Company has established the framework of procedures for related party transactions in Article 5 of “Principles of Corporate Governance” available on the Company’s website.

([https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/principles\\_jp.pdf](https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/principles_jp.pdf))

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

Taiyo Nippon Sanso (TNSC) which is the core business company of the Company group has established the Corporate Pension Managing Committee that has been engaged in deliberation of the management of corporate pension. TNSC has managed the corporate pension fund in accordance with the basic policy of managing pension reserves and based on the strategic asset contribution ratio necessary for achieving the target of the pension asset management in order to ensure stable management of the employee’s assets, while properly controlling conflict of interests. Furthermore, TNSC has appointed the best trustees based on the strategic asset contribution ratio, evaluated the quantitative and qualitative aspects of the trustees designated by TNSC, and disclosed to employees the summary of performance by trustee, including the investment results of corporate pension fund.

**[Principle 3-1(1) Full Disclosure]**

The Company has formulated its corporate philosophy and published it on its corporate website.

(<https://www.nipponsanso-hd.co.jp/company/mission.html>)

The Company had promoted its Four-Year Medium-Term Management Plan “Ortus Stage 2” (FYE2018-FYE2021).

Originally, we had planned to formulate and announce its new Medium-Term Management Plan starting from FYE2022, but due to the global spread of COVID-19 and the uncertainty of the global economy and our business environment, we decided to postpone the formulation of Medium-Term Management Plan for one year and announce it as a plan starting from FYE2023.

Previous Medium-Term Management Plan is available on the Company’s website.

(<https://www.nipponsanso-hd.co.jp/ir/management/plan.html>)

**[Principle 3-1(2) Full Disclosure]**

The Company has formulated “Principles of Corporate Governance” as its basic thinking and policy on corporate governance and published it on its corporate website.

([https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/principles\\_jp.pdf](https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/principles_jp.pdf))

[Principle 3-1(3) Full Disclosure]

As regards the policy and procedures for the Board of Directors’ determining of the remuneration of management personnel and directors, please refer to “Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods” in the subsection “Director Remuneration” under the section “1. Matters on Organizational Composition and Operation” under the part “II . Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management” of this report.

[Principle 3-1(4) Full Disclosure]

The Company has defined its policy and procedures for the Board of Directors’ appointment of executive officers and nominating candidates of directors and Audit & Supervisory Board members in Articles 14 through 16 of “Principles of Corporate Governance” available on its corporate website.

([https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/principles\\_jp.pdf](https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/principles_jp.pdf))

[Principle 4-1-1 Roles and Responsibilities of the Board]

The Company has defined the scope and content of the matters for which the authority is delegated to the management in Article 8.3 of “Principles of Corporate Governance” available on its corporate website.

([https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/principles\\_jp.pdf](https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/principles_jp.pdf))

[Principle 4-9 Independence Standards and Qualification for Independent Directors]

The Company has defined the independence standards for independent outside directors in Article 10.2 of “Principles of Corporate Governance” available on the Company’s website.

([https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/principles\\_jp.pdf](https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/principles_jp.pdf))

[Supplementary Principle 4-11-1 Preconditions for Board and Audit & Supervisory Board Effectiveness]

The Company has defined its view on the appropriate balance between knowledge, experience and skills of the Board of Directors as a whole, and on diversity and appropriate size thereof in Article 10 of “Principles of Corporate Governance” available on the Company’s corporate website.

([https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/principles\\_jp.pdf](https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/principles_jp.pdf))

[Supplementary Principle 4-11-2 Preconditions for Board and Audit & Supervisory Board Effectiveness]

Outside director, Mitsuhiro Katsumaru is also serving as outside director of Shimano Inc. Director, Hidefumi Date is serving as Director, Managing Corporate Executive Officer and

Chief Financial Officer of Mitsubishi Chemical Holdings Corporation, and Representative Director and President of Mitsubishi Chemical Holdings Corporate Staff, Inc. None of outside Audit & Supervisory Board members has a concurrent position of any other listed company.

[Supplementary Principle 4-11-3 Preconditions for Board and Audit & Supervisory Board Effectiveness]

We evaluate the Board of Directors using a questionnaire for the directors. To explain the process more specifically, a questionnaire was distributed to the directors after explaining its content at February's board meeting. Each director answered the questionnaire and submitted it to the chairperson. In the board meeting in April, the directors evaluated the effectiveness of the board based on the answers submitted while discussing problems and proposals for improvement.

