

Last Updated: June 26, 2019  
Nissan Chemical Corporation  
Kojiro Kinoshita  
Representative Director,  
President & CEO  
Contact: Corporate Planning Department  
Securities Code: 4021  
<https://www.nissanchem.co.jp/eng/>

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

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

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

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

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

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

The Company complies with every principle of Japan’s Corporate Governance Code.

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

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

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

Regarding the return of profits to shareholders, the Company achieved the below target which was set in Stage I, the first three years (from fiscal year 2016 to fiscal year 2018) of the medium-term business plan “Vista 2021.”

	(Target)	(Results for fiscal year 2018)
◆ Dividend payout ratio to be gradually increased to 40%		⇒ 41.5%
◆ Maintain total payout ratio at 70%		⇒ 72.0%

In Stage II, the second three years (from fiscal year 2019 to fiscal year 2021), the Company is working to achieve the targets of maintaining a dividend payout ratio of 45% and a total payout ratio of 75% by fiscal year 2021.

#### [Principle 1.4 Strategic Shareholdings]

The Company has established the following items regarding strategic shareholdings.

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

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

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

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

#### [Principle 1.7 Related Party Transactions]

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

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

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

##### Mission Statement (Our Values)

- “Contribute to the society with our excellent technologies and products”
- “Join forces in always developing new fields to support prosperity and social welfare”
- “Respect those who are full of inventiveness and zeal with a sense of responsibility”

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

- “Contribute to the society in harmony with the environment based on our excellent technologies, products, and services”

##### Corporate Vision:

- “A corporate group that contributes to human survival and development”

#### [Principle 2.2 Code of Conduct]

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

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

#### [Principle 2.3 Sustainability Issues, Including Social and Environmental Matters]

Under the "basic CSR policy," the Company has established the CSR Committee, the Risk Management & Compliance Committee, and the Environment, Safety & Quality Assurance Committee. The committees deliberate the summary of each fiscal year's activities and the activity plan for the following fiscal year, and act in accordance with the plan decided by resolution of the Board of Directors. The Company is strengthening its promotion of CSR activities by steadily implementing this PDCA cycle in coordination with each committee.

Moreover, having determined that "strengthening corporate governance, risk management, and compliance" is the most important priority for ensuring corporate continuity, the Company has identified 19 material issues broadly grouped under the categories of "providing people with new value that will help to enrich their lifestyles," "strengthening the Company's business foundation," and "continuously strengthening responsible care activities." Furthermore, the Company will leverage its strengths in personnel, R&D capabilities, and financial foundation, to develop its activities in the four business domains of "Information and Communication," "Life Sciences," "Environment & Energy," and "Chemicals & Affiliates," and present a value creation process in which the Company grows sustainably with society by promoting initiatives for its material issues.

Moreover, the Company has identified 13 categories of "group major risks" taking into account the environment surrounding its businesses. The Company has also drawn up a three-year plan containing risk countermeasures with fiscal year 2019 as its initial fiscal year, and is steadily implementing PDCA management practices relating to risk.

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

#### [Principle 2.4 Ensuring Diversity, Including Active Participation of Women]

With regard to recruitment of women, the Company has set the target of increasing the ratio of female professional staff from 7% in fiscal year 2015 to 10% by the end of fiscal year 2020. Specifically, the Company is working to expand the range of positions for women in each division/department of the Company as well as to achieve a 30% ratio for female professional staff recruitment among new graduates.

In addition, as a result of proactive efforts to recruit foreign students in Japan, four foreign students have joined the Company during the period from April 2017 to June 2019.

#### [Principle 2.5 Whistleblowing]

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

Furthermore, the Company does not subject whistle-blowers to disadvantageous treatment in relation to the reporting. Moreover, in cases where the whistle-blower him/herself has been committing violation of

compliance, he/she is not pardoned due to making a report, but the CRO may give special dispensation for the Company to act leniently or pardon the whistleblower if he/she assists in the early discovery, investigation and resolution of the problem.

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

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

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

[Principle 3.1 Information Disclosure]

i) The Company's business strategies and business plans

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

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

- ◆ Net Sales
  - 235.0 billion yen
- ◆ Operating income
  - 43.0 billion yen
- ◆ Operating margin
  - 18% or more (Results for fiscal year 2018 - 18.1%)
- ◆ ROE (return on equity)
  - 16% or more (Results for fiscal year 2018 - 16.6%)
- ◆ Return of profits to shareholders
  - Maintain dividend payout ratio of 45% (Results for fiscal year 2018 - 41.5%)
  - Maintain total payout ratio at 75% (Results for fiscal year 2018 - 72.0%)

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

ii) Basic views and guidelines on corporate governance

<Basic views on corporate governance>

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

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

<Basic guidelines on corporate governance>

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

(1) Securing the rights and equal treatment of shareholders

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

(2) Appropriate cooperation with stakeholders other than shareholders

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

(3) Ensuring appropriate information disclosure and transparency

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

(4) Responsibilities of the Board of Directors

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

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

(5) Dialogue with shareholders

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

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

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

- iv) Board of Directors' policies and procedures in the nomination of Director and Corporate Auditor candidates and appointment or dismissal of senior management

(Policies on the nomination of Director and Corporate Auditor candidates and appointment or dismissal of senior management)

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

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

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

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

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

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

- In the case where the senior management is considered not to be performing its function adequately based on an evaluation of the Company's performance and so forth.
- In the case where the senior management has committed misconduct or serious breach of laws and regulations or the Articles of Incorporation in execution of its duties.
- In the case where any other reason arises that is recognized as impeding appropriate execution of the senior management's duties.

(Procedures in the nomination of Director and Corporate Auditor candidates and appointment or dismissal of senior management)

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

- (4) The Board of Directors deliberates based on the report made by the Nomination and Remuneration Advisory Committee, and finalizes the proposal of candidates for Director, Corporate Auditor and senior management. (Directors and Corporate Auditors are elected by a resolution of the General Meeting of Shareholders.)

## 2. Procedures in the dismissal of senior management

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

(Procedures for making decisions on the dismissal of Directors and Corporate Auditors are to accord with provisions of the Companies Act.)

