

The corporate governance of NISSO HOLDINGS Co., Ltd. (the “Company”) is described below.

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

1. Basic Views

The Nisso Group (the “Group”) is promoting respect for human rights and the creation of compassionate human relationships based on (its founding philosophy) "*Nurturing and Bringing Out the Best in People*". With the aim of creating new corporate value that can contribute to society by striving to create and establish its own unique, proprietary technologies, the Group shall ensure the transparency of management by complying with laws and ordinances and disclosing accurate information. The Group recognizes the importance of corporate governance in order to achieve continuous improvement of corporate value, and conducts management focused on compliance. Furthermore, the Group respects the rights of shareholders, and aims to be an enterprise that is trusted by society.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company has implemented all of the principles of the Corporate Governance Code (revised on June 11, 2021).

[Disclosure Based on the Principles of the Corporate Governance Code] **(UPDATED)**

[Principle 1.4 Cross-Shareholdings]

In principle, the Company shall not hold cross-shareholdings.

However, for the purpose of increasing corporate value over the medium- to long-term, it is the Company's policy to hold shares when strategic significance and rationality of holding such shares are recognized.

Regarding the exercise of voting rights pertaining to cross-shareholdings, the Company shall determine to vote for or against each proposal from the viewpoint of whether or not it will contribute to the enhancement of the corporate value of the Group and issuing companies. The proposals considered to be particularly important are as follows:

- ① Appropriation of Surplus
- ② Election of Corporate Officers
- ③ Organizational Restructuring
- ④ Takeover Defense Measure Proposal etc.

In addition, if the significance and rationality of holding such shares decreases, the Company shall sell those shares after taking into consideration their impact on the market.

[Principle 1.7 Related Party Transactions]

The Company does not conduct related party transactions in principle, but in cases where they are carried out, in order to ensure that related party transactions do not harm the interests of the Company and the common interests of its shareholders, in accordance with laws and ordinances, the "Regulations of the Board of Directors", and the "Related Party Transaction Management Regulations", and with the consent of the Audit and Supervisory Committee, the Company shall obtain approval from the Board of Directors. Furthermore, the Company periodically investigates the status of the transactions on a yearly basis, in addition to reporting

and receiving approval for such transactions at the first Board of Directors' Meeting held at the beginning of each fiscal year.

[Supplementary Principle 2.4.1 Ensuring Diversity in Appointment of Core Human Resources]

(1) Ensuring Diversity

In order to respond to the rapid changes in society and industrial structures, the Group aims to increase overall added value as a company by creating a work environment where diverse employees, including women, the elderly, foreign nationals, and people with disabilities can flourish.

(2) Human Resources Development Policy and Internal Environment Improvement Policy for Ensuring Diversity Among Core Human Resources, and Implementation Status

The Group recognizes that this is an important issue for ensuring diversity, and has set a target of 11.5% by April 2025 to increase the ratio of female managers. As of March 31, 2024, the ratio of female managers in the Group was 11.4%.

Please refer to the Company's corporate website for information on the Human Resources Development Policy and Internal Environment Development Policy aimed at ensuring diversity within the Group.

Human Resources Development Policy

Japanese: <https://www.nisso-hd.com/sustainability/social/human-resources/>

English: <https://www.nisso-hd.com/en/sustainability/social/human-resources/>

Internal Environment Development Policy

Japanese: <https://www.nisso-hd.com/sustainability/social/divercity/>

English: <https://www.nisso-hd.com/en/sustainability/social/divercity/>

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

With regard to the management of reserved funds of the defined benefit corporate pension to which NISSO CORPORATION, a consolidated subsidiary of the Company belongs, the Company has established pension regulations/basic management policies, etc., receives periodic operational status reports from life insurance companies and trust banks, which are entrusted management institutions, and administers the appropriate operation/management of corporate pensions.

With regard to making important decisions such as the reexamination of policy asset proportions, the qualitative evaluation of management institutions, and the changes to each policy, the Personnel Division, which is the division in charge of operations, after consulting with the Finance & Accounting Division, shall formulate the necessary drafts, and after receiving advisories from the Asset Management Committee, which consists of the person in charge of the relevant personnel and finance departments and the officer in charge of the relevant finance department, such decisions shall be made at the Board of Directors' Meetings. The Company discloses the management results of reserved funds to its employees.

Furthermore, the division in charge of management strives to enhance its expertise through the participation of various seminars.