The questionnaire included questions about the board's responsibilities as provided in the company's principles of corporate governance, which are: (1) the supervision of overall operation; (2) the establishment of an internal control structure; (3) the selection, appointment, dismissal, and evaluation of the President and CEO as well as other senior executives, and the determination of their compensation; (4) the formulation of management strategy and decisions on the execution of important operations; and questions about area which was handled successfully or unsuccessfully in transition to a holding company structure executed on 1<sup>st</sup> October 2020. The questionnaire also asked opinions about what kind of theme the Board of Directors should intensively discuss or monitor as a board of directors of a holding company from now on.

As a result, it was confirmed that the board had been performing its functions as required. For the board to perform its functions more properly, the directors decided, at the chairperson's proposal, to continue discussions on the themes each director has presented as the themes board of directors of a holding company should discuss or monitor in the preparation for the Medium-Term Management Plan scheduled in this fiscal year. Especially as to the response to the matter of carbon neutral the Company has already launched a working team consisting of members from group companies around the world and started discussion on that matter because many directors pointed out the matter as an urgent task

[Supplementary Principle 4-14-2 Director and Audit & Supervisory Board Members Training]

The Company has defined its training policy for directors and Audit & Supervisory Board members in Article 18 of "Principles of Corporate Governance" available on the Company's corporate website.

([https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/principles\\_jp.pdf](https://www.nipponsanso-hd.co.jp/Portals/0/images/company/governance/principles_jp.pdf))

[Supplementary Principle 5-1 Dialogue with Shareholders]

The Company has formulated "Nippon Sanso Holdings Group Investor Relations (IR) Policy (Basic Principles for Dialogue and Disclosures Concerning IR Activities)" as a policy on the structure and initiatives to facilitate constructive dialogue with shareholders and published it on the Company's website.

(<https://www.nipponsanso-hd.co.jp/en/ir/management/irpolicy.html>)

## 2. Capital Structure

Foreign Shareholding Ratio	10% or more and less than 20%
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### [Status of Major Shareholders] [Updated]

Name / Company Name	Number of Shares Owned	Percentage (%)
Mitsubishi Chemical Holdings Corporation	218,996,766	50.59
Taiyo Nippon Sanso Corporation stock holding association for clients and suppliers	17,617,221	4.07
The Master Trust Bank of Japan, Ltd. (trust account)	14,946,900	3.45
Custody Bank of Japan, Ltd. (trust account)	13,294,800	3.07
Meiji Yasuda Life Insurance Company	10,007,471	2.31
Mizuho Bank, Ltd.	8,182,847	1.89
The Norinchukin Bank	7,000,840	1.62
Nippon Sanso Holdings Corporation stock holding association for employees	3,282,784	0.76
STANDARD LIFE ASSURANCE LIMITED-PENSION FUNDS	3,067,500	0.71
IBIDEN CO., LTD	3,004,844	0.69

Controlling Shareholder (except for Parent Company)	N/A
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Parent Company	Mitsubishi Chemical Holdings Corporation (TSE Code: 4188)
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### Supplementary Explanation

N/A

## 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Chemical
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	¥100 billion or more and less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	100 or more and less than 300

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

When entering into a transaction with its controlling shareholder, the Company has a policy to define reasonable contractual conditions and prices in reference to other transactions and market prices. Furthermore, the Company will obtain approval of the Board of Directors for any material transaction with its controlling shareholder that is not included in the ordinary course of business.

#### 5. Other Special Circumstances which may have Material Impact on Corporate Governance [Updated]

The Company has entered into the basic agreement with its parent company, Mitsubishi Chemical Holdings Corporation, dated on May 13, 2014, whereby Mitsubishi Chemical Holdings Corporation shall, under its "Group Management Regulations," respect the Company's independence and provide it with full support and cooperation.

If a conflict of interest occurs between the parent company and other shareholders, Nippon Sanso Holding's directors take action so as not to harm the interests of the other shareholders. We appoint three independent outside directors and two full-time independent outside members of the Audit & Supervisory Board. They supervise that any conflict of interest between the parent company and other shareholders should not happen. In addition, we have an Advisory Committee on Appointment and Remuneration that is established voluntary for the Board of Directors to consult with regarding the nomination of candidates for directors and members of the Audit & Supervisory Board, as well as the appointment and dismissal of CEO and other executive officers. The committee consists of five members, the president, chairman of the board and three independent outside directors, one of them serving as the chairperson. With such structure, we ensure independence from the parent company of the appointment of senior executives.