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

Nominations of Director candidates and Corporate Auditor candidates are disclosed in the reference documents to the notice of the convocation of the Ordinary General Meeting of Shareholders. Please refer to the following:

Reference documents to the Notice of the Convocation of the 149th Ordinary General Meeting of Shareholders ([https://www.nissanchem.co.jp/eng/news\\_release/release/en2019\\_05\\_29.pdf](https://www.nissanchem.co.jp/eng/news_release/release/en2019_05_29.pdf))

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

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

The Company has introduced a system of executive officers. By clarifying the management decision-making and oversight function and the execution function, we work to strengthen both functions and enhance our capacity to establish and implement our management strategies. Based on this policy, the Board of Directors makes decisions on important matters related to management. Specific agenda criteria are in accordance with the Board of Directors Rules, which set standards for monetary amounts, etc., taking into account the scale of the Company's business and others, and clarify the scope for decisions for the Board of Directors to make itself. In accordance with the Company's internal rules and within the scope permitted by laws and regulations and the Articles of Incorporation, the Board of Directors delegates to the Management Meeting and other bodies decisions corresponding to items not to be determined by the Board of Directors in line with the Board of Directors Rules depending on the importance of the items.

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

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

The Company's independent Outside Officers (Directors and Corporate Auditors) and independent Outside Officer candidates fulfill the Companies Act's requirements for Outside Officers, as well as the following independence standards.

- (1) Not being an executive (a person who executes business; hereinafter, the same) of the Company or its subsidiaries, nor having been an executive of the Company or its subsidiaries for the past 10 years (if however, a non-executive director or corporate auditor of the Company or its subsidiaries at some point in the past 10 years, the 10 years prior to being appointed to that role)
- (2) Not being one of the Company's major shareholders (a shareholder with 10% or more of voting rights) or an executive thereof

- (3) Not being an executive of a corporation of which the Company is a major shareholder (a shareholder with 10% or more of voting rights)
- (4) Not being a major client or supplier (a client or supplier from whom the value of average payments for transactions to the Company or its subsidiaries over the past 3 fiscal years exceeds 2% of the average annual consolidated net sales of the Company over the past 3 fiscal years) of the Company or its subsidiaries or an executive thereof
- (5) Not being a party whose major client or supplier is the Company or its subsidiaries (a party to whom the value of average payments for transactions by the Company or its subsidiaries over the past 3 fiscal years exceeds 2% of the average annual consolidated net sales of that party over the past 3 fiscal years), or an executive thereof
- (6) Not being an executive of a major financial institution with which the Company has borrowings (a financial institution from whom the average amount of the Company's consolidated fiscal-year-end balance of borrowings over the past 3 fiscal years exceeds 2% of the Company's average annual consolidated fiscal-year-end total assets over the past 3 fiscal years) nor having been an executive thereof for the past 3 years
- (7) Not being an attorney, certified public accountant, certified public tax accountant, other consultant, researcher or educator in receipt from the Company of a large amount of monetary consideration or other property (an average annual amount over the past 3 fiscal years of over ¥10 million for individuals or, in the event the recipient is a corporation or other organization that said individual is affiliated with or retained by, of an amount in excess of 2% of that organization's average annual total revenues over the past 3 fiscal years) other than Director or Corporate Auditor remuneration
- (8) Not being a close relative (spouse, person within the second degree of kinship or relative living together) of an executive (limited to key personnel) of the Company or its subsidiaries
- (9) In addition to items (1) through (8) above, being such person as the Board of Directors determines to be a person whose independence as an independent Outside Officer is unquestionable and for whom there is no rationally determined risk of a conflict of interest with the general shareholders of the Company.

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

By clarifying the swift management decision-making and oversight function and the execution function, we work to strengthen both functions and enhance our capacity to establish and implement our management strategies. Achieving this objective requires ensuring substantial deliberation by the Board of Directors. In addition, the Company believes that among the overall Board of Directors, it is important to secure both balance in terms of knowledge, experience, skills, etc., and diversity, including aspects of gender and nationality, in order to ensure appropriate and expeditious decision-making and executional oversight with respect to business activities in diverse fields that include chemicals, performance materials, agricultural chemicals and pharmaceuticals. From the perspective of ensuring diversity, the Company may not deem a Director candidate ineligible on the basis of his or her particular gender, nationality, country of origin, race, or ethnicity. For these reasons, the Company's Board of Directors is composed of 12 or fewer Directors, including multiple Outside Directors, who, regardless of their gender, nationality, race, etc., are well-versed in the management of the diverse fields in which the Company is involved or who have diverse experience, etc., including specialized capabilities and knowledge, in administrative management or other areas.

The Company's Board of Directors is currently composed of nine Directors (including three independent Outside Directors). The Board of Directors is composed with a rich diversity of members who have abundant knowledge, experience, and skills in international business development, and Company considers that the Board of Directors is functioning adequately and effectively.

[Supplementary Principle 4.11.2 Status of Concurrent Appointments of Directors or Corporate Auditors at Other Listed Companies]

Status of concurrent appointments of the Company's Directors and Corporate Auditors at other listed companies is as follows:

- Outside Director, Tadashi Ohe  
Outside Corporate Auditor of Marui Group Co., Ltd., Outside Director of JECO Co., Ltd.
- Outside Corporate Auditor, Noriyuki Katayama  
Outside Corporate Auditor of Livesense Inc.



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

(1) Viewpoints and methods of analysis and evaluation

The Company believes that the primary roles and responsibilities of the Company's Board of Directors are defined as: (1) establishing a strategy for achieving sustainable growth and increase in corporate value over the medium to long-term, and facilitating the execution of the foregoing; (2) providing appropriate support for risk-taking by the management by developing an enhanced internal control system and other systems; (3) strengthening the swift management decision-making and oversight function and the execution function through clarification of both functions; and (4) further enhancing management transparency, soundness and objectivity through, among other efforts, appointment of Outside Officers who monitor and oversee the management from external viewpoints, and the Company performs analysis and evaluation (the "Effectiveness Evaluation") every year to see if the Board of Directors has fulfilled these roles and responsibilities.

The Company has conducted the Effectiveness Evaluation every year since fiscal year 2015, and carried out a third-party evaluation every several years using an external organization that holds no relationships of interest with the Company in order to ensure neutrality and objectivity. The third-party evaluation was carried out recently in fiscal year 2017, and the Effectiveness Evaluation in fiscal year 2018 was conducted in the form of a self-evaluation by the Company's Board of Directors.

The evaluation method is in the form of a questionnaire answered by all Directors and Corporate Auditors, that grasps the current status and identifies issues from two perspectives, quantitative evaluation and qualitative evaluation, through a combination of five-grade evaluation and free writing. An external organization is contracted to collect the responses and collate the data in order to ensure anonymity, which enhances the self-evaluation.