[Principle 3.1 Full Disclosure]

(i) Management philosophy, management strategy and management plan

Under the founding philosophy of "*Nurturing and Bringing Out the Best in People*", the Group has formulated its management philosophy and has provided it on its website. In addition, the Medium-term Management Plan has been explained at briefing sessions for investors, and is provided on the its website.

(ii) Basic views and policies on corporate governance

The Company's basic views and policies on corporate governance are as stated in I. 1. Basic Views of this report.

(iii) Policies and procedures for the determination of senior management executives/Directors' remuneration by the Board of Directors

Please refer to "II. 1. Organizational Composition and Operation Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" in this report.

In addition, in order to ensure fairness, transparency, and objectivity of procedures and to further enhance corporate governance, the remuneration of Directors (excluding Directors who are Audit & Supervisory Committee Members) is determined by resolution of the Board of Directors, after consulting with the Nomination and Remuneration Committee, which is comprised of a majority of Independent External Directors.

(iv) Policies and procedures for the appointment/dismissal of senior management executives and the nomination of Director candidates by the Board of Directors

The nomination of Director candidates (excluding Directors who are Audit & Supervisory Committee Members) is based on the Company's management philosophy and management strategy, taking into account the business content, scale, business environment, etc., and candidates who possess the knowledge, experience and qualifications that can contribute to the fulfillment of the functions of the Board of Directors are selected as candidates at the Board of Directors' Meetings after consulting with the Nomination and Remuneration Committee. In addition, the nomination of candidates for Directors who are Audit & Supervisory Committee Members is based on the selection criteria prescribed in the Auditing Standards of the Audit and Supervisory Committee, and personnel to which the Audit and Supervisory Committee gives consent to are selected as candidates.

Regarding the dismissal of senior management executives, in cases such as where it is deemed that he/she has not been able to sufficiently contribute to the fulfillment of the functions of the Board of Directors, in the same manner as in their appointment, upon consulting with the Nomination and Remuneration Committee, deliberations shall be held at the Board of Directors' Meetings, and such resolutions shall be made at the General Meetings of Shareholders.

(v) Explanations with respect to individual appointments/nominations for the appointment/dismissal of senior management executives and the nomination of Director candidates by the Board of Directors Regarding the individual appointments/nominations of Director candidates, their brief career summaries and reasons for their selection are provided in the "Notice of the General Meeting of Shareholders".

[Supplementary Principle 3.1.3 Initiatives for Sustainability, etc.]

In order to achieve its mission of "*Creating opportunities and hopes for people to work*", the Group recognizes the importance of contributing to society and the environment through investment in "people", which is the driving force behind the Group.

In promoting activities related to sustainability, based on the "Sustainability Policy", the Group aims for sustainable business growth and promotes initiatives to realize a sustainable society by establishing policies on human rights, labor, the environment, health and safety, and ethics.

(1) Basic Views

The Group defines "human resources development" and "diversity" as the most important factors in aiming for sustainable growth of its business. From the perspective of enhancing the value of its business, the Group will improve the ratio of highly skilled human resources by developing human resources who can take on the challenge of all possibilities in all fields. In addition, the Group aims to create a workplace where all employees can have dreams and a sense of fulfillment, and build a workplace where diverse human resources can flourish. From the perspective of risk management, the Group recognizes the importance of activities such as respect for human rights, the environment, safety and health, compliance, and local environmental conservation, and is promoting initiatives aimed at reducing various risks and contributing to society.

(2) Implementation Status

(Human resources development)

The basic view of human resources development is "To improve the ratio of highly skilled human resources by developing human resources who can challenge all possibilities in all fields", and the Group's goal is to increase the ratio of engineering employees to 15.0% by April 2025. As of March 31, 2024, the ratio of engineers in the Group was 9.5%.

(Diversity)

The basic view of diversity is "Aiming to create a workplace where all employees can have dreams and a sense of fulfillment, and building a place where diverse human resources can flourish", and the Group's goal is to increase the ratio of female managers to 11.5% by April 2025. As of March 31, 2024, the ratio of female managers in the Group was 11.4%.

(Climate Change Initiatives)

The Group strives to contribute to society by investing in people, who are its driving force, and at the same time, recognizes that addressing climate change, which is essential to the survival of its business, is an important management issue.