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

### 1. Matters on Organizational Composition and Operation

Organization Form	Company with an Audit & Supervisory Board
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	One year
Chairperson of the Board [Updated]	Other than CEO
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of Outside Directors [Updated]	3
Number of Independent Outside Directors [Updated]	3

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

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Akio Yamada	Other											○
Mitsuhiro Katsumaru	Lawyer											○
Miri Hara	Certified Tax Accountant											○

\*Categories for "Relationship with the Company"

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

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

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

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

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the Company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/ audit & supervisory board member
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. 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)
- i. Executive of a company, between which and the Company outside directors/ audit & supervisory board member are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

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

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Akio Yamada	○	----	Mr. Yamada, currently assuming Chairman of Fair Trade Institute, has held important positions at Japan Fair Trade Commission and has experience serving as an outside director of another listed companies, and thus the Company considers him qualified to be an outside director. On top of that, the Company has selected him as an independent director who is unlikely to have conflicts of interest with general shareholders based on such background.

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Mitsuhiro Katsumaru	○	----	Mr. Katsumaru, who is a registered attorney, has held important positions at the Ministry of Justice and Public Prosecutors Offices and thus the Company considers him qualified to be an outside director. On top of that, the Company has selected him as an independent director who is unlikely to have conflicts of interest with general shareholders based on such background.
Miri Hara	○		Miri Hara has served as a director of real estate management company over many years, and also has wide-ranging experience of serving as Representative Certified Public Tax Accountant of Tax Corporation, and an outside director at a publicly listed company and thus the Company considers her qualified to be an outside director. On top of that, the Company has selected him as an independent director who is unlikely to have conflicts of interest with general shareholders based on such background.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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#### Voluntary Establishment of Committee(s), Members and Attributes of Chairperson [Updated]

	Committee's Name	All Committee Members	Full-time Members	Internal Directors	Outside Directors	External experts	Other members	Chair person
Voluntary Committee Corresponding to Nomination Committee	Advisory Committee on Appointments and Remuneration	5	0	2	3	0	0	Outside director
Voluntary Committee Corresponding to Remuneration Committee	Advisory Committee on Appointments and Remuneration	5	0	2	3	0	0	Outside director



#### Supplementary Explanation

The Board of Directors consults Advisory Committee on Appointment and Remuneration regarding the selection of candidates for the position of director and Audit & Supervisory Board member, the appointment and dismissal of President (CEO) and executive officers, the choosing of successors to President (CEO) and revisions of the internal regulations on director's compensation, and seeks advice from the independent outside directors to ensure the transparency and objectivity of decision making.

#### [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

#### Coordination among Audit & Supervisory Board Members, Independent Auditors and Internal Audit Departments

The Audit & Supervisory Board comprises four full-time members, three of whom are outside members. Audit & Supervisory Board members attend meetings of the Board of Directors and the Management Committee to oversee directors' business execution objectively and form and express opinions impartially. The Audit & Supervisory Board conducts its audit in coordination with Independent Auditors and Corporate Audit Office. The Audit & Supervisory Board receives reports from the Independent Auditors about their auditing plans and the status of their audit, and also receives reports from Corporate Audit Office about the results of internal audit.

Furthermore, the secretariat of the Audit & Supervisory Board staffed by full-time personnel has been in place to help Audit & Supervisory Board members with their duties and thereby ensure the effectiveness of audit conducted by the Audit & Supervisory Board.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	2

Outside Audit & Supervisory Board Member's Relationship with the Company (1) **[Updated]**

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Akihiro Hashimoto	From another company										△	
Masahiro Osada	From another company			△		△						
Kazuya Kobayashi	From another company										△	

\* Categories for "Relationship with the Company"

\* "○" when the audit & supervisory board member presently falls or has recently fallen under the category;

"△" when the audit & supervisory board member fell under the category in the past

\* "●" when a close relative of the audit & supervisory board member presently falls or has recently fallen under the category;

"▲" when a close relative of the audit & supervisory board member fell under the category in the past

- a. Executive of the Company or its subsidiary
- b. Non-executive director or accounting advisor of the Company or its subsidiaries
- c. Non-executive director or executive of a parent company of the Company
- d. Audit & supervisory board member of a parent company of the Company
- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, 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
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. 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)
- k. Executive of a company, between which and the Company outside directors/ audit & supervisory board member are mutually appointed (the audit & supervisory board member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the audit & supervisory board member himself/herself only)
- m. Others

Outside Audit & Supervisory Board Member's Relationship with the Company (2) **[Updated]**