Based on the results of the questionnaire responses, an opinion-exchange meeting was held in March 2019 (with all independent Officers (2 Outside Directors and 1 Outside Corporate Auditor), the President & CEO, the Senior Executive Vice Presidents, the Director and Head of Corporate Planning Department, and the full-time Corporate Auditor) to discuss issues and responses and conduct analysis and evaluation. The results of the analysis and the evaluation were discussed and confirmed at the Board of Directors held in May 2019.

(2) Outline of the results of Effectiveness Evaluation for fiscal year 2018

As a result of the Effectiveness Evaluation for fiscal year 2018, it was concluded that the Company's Board of Directors was generally operating appropriately overall from the perspective of carrying out its principle roles and responsibilities, and that the effectiveness of the Board of Directors was ensured as improvement measures were taken with regard to issues\* identified in the Effectiveness Evaluation for fiscal year 2017.

\*Issues identified in the Effectiveness Evaluation for fiscal year 2017

- i) Enhancing the involvement of Outside Directors in discussions for formulating management plans
- ii) Having Outside Directors and Corporate Auditors participate in discussions on the process of executing management strategy and management plans
- iii) Further improving the materials for the Board of Directors deliberations
- iv) Sharing discussions at the Management Meeting with Outside Directors and Corporate Auditors
- v) Composition of the Board of Directors that considers balance and diversity
- vi) Setting up a voluntary committee that explains and discusses succession plans including senior management

(3) Points of future improvement

Through the discussion that was conducted this time, the following issues were identified from a perspective of further enhancing the effectiveness of the Board of Directors, and the Company confirmed that measures are to be taken to improve them.

- i) Examining the following while making use of the Nomination and Remuneration Advisory Committee (established on April 1, 2019):
  - 1) Creating systems to appropriately reflect the Company's business performance in the nomination and remuneration of Directors.

- 2) Taking a leading role in formulating and implementing succession plans for senior management and appropriately supervising the development of successor candidates, along with providing opportunities for explaining and discussing successor development plans, including for other Directors and Executive Officers.
- ii) Examining the creation of a system that allows each Director and Corporate Auditor sufficient time for discussion by further innovating methods for prior provision and sharing of information to Directors and Corporate Auditors in order to deepen their deliberation on matters for resolution within a limited time.
- iii) Examining the creation of a system for regularly verifying the investment impact of investment projects approved by the Board of Directors and reporting the verification result to the Board of Directors.

Outline of the results of the Effectiveness Evaluation for fiscal year 2018 is posted on the Company's website ([https://www.nissanchem.co.jp/eng/news\\_release/release/en2019\\_06\\_14.pdf](https://www.nissanchem.co.jp/eng/news_release/release/en2019_06_14.pdf)).

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

#### [Supplementary Principle 4.14.2 Training Policy for Directors and Corporate Auditors]

To enable its Directors and Corporate Auditors to appropriately fulfill their roles and responsibilities, at the time of their appointment the Company provides Directors with training conducted by outside specialists concerning matters with which they must comply as officers such as the legal obligations and responsibilities. In addition, following their appointment the Company conducts training necessary for Directors and Corporate Auditors to appropriately fulfill their roles and responsibilities and provides them with opportunities for training, etc. The Company provides and arranges such opportunities on an ongoing basis. Specifically, the Company provided training in January 2019 conducted by outside specialists, focused on the topic of corporate governance.

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

#### [Principle 5.1 Policy for Constructive Dialogue with Shareholders]

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

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

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

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

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

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

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

In Japan, the President & CEO conducts briefings on business plans and the CFO, the Director in charge of Finance & Accounting Department (Director and Senior Executive Vice President) conducts briefings (including telephone conferences) on each quarterly financial result. In addition, each year, the CFO, the Director in charge of Finance & Accounting Department (Director and Senior Executive Vice President) participates in conferences sponsored by securities companies in the United States, Europe, Asia and other regions, in an effort to engage directly in dialogue with overseas institutional investors.

Materials related to the above results briefings (including those in English) and audio files (including those in English) are posted on the Company's website and provided to shareholders.

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

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

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

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

## 2. Capital Structure

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

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

Name/Company Name	Number of Shares Owned (Shares)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	26,203,300	17.73
Japan Trustee Services Bank, Ltd. (Trust Account)	11,678,444	7.90
Trust & Custody Services Bank, Ltd. as trustee for the Mizuho Trust & Banking Co., Ltd. Retirement Benefit Trust	7,418,500	5.02
The Norinchukin Bank	4,800,000	3.25
Nissan Chemical Corporation Customer Shareholders Association	3,890,300	2.63
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,288,100	2.22
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,360,800	1.60
JPMorgan Chase Bank 385151	2,147,010	1.45
Ono Pharmaceutical Co., Ltd.	1,983,000	1.34
STATE STREET BANK WEST CLIENT – TREATY 505234	1,958,211	1.33

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

### Supplementary Explanation [Updated]

- (1) Other than the above, the Company owns 1,217 thousand shares of treasury shares.
- (2) In the Statement of Large-Volume Holdings (Statement of Changes) provided for public viewing on November 7, 2017, it is reported that BlackRock Japan Co., Ltd. and its joint holders hold 9,268 thousand shares (the holders' holding ratio of shares and other securities 6.14%) as of October 31, 2017. However, since the Company is unable to confirm the actual number of shares held by each company as of March 31, 2019, they are not included in the status of major shareholders above.
- (3) In the Statement of Large-Volume Holdings (Statement of Changes) provided for public viewing on April 5, 2018, it is reported that Nomura Securities Co., Ltd. and its joint holders hold 13,011 thousand shares (the holders' holding ratio of shares and other securities 8.62%) as of March 30, 2018. However, since the Company is unable to confirm the actual number of shares held by each company as of March 31, 2019, they are not included in the status of major shareholders above.
- (4) In the Statement of Large-Volume Holdings (Statement of Changes) provided for public viewing on June 22, 2018, it is reported that Mizuho Bank, Ltd. and its joint holders hold 13,126 thousand shares (the holders' holding ratio of shares and other securities 8.75%) as of June 15, 2018. However, since the Company is unable to confirm the actual number of shares held by each company as of March 31, 2019, they are not included in the status of major shareholders above.
- (5) In the Statement of Large-Volume Holdings provided for public viewing on October 1, 2018, it is reported that Mitsubishi UFJ Financial Group, Inc. and its joint holders hold 7,615 thousand shares (the holders' holding ratio of shares and other securities 5.11%) as of September 24, 2018. However, since the Company

is unable to confirm the actual number of shares held by each company as of March 31, 2019, they are not included in the status of major shareholders above.