In order to achieve the goal of "achieving carbon neutrality (net-zero emissions) by 2050" the Group has set an interim reduction target based on 2030 of "reducing GHG emissions of 2,951 t-CO₂ by 30% in FY 3/2021". GHG emissions for FY 3/2024 were 3,016t-CO₂. The Company will continue to address climate change through its business in order to achieve its reduction targets.

For other sustainability-related activities, please refer to the Company's corporate website.

Japanese: <https://www.nisso-hd.com/sustainability/>

English: <https://www.nisso-hd.com/en/sustainability/>

[Supplementary Principle 4.1.1 Roles/Responsibilities of the Board of Directors (1)]

The Board of Directors makes important decisions on management strategies, management plans and other matters concerning the management of the Company, as well as supervising the execution of business in accordance with laws, the Articles of Incorporation, and other regulations of the Company. With respect to other matters, in order to promptly make decisions concerning the execution of business, the authority related to the execution of business is entrusted to the President & CEO, the Senior Managing Executive Officer, the Managing Executive Officer, Executive Officers, and Division Heads.

[Principle 4.9 Independence Standards and Qualifications for Independent External Directors]

In selecting Independent External Directors, the Company has formulated its own independence standards, as well as meeting the requirements of External Directors as stipulated in the Companies Act and the independence criteria set by the Tokyo Stock Exchange.

Regarding the "Criteria for Appointment of Independent Officers" established by the Company, please refer to section II. 1. "Independent Officers" of this Report.

[Supplementary Principle 4.10.1 Appropriate Involvement/Advice of Independent External Directors Through the Establishment of Independent Nomination and Remuneration Committees]

Please refer to II. 1. "Voluntary Establishment of Committees" (Supplementary Explanation) of this Report for more information.

[Supplementary Principle 4.11.1 Preconditions for Board of Directors Effectiveness]

The Board of Directors shall maintain the diversity and appropriate number of its members in order to make appropriate decisions in accordance with the Company's business domain/scale. The appointment of Directors is based on the Company's management philosophy and management strategy, with consideration to business contents/scale/business environment, etc., and personnel with knowledge/experience and qualifications that can contribute to the fulfillment of the functions of the Board of Directors are selected.

A skills matrix listing the expertise and experience of each Director is provided on the last page of this Report.

[Supplementary Principle 4.11.2 Preconditions for Board of Directors Effectiveness]

The Company's Directors select candidates who can secure the time and effort required to appropriately fulfill their roles and responsibilities. In cases where Directors concurrently serve as officers of other listed companies, the number of such positions shall be kept within a reasonable range, and the status of significant concurrent positions of the Company's Directors is scheduled to be provided annually in the "Annual Securities Report" (in Japanese only), the "Notice of the General Meeting of Shareholders" and other documents.

[Supplementary Principle 4.11.3 Preconditions for Board of Directors Effectiveness]

The Company conducts a questionnaire survey of all Directors regarding the effectiveness of the Board of Directors, and the results are analyzed and evaluated the by the Board of Directors.

In the questionnaire survey for FY 3/2024, 1. Relationship with shareholders, investors, etc. (ensuring shareholder rights and equality, ensuring appropriate information disclosure and transparency, dialogue with shareholders, appropriate collaboration with stakeholders other than shareholders, issues related to sustainability, including social and environmental issues), 2. Composition of the Board of Directors (skills matrix of Directors, the size of the Board of Directors {number of personnel} and appropriateness of the constituent members), 3. Responsibilities of the Board of Directors, 4. Deliberations of the Board of Directors (matters deliberated by the Board of Directors, quality of information provided to the Board of Directors, decision-making process of the Board of Directors, deliberation schedule of the Board of Directors), and 5. From the perspective of comprehensive evaluation, the Company conducted a questionnaire in April 2024 and reported the analysis and evaluation of the effectiveness of the Board of Directors at the Board of Directors' Meeting in May 2024. As a result, all of the items have been generally positively evaluated by all Corporate Officers, and the Company recognizes that the effectiveness of its Board of Directors has been ensured. However, the opinions expressed included the materialization of management strategies, the review of the criteria for submitting proposals to the Board of Directors, the streamlining and delegation of administrative authority, the review of skill items tailored to the Group's business, and the enhancement of prior explanations to External Corporate Officers regarding proposals.

Based on these opinions, the Company's Board of Directors will also evaluate the effectiveness of the implementation and strive to ensure its effectiveness.