Name	Designation as Independent Audit & Supervisory Board member	Supplementary Explanation of the Relationship	Reasons of Appointment
Akihiro Hashimoto	○	Mr. Hashimoto is invited from Mizuho Bank, Ltd. which is the Company's lender. The group companies' outstanding borrowings to the bank was 286,685 million yen at the end of March 2021.	Mr. Hashimoto is appointed as an Outside Audit & Supervisory Board member for his long-term experience at financial institutions and his substantial level of accounting and financial knowledge. On top of that, the Company has selected him as an independent Audit & Supervisory Board member who is unlikely to have conflicts of interest with general shareholders based on such background.
Masahiro Osada		Mr. Osada is invited from Mitsubishi Chemical Corporation, which is the Company's fellow company and client. The annual amount of transactions between the group companies and Mitsubishi Chemical stood at 5,330 million yen for the year ended in March 2021.	Mr. Osada is appointed as an Outside Audit & Supervisory Board member for his experience at accounting departments and corporate management department of a chemical company and his substantial level of financial and accounting knowledge.
Kazuya Kobayashi	○	Mr. Kobayashi is invited from Mizuho Bank, Ltd. which is the Company's lender. The group companies' outstanding borrowings to the bank was 286,685 million yen at the end of March 2021.	Mr. Kobayashi is appointed as an Outside Audit & Supervisory Board member for his long-term experience at financial institutions and his substantial level of accounting and financial knowledge. On top of that, the Company has selected him as an independent Audit & Supervisory Board member who is unlikely to have conflicts of interest with general shareholders based on such background.

**[Independent Directors/ Audit & Supervisory Board member]**

Number of Independent Directors/ Audit & Supervisory Board member	5
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## Other Matters relating to Independent Directors

N/A

## [Incentives] [Updated]

Implementation of incentive measures for Directors	Performance-linked bonuses
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## Supplementary Explanation on Relevant Matter

Remunerations for directors consist of the fixed “Basic Monthly Remuneration,” which is base salary specific to each rank, and “Performance-linked Bonuses” which vary according to business results. The proportion of the two portions is approximately six to four, which is reflected in the amount of remuneration for each director. Outside directors and directors whose main jobs are directors of subsidiaries receive the fixed “Basic Monthly Remuneration” only. The Performance-linked Bonuses are determined on the basis of the following formula.

Performance-linked Bonuses (variable) = Rank-specific standard amount x Coefficient based on evaluation related to Performance-linked Bonuses

The following figures are applied to the coefficient based on evaluation related to Performance-linked Bonuses in order to judge the status of achievements of medium-term management plan targets while strengthening the extent of their interlocking with the Company’s business results as well as improving their objectivity and transparency.

- Degree of achievements of each fiscal year’s budget based on medium-term management plan targets (consolidated revenue and consolidated core operating profit margin)
- Year-on-year improvements in business results (consolidated revenue, consolidated core operating profit and profit attributable to owners of the parent company)
- Targets & results of indicators tied to Performance-linked Bonuses for directors in FY2020 ending March 2021

Degree of achievement in each FY’s budget based on medium-term management plan targets

Indicator for evaluation	Target for FYE2021	Results for FYE 2021
Consolidated revenue	830,000 mil. yen	818,238 mil. yen
Consolidated core operating profit margin	9.9%	10.7 %

#### Year-on-year performance improvements

Indicator for evaluation	Results of FYE 2020	Results of FYE 2021
Consolidated revenue	850,239 mil. yen	818,238 mil. yen
Consolidated core operating profit	90,337 mil. yen	87,251 mil. yen
Profit attributable to owners of parent company	53,340 mil. yen	55,214 mil. yen

#### Recipients of Stock Options

#### Supplementary Explanation on Relevant Matter

N/A

#### [Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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#### Supplementary Explanation on Relevant Matter [Updated]

The Company discloses the total amount of remuneration for directors.

The total amount of remuneration for 10 directors was 287 million yen, including 24 million yen for two outside directors.

Total amount of remunerations by type:

- Basic Remuneration: 193 million yen, including 24 million yen for two outside directors
- Performance-tied Remuneration: 94 million yen

※ For the period from 1<sup>st</sup> April 2020 to 31 March 2021.

These amount includes remuneration for 1 director who retired during the year.

Policy on Determining Remuneration Amounts and Calculation Methods [Updated]	Established
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#### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The amount of remuneration, etc. for directors and auditors is determined by a resolution adopted at the General Meeting of Shareholders in the form of a cap on the total amount for all directors and another cap on the total amount for all auditors. The amount of remuneration for each director is determined on the basis of the policy described in [Incentives] and supplementary explanation of “Implementation of incentive measures for Directors” The board of directors has approved internal regulation that reflected the policy. Outside directors and directors whose main jobs are directors of subsidiaries are paid the fixed “Basic Monthly Remuneration” only. Remuneration for directors is based in principle on an annual salary system, with the amount paid monthly equivalent to one-12th of the annual salary.