- (6) In the Statement of Large-Volume Holdings (Statement of Changes) provided for public viewing on March 22, 2019, it is reported that Sumitomo Mitsui Trust Bank, Limited and its joint holders hold 13,761 thousand shares (the holders' holding ratio of shares and other securities 9.24%) as of March 15, 2019. However, since the Company is unable to confirm the actual number of shares held by each company as of March 31, 2019, they are not included in the status of major shareholders above.

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	March
Type of Business	Chemicals
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (consolidated) for the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

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

—

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

—

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

### 1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board (Board of Corporate Auditors)
-------------------	--

#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors	President & CEO
Number of Directors [Updated]	9
Appointment of Outside Directors	Appointed
Number of Outside Directors [Updated]	3
Number of Independent Officers Designated from among Outside Directors [Updated]	3

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

Name	Attribute	Relationships with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Tisato Kajiyama	Other								△		△	
Tadashi Ohe	Attorney-at-law											
Hidehito Obayashi	From another company							△				

\* Categories for "Relationships with the Company"

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

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

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

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

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

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 Officers are mutually appointed (the Director himself/herself only)

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

k. Others

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

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Tisato Kajiyama	○	Mr. Tisato Kajiyama, independent Outside Director, is a former President of National University Corporation Kyushu University, former President of Independent Administrative Institution Japan Student Services Organization, and Chairman of the Board of Trustees and President of Public University Corporation Fukuoka Women's University. The Company engages in collaborative and other research with Kyushu University and makes a donation to the Organization. Given the scale and nature of this involvement (an annual average of less than 0.1% of each organization's total revenues for the past 3 fiscal years), the Company judges there to be no risk of affecting the decisions of shareholders and investors. No transactional relationship exists between Public University Corporation Fukuoka Women's University and the Company.	The Company believes that Mr. Kajiyama's expertise as a Doctor of Engineering and his wide-ranging knowledge and experience, etc. gained as President of National University Corporation Kyushu University, President of Independent Administrative Institution Japan Student Services Organization, and Chairman of the Board of Trustees and President of Public University Corporation Fukuoka Women's University make him suitable as an Outside Director. Furthermore, the Company judges that Mr. Kajiyama has no special-interest relationships with management and there is no risk of conflict of interest with general shareholders.
Tadashi Ohe	○	Mr. Tadashi Ohe, independent Outside Director, is an attorney-at-law at Tadashi Ohe and Yutaka Tanaka Law Office. No transactional relationship exists between this firm and the Company.	The Company believes that Mr. Ohe's abundant experience and specialist knowledge as an attorney-at-law and his experience to date in contributing to corporate management multiple times as an outside director and outside corporate auditor make him suitable as an Outside Director. Furthermore, the Company judges that Mr. Ohe has no special-interest relationships with management and there is no risk of conflict of interest with general shareholders.

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Hidehito Obayashi	○	Mr. Hidehito Obayashi, independent Outside Director, is Chairman Emeritus of Hitachi High-Technologies Corporation. The Company has transactions with Hitachi High-Technologies Corporation that include purchase of analytical instruments. However, in light of the scale and nature of the transactions (an annual average of less than 0.1% of the corporation's total revenues for the past 3 fiscal years), the Company judges there to be no risk of affecting the decisions of shareholders and investors.	The Company believes that Mr. Obayashi's abundant experience and extensive insight as an experienced manager of a corporate group that pursues diverse business globally make him suitable as an Outside Director. Furthermore, the Company judges that Mr. Obayashi has no special-interest relationships with management and there is no risk of conflict of interest with general shareholders.

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

#### Committees Voluntarily Established, Composition of Committee Members, and Attributes of Committee Chair [Updated]

	Name of committee	Number of committee members	Number of full-time committee members	Number of Internal Directors	Number of Outside Directors	Number of external experts	Number of others	Committee chair
Voluntarily established committee equivalent to nomination committee	Nomination and Remuneration Advisory Committee	4	0	1	3	0	0	Internal Director
Voluntarily established committee equivalent to remuneration committee	Nomination and Remuneration Advisory Committee	4	0	1	3	0	0	Internal Director

#### Supplementary Explanation [Updated]

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

A majority of the Nomination and Remuneration Advisory Committee's members are independent Outside Directors, with no fewer than three of its members selected by resolution of the Board of Directors. The



President & CEO is selected as the committee chair by resolution of the committee from among its members. The Corporate Planning Department manages the secretariat established in the Nomination and Remuneration Advisory Committee. As of June 26, 2019, the committee chair and members of the Nomination and Remuneration Advisory Committee are as follows:

- Committee chair: Kojiro Kinoshita (President & CEO)
- Committee member: Tisato Kajiyama (independent Outside Director)
- Committee member: Tadashi Ohe (independent Outside Director)
- Committee member: Hidehito Obayashi (independent Outside Director)

In response to consultation by the Board of Directors, the Nomination and Remuneration Advisory Committee deliberates on matters that include nomination of Director and Corporate Auditor candidates, appointment of senior management, senior management succession planning, and remuneration of Directors. The committee then reports details of such deliberations to the Board of Directors. In fiscal year 2019, the committee met on two occasions in April and June 2019. The committee chair and all of its members attended both sessions.

#### [Corporate Auditors]

Establishment of Audit & Supervisory Board (Board of Corporate Auditors)	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	5
Number of Corporate Auditors	4

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

- Cooperation takes place through such measures as regular and as-needed exchanges of opinion among the Company's Corporate Auditors, Accounting Auditor, Internal Audit Department, Outside Directors, corporate auditors of subsidiaries and other parties.
- If deemed necessary by its Corporate Auditors and Outside Directors, they may obtain advice from outside specialists at the Company's expense.
- In order to properly provide company information if directed by the Corporate Auditors or Outside Directors, the assistant to Corporate Auditors, Corporate Planning Department or other departments engage in appropriate contact and coordination internally and with subsidiaries, etc.

Appointment of Outside Corporate Auditors	Appointed
Number of Outside Corporate Auditors	3
Number of Independent Officers Designated from among Outside Corporate Auditors [Updated]	2

## Outside Corporate Auditors' Relationships with the Company (1)

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

\* Categories for "Relationships with the Company"

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

"△" when the Corporate Auditor fell under the category in the past

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

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

a. Executive of the Company or its subsidiaries

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. Corporate Auditor of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. Party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Corporate Auditor

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 Corporate Auditor himself/herself only)

k. Executive of a company, between which and the Company Outside Officers are mutually appointed (the Corporate Auditor himself/herself only)

l. Executive of a company or other organization that receives a donation from the Company (the Corporate Auditor himself/herself only)

m. Others

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

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

[Independent Officers]

Number of Independent Officers [Updated]	5
--	---

Matters relating to independent Officers

## [Incentives]

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

### Supplementary Explanation [Updated]

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

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

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

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

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

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

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

## [Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
--	--------------------------

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

The total amount of remuneration paid to Directors in fiscal year 2018

¥317 million for ten Directors

(Note) The total amount of remuneration above includes the amount of remuneration paid to two Directors who retired at the conclusion of the 148th Ordinary General Meeting of Shareholders held on June 27, 2018.

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

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

### 1. Policies on determining remuneration of Directors

The Company has set “Policies on determining remuneration of Directors” by resolutions of the Board of Directors as follows:

In determining the remuneration of Directors, the Company’s fundamental principle is to maintain a system of remuneration that is in line with management policy by ensuring that Directors contribute to increasing operating performance on a continuing basis over the medium to long-term and toward increasing the overall value of the Group, thereby meeting shareholder expectations. At the same time, the Company’s basic policy is to set remuneration at an appropriate level, taking into account such factors as the management environment, operating performance and consistency with the treatment of employees.

### 2. System of remuneration

- (1) Remuneration of Directors involves a system consisting of monetary remuneration (fixed annual amount) and performance-linked stock compensation. Among this, the monetary remuneration is divided into base remuneration and performance-linked remuneration, which is determined taking into account the fluctuation of employee bonuses, etc. Outside Directors are not eligible for performance-linked stock compensation and their monetary remuneration consists only of base remuneration from the perspective of their roles and independence.
- (2) The Company has adopted performance-linked stock compensation for Directors (excluding Outside Directors) with the aim of increasing awareness about improving earnings over the medium-to long-term and contributing to improvement of corporate value by clarifying the link between the Company’s performance and its stock price, and by having Directors share with the shareholders not only the benefits of increases in the stock price, but also the risk of decreases in the stock price.

### 3. Procedures for determining remuneration

- (1) Monetary remuneration for Directors is determined by the Representative Director under authorization of the Board of Directors, with the total remuneration amount being no more than that determined by a resolution of the General Meeting of Shareholders.
- (2) As for performance-linked stock compensation for Directors, each fiscal year the Company determines whether the points are to be granted to Directors or not and a number of points to be granted, if any, based on the prescribed calculation method. Such points are to be granted in view of net income attributable to owners of parent (year-on-year rate of change and average rate of change over the last three years), EBITDA (year-on-year rate of change), ROE (actual results for the current fiscal year), and comparison of rates of year-on-year volatility with respect to the Company’s stock price and TOPIX. Upon their retirement, Directors are to be paid performance-linked stock compensation equivalent to their accumulated points.

- (3) The Company has established the Nomination and Remuneration Advisory Committee as an advisory body under the Board of Directors. Matters that involve establishing, modifying or repealing policies such as the “Policies on determining remuneration of Directors,” or otherwise matters that involve determining monetary remuneration for Directors, are subject to Nomination and Remuneration Advisory Committee deliberation and reporting with the aims of maintaining appropriate remuneration levels and ensuring objectivity and transparency of decision-making processes. A majority of the Nomination and Remuneration Advisory Committee’s members are to be independent Outside Directors, with no fewer than three of its members selected by resolution of the Board of Directors.
- Monetary remuneration for Directors in fiscal year 2018 (the 149th fiscal year) was determined by the Representative Director as authorized at the meeting of the Board of Directors held on June 27, 2018. Moreover, monetary remuneration for Directors in fiscal year 2019 (the 150th fiscal year) is to be determined by the Representative Director as authorized at the meeting of the Board of Directors held on June 26, 2019, subsequent to Nomination and Remuneration Advisory Committee deliberation and reporting.
- (4) Remuneration for Corporate Auditors is determined through discussion among the Corporate Auditors, with the total remuneration amount being no more than that determined by a resolution of the General Meeting of Shareholders.
- (5) The upper limit of monetary remuneration for Directors is not to exceed ¥45 million per month, as resolved at the 139th Ordinary General Meeting of Shareholders held on June 25, 2009. The Company is to adopt a performance-linked stock compensation plan, as resolved at the 149th Ordinary General Meeting of Shareholders held on June 26, 2019. Moreover, the upper limit of remuneration for Corporate Auditors is not to exceed ¥10 million per month, as resolved at the 139th Ordinary General Meeting of Shareholders held on June 25, 2009.

**[Supporting System for Outside Directors and/or Corporate Auditors] [Updated]**

1. Supporting system for Outside Directors (three Outside Directors)
  - Outside Directors attend Board of Directors meetings and other meetings, offer suitable advice on management policy and improving management, as well as other areas. They also maintain cooperation with the Corporate Auditors, etc. and oversee management.
  - The Corporate Planning Department and other departments provide prior explanations on the content of proposals on the agenda for Board of Directors meetings and serve as the contact point for inquiries.
2. Supporting system for Outside Corporate Auditors (three Outside Corporate Auditors)
  - If requested by the Corporate Auditors to facilitate the efficient and smooth execution of their duties, employees may be assigned as an assistant to Corporate Auditors. These employees perform such tasks as assisting with audits and gathering and communicating information.
  - Two of the Outside Corporate Auditors are full-time Corporate Auditors. They alternate with the Internal Corporate Auditor (full-time) in attending Management Meeting, CSR Committee, and Risk Management & Compliance Committee and other meetings, receive reports on Management Meeting and other important items from a management perspective, and receive other communications at the same level as the Internal Corporate Auditor.
  - An assistant to Corporate Auditors provides prior explanations to the Outside Corporate Auditor on the content of proposals on the agenda for Board of Directors meetings and other related matters and serves as the contact point for inquiries.
  - The three Outside Corporate Auditors attend Board of Directors meetings and other meetings, offer suitable advice on management policy, improving management and other areas, and oversee management.