Representative Director who is authorized to decide the amount of each director's remuneration calculates it according to the internal regulations. The amount of remuneration for directors is to be unambiguously calculated from their rank and performance based on the internal regulations, and it is possible to verify the results of calculations by the Representative Director. The Company has established the advisory committee on appointment and remuneration that consisted of five members that are President, Chairman of the Board and three outside directors and chaired by an outside director. The Committee continuously discusses directors' remuneration at the consultation of the board of directors.

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

For outside Audit & Supervisory Board members, full-time personnel are in place in the secretariat of the Audit & Supervisory Board to help them perform their duties. For outside directors, relevant materials are provided along with agenda items prior to a meeting of the Board of Directors, and a person in charge of an agenda item gives explanation where necessary. Further, outside directors and the Audit & Supervisory Board regularly meet to exchange information and share the same recognition concerning the Company's business, internal control, corporate governance and other matters.

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

**[Updated]**

The Board of Directors consists of nine members, two of whom are independent, and operates to ensure correct business judgement. The Articles of Incorporation stipulates that the maximum number of directors on the Board of Directors is 15. The Board of Directors holds a regular monthly meeting to discuss important matters and hear reports about business activities. The Company has established the Advisory Committee on Appointments and Remuneration as a discretionary advisory committee under the Board of Directors. The committee is chaired by outside director, Akio Yamada, and attended by President (CEO), Toshihiko Hamada, Chairman of the Board, Yujiro Ichihara, and outside director, Mitsuhiro Katsumaru and Miri Hara. The Board of Directors consults this committee regarding the selection of candidates for the position of director and Audit & Supervisory Board member, the appointment and dismissal of President (CEO) and executive officers, the choosing of successors to President (CEO) and revisions of the internal regulations on director's compensation, and seeks advice from the independent outside directors to ensure the transparency and objectivity of decision making.

In accordance with the Articles of Incorporation of the Company and Article 427(1) of the Companies Act, the Company has entered into agreements with each outside director to limit their liability for damages stipulated in Article 423(1) of the Companies Act, and has set their maximum liability for damages in accordance with Article 425(1) of the Companies Act.

In addition to the Board of Directors, the Company has established the Management Committee consisting of directors and concerned executive officers for prompt decision making. The term of a director has been limited to one year in order to facilitate responsible management in each fiscal year. The Audit & Supervisory Board comprises four full-time members and three of them are outside members. Audit & Supervisory Board members

attend meetings of the Board of Directors and the Management Committee to oversee directors' business execution objectively and form and express opinions impartially. The Audit & Supervisory Board conducts its audit in coordination with Independent Auditors and Corporate Audit Office as well. The Audit & Supervisory Board receives reports from the Independent Auditors about their auditing plans and the status of their audit, and also receives reports from Corporate Audit Office about the results of internal audit. Furthermore, the secretariat of the Audit & Supervisory Board staffed by full-time personnel has been in place to help Audit & Supervisory Board members with their duties and thereby ensure the effectiveness of audit conducted by the Audit & Supervisory Board.

Three outside directors and two outside Audit & Supervisory Board members are independent. The Company appoints Ernst & Young ShinNihon LLC as an accounting auditor. In addition to that the Company has established Code of Conduct of Nippon Sanso Holdings Group and strives to ensure compliance and business ethics of the group companies.

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

The Company considers that the system described above in “2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination, and Remuneration Decisions” is the most appropriate corporate governance system for the Company in light of characteristics and size of the Group's business.

The Company has three outside directors. The Audit & Supervisory Board comprises four full-time members, three of whom are outside. Having the three outside directors and two out of the three outside members of the Audit & Supervisory Board satisfies the independence standard for outside directors/Audit & Supervisory Board members required by the Tokyo Stock Exchange. The Company ensures the objectivity and fairness of management oversight functions.

## **III. Measures Implemented for Shareholders and Other Stakeholders**

### **1. Measures to Ensure Active General Meetings of Shareholders and Smooth Exercise of Voting Rights**

	Supplementary Explanation
Early Notification of General Shareholder Meeting	Notices of convocation for General Meetings of Shareholders are mailed to shareholders at the earliest possible date prior to the date designated by law.
Scheduling GMs Avoiding Overlapping with Other AGMs	The Company sets the date for annual General Meetings of Shareholders early to avoid dates on which many other shareholders' meetings are held.
Allowing Electronic Exercise of Voting Rights	To enhance the convenience for exercising shareholders' voting rights, the Company has allowed shareholders to exercise their voting rights electronically.
Participation in an Electronic Voting Platform and Other Measures for Enhancing the Exercise of Voting Rights of Institutional Investors	The Company has used the platform provided by ICJ, Inc. to enable institutional investors to exercise their voting rights electronically.