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

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

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

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

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

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

#### **1. Business execution and oversight**

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

#### **2. Board of Directors**

The Company's Board of Directors comprises nine members (three of whom are Outside Directors). In principle, the board meets once each month to resolve important matters related to management and oversee the execution of business by the Directors and Executive Officers. Important management-related matters are decided through careful deliberation by the Board of Directors or the Management Meeting. In this manner, the Company strives to reduce or eliminate business risks. In fiscal year 2018, the board met on 12 occasions and all of the Directors attended each meeting. As of June 26 in fiscal year 2019, the board has met on three occasions in the months of April, May and June 2019. The meetings were attended by all of the Directors, with the exception of Director Hitoshi Suzuki who was absent for business reasons from the meeting of the Board of Directors held on April 23, 2019.

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

#### **3. Audit & Supervisory Board (Board of Corporate Auditors)**

The Company's Audit & Supervisory Board (Board of Corporate Auditors) comprises four members (three of whom are Outside Corporate Auditors). The Corporate Auditors, based on the audit plan set by the Audit & Supervisory Board (Board of Corporate Auditors), audit the execution of business by Directors primarily by attending Board of Directors meetings and other important meetings, and regularly visiting each division/department of the headquarters and each research laboratory/plant and exchanging opinions. Notably, Messrs. Norihiro Suzuki and Shuichi Takemoto, both full-time Corporate Auditors, have extensive experience at financial institutions and considerable knowledge of finance and accounting.

#### **4. Nomination and Remuneration Advisory Committee**

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

#### **5. Accounting Audit**

The Company has appointed the Yaesu Audit Company as its Accounting Auditor since fiscal year 1976 (the 107th fiscal year) (ongoing audit involvement for 43 years) and undergoes appropriate audits throughout the fiscal year, as well as at the end of each fiscal year.

In fiscal year 2018, execution of the Company's audit activities was performed by three certified public accountants: Tsutomu Saito, Taku Shirahama and Tatsuya Hirose, and persons providing assistance to said audit activities included six certified public accountants and two U.S. certified public accountants.



## 6. Internal Audit

The Company has established an Internal Audit Department and conducts internal audits targeting the Group from a fair and independent standpoint. The department reports the internal audit results to the President & CEO and to the Directors in charge, as well as to the Board of Directors. The department also shares information with the Corporate Auditors and coordinates with them, mainly through exchanges of opinion. A quality evaluation of the internal audits was conducted by an external organization in 2018, which evaluated the audits to be compliant overall.

## 7. Risk Management System and Compliance Promotion Structure

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

Important matters, countermeasure plans, and other matters related to risk management and compliance promotion are discussed by the Committee before being decided by the Board of Directors. In fiscal year 2018, the Committee identified important risks for the Group, including its domestic consolidated subsidiaries.

### (2) Status of initiatives for strengthening the function of Corporate Auditors

For information related to the strengthening of the function of Corporate Auditors, please refer to the sections entitled “Cooperation among Corporate Auditors, Accounting Auditor and Internal Audit Department,” “Appointment of Outside Corporate Auditors” and “Supporting System for Outside Directors and/or Corporate Auditors.”

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

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

The objective and neutral monitoring of management is functioning satisfactorily by audits which are performed by Outside Corporate Auditors (three, of whom two are full-time).

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

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

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

	Supplementary Explanations
Early Notification of General Meeting of Shareholders	<ul style="list-style-type: none"> <li>• To provide shareholders with ample time to consider the proposals, the Company has accelerated its sending of convocation notices. These notices were sent out on June 4, 2019, 22 days prior to the date of the 149th Ordinary General Meeting of Shareholders (June 26, 2019).</li> <li>• Furthermore, the Company posted this convocation notice on its website (<a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a>) on May 29, 2019, 28 days prior to the meeting date (June 26, 2019).</li> </ul>
Scheduling General Meeting of Shareholders Avoiding the Peak Day	<p>To promote constructive dialogue with shareholders, the Company avoids holding its General Meeting of Shareholders on the peak day for general meetings of shareholders.</p> <p>The 149th Ordinary General Meeting of Shareholders was held on June 26, 2019.</p>
Allowing Electronic or Magnetic Exercise of Voting Rights	The Company provides shareholders with an environment in which to exercise their voting rights over the Internet. This method of exercising voting rights and other information is provided in the convocation notice.
Participation in Electronic Voting Platform and Other Efforts to Enhance the Voting Environment for Institutional Investors	<ul style="list-style-type: none"> <li>• The Company participates in the Electronic Voting Rights Exercise Platform for institutional investors operated by ICJ Inc.</li> <li>• The convocation notice is posted on the Company's website (<a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a>).</li> </ul>
Providing Convocation Notice in English (Partly Translated)	<ul style="list-style-type: none"> <li>• An English-language convocation notice (summary) is posted on the Company's website (<a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a>).</li> </ul>
Other	<ul style="list-style-type: none"> <li>• For the convenience of shareholders, the Company posts its convocation notice, notice of resolutions and extraordinary report (voting results) on its website (<a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a>).</li> <li>• At the General Meeting of Shareholders, business reports and explanations of proposals are provided using video and audio to enhance shareholders' understanding.</li> </ul>

## 2. IR Activities [Updated]

	Supplementary Explanations	Explanations by the Representative Himself /Herself
Preparation and Publication of Disclosure Policy	The content of the Company's disclosure policy is posted on the Company's website ( <a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a> ).	
Investor Briefings for Individual Investors	The Company held an investor briefing for individual investors, which was given by the CFO, the Director in charge of the Finance & Accounting Department (Director and Senior Executive Vice President). The materials used in the briefing and the audio files are posted on the Company's website ( <a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a> ).	None
Regular Investor Briefings for Analysts and Institutional Investors	Materials as well as audio files and digests of questions and answers from briefings on the business plans given by the President & CEO, and briefings (including telephone conferences) on each quarterly financial result given by the CFO, the Director in charge of Finance & Accounting Department (Director and Senior Executive Vice President) are posted on the Company's website ( <a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a> ).	Yes
Regular Investor Briefings for Overseas Investors	Each year, the CFO, the Director in charge of the Finance & Accounting Department (Director and Senior Executive Vice President) participates in conferences sponsored by securities companies in the United States, Europe, Asia and other regions, in an effort to provide explanations and exchange opinions directly with overseas investors. Materials (including English information) as well as audio files (with English translation) and digests of questions and answers (including English information) from the briefings (including telephone conferences) on business plans, each quarterly financial results are posted on the Company website ( <a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a> ).	None

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

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

	Supplementary Explanations
Internal Rules etc. Stipulated for Respecting the Position of Stakeholders	<p>The Company defines the stakeholders as “customers, shareholders/investors, employees, communities/society, and business partners” and has decided the following basic CSR policy in order to respond to the expectations of all stakeholders and strengthen their confidence in us.</p> <ol style="list-style-type: none"> <li>1. Conduct sensible business activities as a member of the international community in compliance with laws and regulations.</li> <li>2. Enhance corporate value by providing safe and useful products and services.</li> <li>3. Strive proactively to eliminate accidents and disasters and protect the global environment.</li> <li>4. Disclose information appropriately with a focus on dialogue with stakeholders.</li> <li>5. Create a cheerful and pleasant place to work by respecting the individuality and personality of employees.</li> <li>6. Conduct ourselves as a good corporate citizen and a respected member of society.</li> </ol>
Implementation of Environmental Activities, CSR Activities, etc.	<p>The fundamental policy for the Company’s business activities is its corporate philosophy: “Contribute to the society in harmony with the environment, based on its excellent technologies, products and services,” and the Company believes that putting this philosophy into practice is its CSR activities. The CSR Committee, Risk Management &amp; Compliance Committee, and Environment, Safety &amp; Quality Assurance Committee cooperate to promote and enhance CSR activities.</p> <p>Furthermore, the Company has set out the “Responsible Care Basic Policies” to secure and continuously improve environment, health and safety (EHS) performance throughout the entire process, from the development of chemical substances to disposal. In addition, the Company established the “Nissan Chemical Biodiversity Action Guidelines” with the aim of strengthening environmental activities.</p> <p>Moreover, the Company became a participant in the United Nations Global Compact (UNGC) in 2018. By supporting the 10 principles advocated by UNGC in the four fields of human rights, labor, the environment and anti-corruption, and through ongoing efforts to realize such objectives, the Company will contribute to sustainable development of society.</p> <p>Information including the details of the Company’s environmental and CSR activities is contained in the Integrated Report as well as other reports, and also posted on the Company’s website (<a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a>).</p>
Formulation of Policies on Information Provision to Stakeholders	<p>The Company places value on the dialogue with stakeholders and discloses information appropriately based on its basic CSR policy and Disclosure Policy.</p>

Other	<p>The Company has established the “Basic Health Policy” with the aim of maintaining and improving the health of its employees based on the belief that employees’ health is a “foundation that supports sound corporate growth.” Information regarding the “Basic Health Policy” is posted on the Company’s website (<a href="https://www.nissanchem.co.jp/eng/">https://www.nissanchem.co.jp/eng/</a>).</p> <p>In recognition of the efforts in promoting employees’ health, the Company was chosen as a “Certified Health and Productivity Management Organization (the White 500)” for three consecutive years beginning in 2018.</p> <p>Furthermore, in addition to supporting work-life balance through initiatives that include reducing overtime work, encouraging employees to take annual leave, adopting hourly leave, and adopting a system of short working hours that exceeds the statutory standards, the Company has also been taking action to address harassment in the workplace through efforts that include implementing training sessions for all management personnel.</p>
-------	---

## IV. Matters Related to the Internal Control System

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

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

- The Company expedites management decision-making and clarifies management responsibility and business execution responsibility in accordance with the “Board of Directors Rules” and other relevant company rules (rules regarding company operations). At the same time, the Company will strengthen its management monitoring function, risk management system, compliance system, and internal control system under the Board of Directors and Audit & Supervisory Board (Board of Corporate Auditors), including highly independent Outside Officers.

- Under its “basic CSR policy”, the Company has established the CSR Committee, the Risk Management & Compliance Committee, and the Environment, Safety & Quality Assurance Committee, which coordinate with one another to make the necessary operational and other improvements to ensure the survival and sound development of the Company, and to secure the maximum trust possible from stakeholders.

- The Company has formulated the “Compliance Rules” for the Company and its subsidiaries, and ensures that its officers and employees comply with relevant laws, regulations, and company rules in their business activities and that they keep within social norms when conducting business activities.

- The Chief Risk Management Officer (CRO) is appointed by the Board of Directors to oversee general compliance of the Company and its subsidiaries.

- The Company has in place a whistle-blowing system for routine compliance with laws and regulations.

- The Company maintains absolutely no relations with anti-social forces. In the event an inappropriate request is received, the Company cooperates with specialized external institutions and responds in a resolute manner.

- The Internal Audit Department audits the status of implementation and operation of internal controls, the objectives of which include compliance, from a fair and independent standpoint based on the “Internal Audit Rules.”

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

- The Company stores and manages documents and other information related to the execution of duties by Directors in accordance with the “Information Management Rules” and other internal rules.

- The Director in charge of the Corporate Planning Department is appointed as the Chief Information Officer (CIO), who oversees information management and overall protection of personal information and specified personal information.

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

- The Company has formulated the “Risk Management Rules” for the Company and its subsidiaries, which serve to prevent the materialization of risks that could impede the achievement of business objectives and minimize the impact of those that materialize.

- The Chief Risk Management Officer (CRO) is appointed by the Board of Directors to oversee general risk management of the Company and its subsidiaries.

- The Company has established the “Nissan Chemical Group Crisis and Emergency Response Guidelines,” and when a crises or emergency situation arises, under the direction of the CRO the Company will strive to prevent the damage and the spread of impact and to recover quickly and continue operations.

- The Company’s “Business Continuity Plan (BCP) Formulation Guidelines” set out the basic points for formulating a BCP.

- The Company has formulated the “Responsible Care Management Rules” for the Company and its subsidiaries, and aims to ensure and improve environmental preservation, safety and disaster prevention, occupational safety and health, chemicals and product safety, and logistic safety in all of its business activities.

(4) Systems for ensuring the efficient execution of duties by directors of the Company and its subsidiaries

- The Company has introduced a system of executive officers to clarify the management decision-making and oversight function and the execution function, through which it works to strengthen both functions and enhance its capacity to establish and implement management strategies.
- Important management-related matters are decided by the Board of Directors and Management Meeting in accordance with the “Board of Directors Rules,” “Management Meeting Rules” and other internal rules.
- Executive Officers execute their duties based on decisions by the Board of Directors and the Management Meeting.
- The Board of Directors oversees the execution of business by the Directors and Executive Officers in relation to such matters as the state of progress on decisions on important matters. By appointing Outside Directors, the oversight function of the Board of Directors is strengthened.
- The “Affiliated Company Management Rules” provide for overall management policies related to subsidiaries and enhance management soundness for the corporate group.