	Supplementary Explanation
Provision of Convocation Notice (Summary) in English	The Company provides notices of convocation (summary) in English

## 2. IR Activities **[Updated]**

	Supplementary Explanation	Provision of Explanations by the Company Representative
Regular Investor Briefings for Analysts and Institutional Investors	Twice a year, following announcement of the full year and the first half consolidated business performance respectively, the Company holds investor briefings with presentations by President (CEO) for analysts from securities firms and institutional investors.	Provided
Posting of IR Materials on Corporate website	1. Financial Results 2. Notices of Convocation and Resolution of General Meeting of Shareholders 3. Integrated Report 4. Annual Securities Report 5. Electronic Public Notice Others	
Establishment of Department and/or Manager in Charge of IR	Investor Relations of Group Finance and Accounting	

## 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Group's Code of Conduct stipulates matters that should be complied with in relationship with customers, shareholders and investors, employees and regional communities.
Implementation of Environmental Activities, CSR Activities etc.	The Company prepares an Integrated Report for the performance of environmental activities, CSR activities and other matters each year and publishes it on its corporate website.



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

### **1. Basic Thinking on Internal Control System and the Progress of System Development [Updated]**

Basic Policy on Internal Control System

#### **1. A system to ensure that the execution of duties by directors and employees of the Group comply with laws and regulations and the Articles of Incorporation.**

- The directors of the Company shall determine the basic policy of compliance in the Group and establish the organization and rules to ensure its effectiveness.
- We have a Chief Compliance Officer (hereinafter referred to as "CCO") and a Regional Chief Compliance Officer (hereinafter referred to as "RCCO") in each overseas region to provide education according to compliance risks in each region in Japan and overseas, and to provide compliance. Clarify the rules for dealing with violations and make them known to each group company.
- We have a Chief Compliance Officer (hereinafter referred to as "CCO") and a Regional Chief Compliance Officer (hereinafter referred to as "RCCO") in each overseas region to provide education according to compliance risks in each region in Japan and overseas, and to provide compliance. Clarify the rules for dealing with violations and make them known to each Group company.
- CCO and RCCO have control over compliance promotion activities and have supervisory authority, and strive to enhance and permeate the Group's compliance promotion activities.
- We will establish a whistleblowing system in Japan and overseas to ensure a system that allows us to report compliance violations within the Group and the possibility of such violations without suffering any disadvantages.
- In order to ensure the reliability of financial reporting, an internal control reporting system shall be established and its effective and efficient operation and evaluation shall be carried out.
- Internal audit department of the Company shall carry out an internal audit of the operational status of the above organizations, institutions and systems.

#### **2. Matters concerning the storage and management of information related to the execution of duties by directors**

- Information related to the execution of duties by directors will be appropriately stored and managed based on the Information Security Management Regulations and other related regulations based on the Information Management Basic Policy of the Group
- The above storage and management shall maintain the information available to directors

and Audit & Supervisory Board Members.

**3. Regulations and other systems for managing the risk of loss for the Group**

- The directors of the Company shall determine the basic policy of risk management in the Group and establish the organization and rules to ensure its effectiveness.
- Risk management shall be carried out by the department in charge of the relevant field, and Global Risk Management Committee shall be established to select important risks for the entire Group and formulate countermeasure.
- Internal audit department of the Company shall carry out an internal audit of the operational status of the above organizations, institutions.

**4. A system to ensure the efficient execution of duties by the directors of the Group**

- In order to ensure the efficiency of the duties of the directors, the board of directors shall make reasonable division of duties and appoint appropriate executive officers.
- The Global Strategy Review Committee shall formulate the Group's management strategy and manage its progress.
- A long-term management vision and a group medium-term management plan shall be formulated, quantitative and qualitative targets shall be set in order to achieve the plan, and performance management shall be carried out through quarterly monitoring.

**5. A System to ensure the appropriateness of operations in the Group**

- Based on the above policy, group management rules and other related rules, we manage its business, and compliance promotion, risk management and other systems that make up the internal control system shall cover the entire group, and as a holding company, the company shall maintain and operate the internal control system while respecting the independence of each group company. We shall support and manage it according to the situation.
- Internal audit department of the company shall cooperate with the internal audit department of each company of the Group, and shall grasp and evaluate the maintenance status of the internal control system of the Group through the audit of each company of the Group.

**6. A system for employees when Audit & Supervisory Board Members request the appointment of employees to assist them**

- As an organization that assists the duties of Audit & Supervisory Board Members, the secretariat of the Audit & Supervisory Board Members, which is independent of the command and order of directors, shall be established and dedicated employees shall be

assigned.