(5) Systems for ensuring the appropriate operations of the corporate group comprising the Company and its subsidiaries

- Based on the “Affiliated Company Management Rules” and other internal rules, subsidiaries report to the Company on their execution of business. While respecting subsidiaries’ management independence, the Company provides advice and instruction as necessary to contribute to their sound execution of business.
- The Company’s Directors or employees may serve concurrently as directors or corporate auditors of subsidiaries in order to oversee and audit subsidiaries.
- The Company requires its subsidiaries to comply with its own internal control system and performs audits via the Internal Audit Department.

(6) Items related to the employees and items related to the independence of the employees from Directors in the event that Corporate Auditors request that employees be provided to assist them in their duties

- In line with Corporate Auditor requests, the Company provides employees to assist the Corporate Auditors in their duties. While these employees are assisting the Corporate Auditors in their duties, they do not receive instructions or commands from the Directors or their superiors. Also, to ensure the independence of these employees from the Directors and their superiors, matters related to the appointment of these employees to assist Corporate Auditors and decisions on their appointments and reassignments require the prior consent of the Audit & Supervisory Board (Board of Corporate Auditors).

(7) Systems for reporting to Corporate Auditors by directors and employees of the Company and its subsidiaries and other systems for reporting to Corporate Auditors

- The Corporate Auditors can attend meetings of the Board of Directors, CSR Committee, Risk Management & Compliance Committee, and other important meetings.
- Of the results of business execution based on decisions by the Board of Directors, Management Meeting and other meetings, matters of importance are reported to the Corporate Auditors by directors and employees of the Company and its subsidiaries. In addition, when they find the facts that violate laws and regulations in material respects or the facts that have the potential to cause severe damage to the Company, matters related to those facts are reported promptly to the Corporate Auditors.

(8) Other systems for ensuring effective audits by Corporate Auditors

To ensure effective audits by the Corporate Auditors, the Corporate Auditors regularly exchange opinions with the Accounting Auditor, Directors, Internal Audit Department, corporate auditors of subsidiaries and other parties. In the event that the Corporate Auditors request the Company to make an advance payment, reimbursement payment or other type of payment on handling for expenses or liabilities as required in order for the Corporate Auditors to perform these duties, the Company bears the burden of paying such expenses or handling such liabilities.



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

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

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

## V. Other

### 1. Adoption of Anti-Takeover Measures

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

#### Supplementary Explanation

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

### 2. Other Matters Concerning Corporate Governance System

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

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

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

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

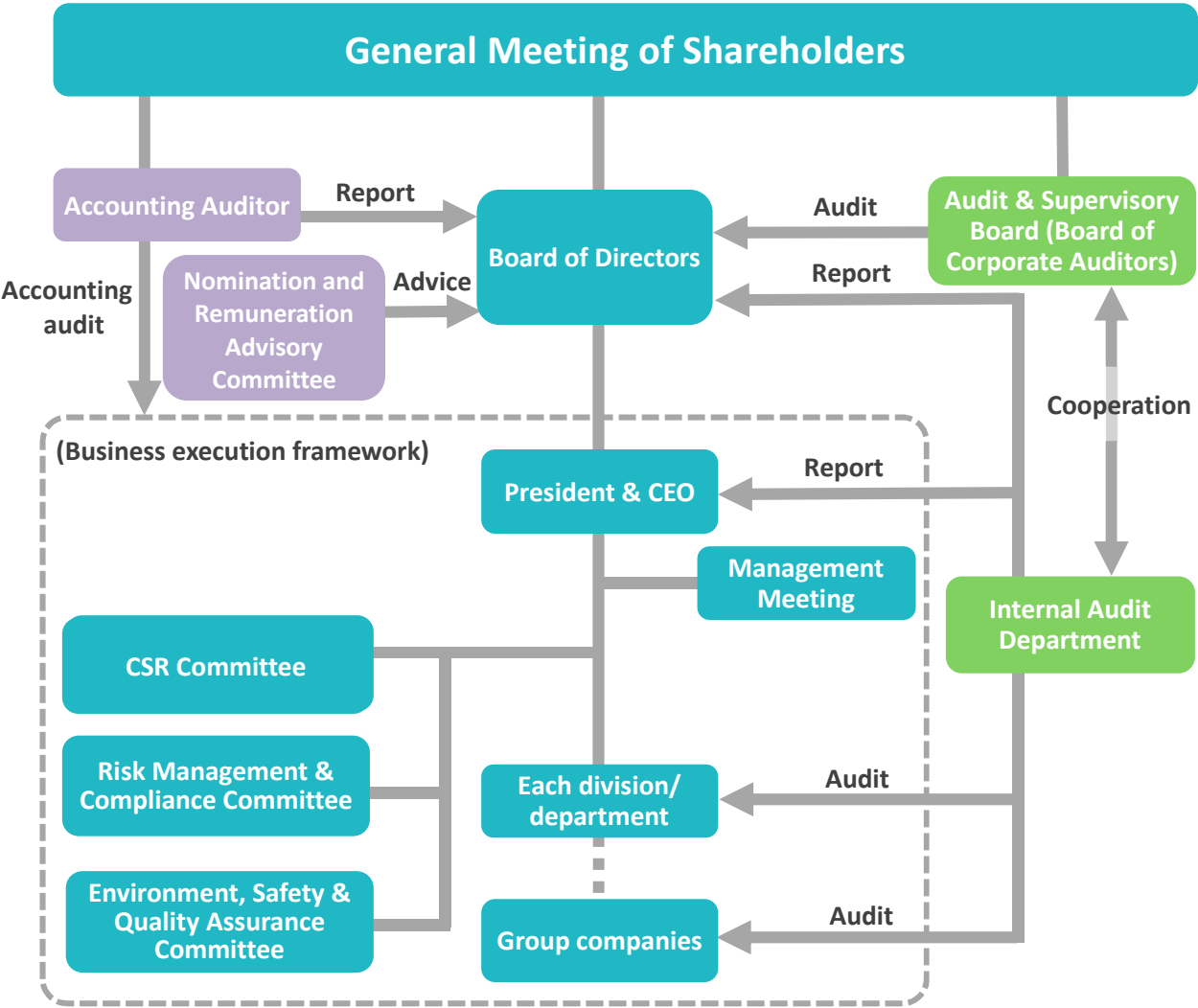
#### 2. Information related to occurrences and subsidiaries

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

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

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

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



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