**7. Matters concerning the independence of employees in the previous item from directors and ensuring the effectiveness of instructions given to such employees**

- The employee of the secretariat of Audit & Supervisory Board Members in the preceding item shall not receive the command and order of the directors when receiving an order necessary for audit work from Audit & Supervisory Board Members.
- The evaluation of the employee shall be carried out by the Audit & Supervisory Board Members, and the prior consent of the Audit & Supervisory Board Members shall be obtained for the transfer and disciplinary action.

**8. A system for reporting to the Audit & Supervisory Board Members of the Company, system for ensuring that the person who reported to the Audit & Supervisory Board Members of the Company will not be treated unfavorably because of the report**

- Audit & Supervisory Board Members and Directors shall hold regular meetings to share information, and Directors and Employees shall report the following matters ①to ⑤ to Audit & Supervisory Board Members without delay in addition to the legal matters.
- The directors and employees of the company and the directors, corporate auditors and employees of each group company report to the department in charge of the company regarding matters corresponding to ④ or ⑤ below, and also report directly to the Audit & Supervisory Board Members or the Board of Corporate Auditors. It shall be possible.
- It is prohibited for a person who has made a report to the Audit & Supervisory Board Members specified in this item to be treated unfavorably because of the report
  - ① Contents decided by the Directors regarding important matters that affect the management of the Company or each Group company
  - ② Results of internal audits conducted by the department in charge of the Company or each Group company
  - ③ Of the whistleblowing, the content that has a significant impact on the management of the Company or each Group company
  - ④ Matters that violate compliance and have a significant impact on the management of the Company or Group companies
  - ⑤ Among matters related to quality defects and product defects, matters that have a significant impact on the management of the Company or each Group company

**9. Policy related to the processing of expenses or debts incurred in the execution of**

### **duties by Audit & Supervisory Board Members**

When an Audit & Supervisory Board Member make a request for prepayment or reimbursement of expenses for the execution of their duties, they promptly apply unless it is deemed that the expenses or obligations related to the request are not necessary for the execution of his / her duties. Expenses or debts shall be dealt with.

### **10. Other systems to ensure that audits by Audit & Supervisory Board Members are conducted effectively**

The Board of Auditors receives prior reports on the audit plans of Accounting Auditor and regularly receives reports on the Auditing Plan of Accounting Auditor in order to cooperate with the internal audit department, supervise Accounting Auditor, and ensure the independence of the Accounting Auditor from the directors. We shall maintain close contact with each other by receiving reports of audit results.

### **2. Basic Thinking on Eliminating Anti-Social Forces and the Progress of System Development**

Basic Policy on Eliminating Anti-Social Forces

The Group's "Code of Conduct" has the section titled "Rejection of Relationship with Anti-Social Forces" that specifies "the Group reacts resolutely towards anti-social forces and will never have any relationship with anti-social forces. Moreover, the Group will resolutely reject any unreasonable request made by anti-social forces or their equivalent and will not try to solve the request with money." The Company ensures that this principle is made known thoroughly to its officers and employees.

## **V. Other**

### **1. Adoption of Anti-Takeover Measures**

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation on Relevant Matter

N/A

### **2. Other Matters Concerning to Corporate Governance Organization** [Updated]

#### **1. Our Approach to Timely Disclosure**

The Company has established the Nippon Sanso Group Code of Conduct to guide the conduct of all Group officers and employees, which stipulates that: we are aware of the importance of accountability in corporate activities, where we reserve transparency; we always maintain an open stance to internal and external stakeholders and endeavor to disclose information in an appropriate manner; we are truly open to views and criticism concerning information disclosure and have good faith communication, which we optimize in corporate activities.

The Company has also maintained “Nippon Sanso Holdings Group Investor Relations (IR) Policy (Basic Principles for Dialogue and Disclosures Concerning IR Activities)” and published it on its corporate website.

(<https://www.nipponsanso-hd.co.jp/en/ir/management/irpolicy.html>)

## 2. Overview of Timely Disclosure

The specifics of the Company’s system for timely disclosures are as follows:

Executive Officer of the Group Finance and Accounting is responsible for handling information for timely disclosure, and Investor Relations of Group Finance and Accounting and Accounting of Group Finance and Accounting are responsible for announcement thereof.

### (1) Disclosure of Information on Decision

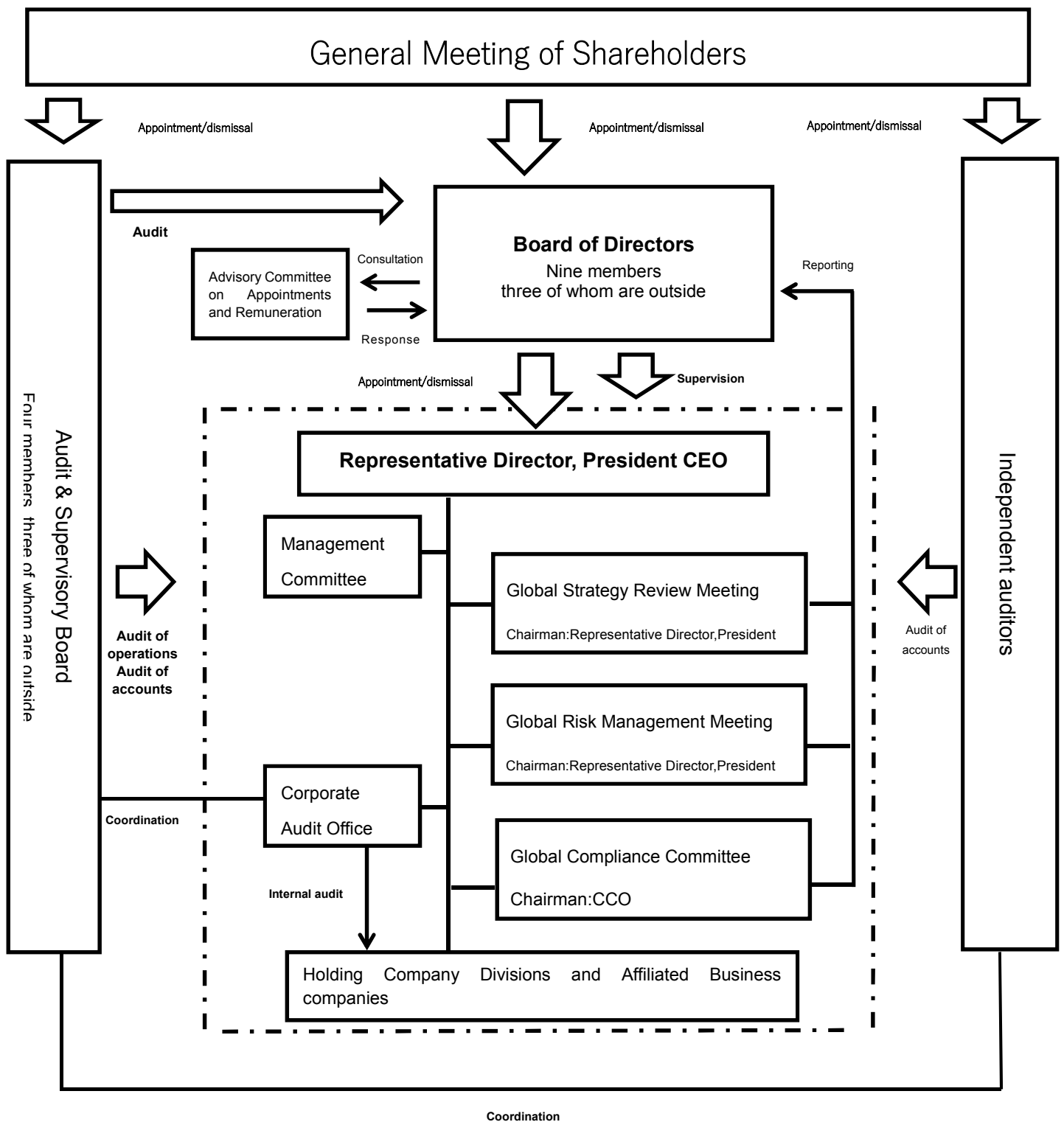
Decisions made by the Board of Directors that, in the opinion of Chief Compliance Officer (“CCO”), fall under the information subject to timely disclosure shall be disclosed in a timely manner by Investor Relations of Group Finance and Accounting or Accounting of Group Finance and Accounting.

### (2) Disclosure of Information on Occurrence of Material Fact



When any fact that might constitute a material fact has occurred, a business division that becomes aware of the occurrence must report on it to CCO and then, where necessary, to President (CEO), the Board of Directors, and the Management Committee. If CCO determines that the occurrence of the material fact falls under the information subject to timely disclosure, the information shall be disclosed in a timely manner by Investor Relations of Group Finance and Accounting or Accounting of Group Finance and Accounting.

### (3) Financial Information

Information on financial results shall be disclosed in a timely manner by Investor Relations of Group Finance and Accounting and Accounting of Group Finance and Accounting under the instructions of CCO subject to prior approval of the Board of Directors.



Organizational Structure for Timely Disclosure

- 1. Information on Decision: 
- 2. Information on Occurrence of Material Fact: 
- 3. Financial information: 