[Supplementary Principle 4.14.2 Director Training]

The Company's Directors shall endeavor to acquire and appropriately update the knowledge deemed necessary to fulfill their roles and responsibilities, for matters such as corporate governance and compliance, and the Company shall provide opportunities for training and support of costs for such purposes. In addition, when an External Director assumes office, the Group shall provide opportunities for them to acquire information about its businesses, business environment, financial condition, organization, etc.

[Principle 5.1 Policy for Constructive Dialogue with Shareholders]

The Company actively engages in IR and SR activities based on the following basic policy in order to contribute to the sustainable growth and the enhancement of corporate value over the medium-term by promoting constructive dialogue with shareholders and investors.

(1) Designation of management personnel, etc., regarding dialogue with shareholders

The Representative Director & President plays a central role in dialogue with shareholder and investors, and the Managing Executive Officer & CFO, along with the division in charge of IR assist and promote such dialogue.

(2) Initiatives for seamless collaboration within the Company

The Company works together with relevant divisions/departments, centering on the division in charge of IR, for constructive dialogue with shareholders through the discussion, sharing and preparation of disclosure information. The Company also cooperates with the Corporate Value Enhancement Committee and strives for timely and appropriate disclosures.

(3) Initiatives to enhance means of dialogue other than individual interviews

By recognizing that the General Meeting of Shareholders is a forum for dialogue with shareholders, the Company strives to set the date and time of the General Meeting by avoiding days when such meetings are concentrated, and sends out and discloses convocation notices and reports as soon as possible.

In addition, in order to help deepen the understanding of the Company, it holds Financial Results Briefings and Medium-term Management Plan Briefings for institutional investors and analysts, and conducts Company Briefings for individual investors.

(4) Initiatives for feedback of shareholder opinions and concerns

The Company has established a system for the timely reporting of IR activity reports, including opinions and concerns of shareholders and investors obtained through dialogue, to the Board of Directors, etc.

(5) Initiatives related to management of insider information

Regarding dialogue with shareholders and investors, in addition to establishing "Information Disclosure Regulations" and "Insider Trading Prevention Regulations" in order to prevent material information from being disclosed to some specified persons and to thoroughly manage material information, the Company has selected a Chief Information Handling Officer, and strives to prevent the leakage of material information and insider trading by internal personnel.

Furthermore, the Company will refrain from dialogue with shareholders and investors for a certain period of time prior to the announcement of financial results, setting it as a "silent period".

(6) Other initiatives

In addition to regularly ascertaining the shareholder composition on the register of shareholders, the Company conducts shareholder identification surveys of those who hold substantial shares of the Company, which will be utilized in constructive dialogue with shareholders and investors.

Furthermore, the Company will focus further on providing non-financial information such as business strategies and information related to ESG, etc.

[Measures to Realize Management that is Conscious of Capital Costs and Share Prices]

[English Disclosure Available]

The Company closely monitors its cost of capital (cost of shareholders' equity and weighted average cost of capital (WACC)) and strives to pursue earning power and improving capital efficiency by setting return on equity (ROE) and return on invested capital (ROIC) as key management indicators. In addition, the Company will strive to enhance its corporate value by achieving a structure in which ROIC consistently exceeds the cost of capital (weighted average cost of capital (WACC)).

2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%
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[Status of Major Shareholders]] (UPDATED)

Name / Company Name	Number of Shares Held	Percentage (%)
NS Holdings Co., Ltd.	13,917,400	42.48
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,335,700	7.13
Custody Bank of Japan, Ltd. (Trust Account)	1,918,000	5.85
Tadao Shimizu	1,019,600	3.11
Chikako Shimizu	974,000	2.97
NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB)	487,700	1.49
NISSO HOLDINGS Employee Shareholding Association	437,200	1.33
Shoichi Iwashige	433,800	1.32
STATE STREET BANK AND TRUST COMPANY 505103	383,500	1.17
NORTHERN TRUST CO. (AVFC) RE NON TREATY CLIENTS ACCOUNT	305,850	0.93

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

Supplementary Explanation (UPDATED)

- The above-mentioned [Status of Major Shareholders] is based on the register of shareholders as of March 31, 2024.
- The percentages listed above are calculated based on the total number of outstanding (issued) shares excluding the number of treasury shares. In addition, the figures are rounded off to the second decimal point%.
- In the Large Shareholding Report which made available for public inspection as of October 18, 2023, although it was stated that SPARX Asset Management Co., Ltd. held the following shares as of October 13, 2023, since the Company was unable to confirm the number of real held shares as of March 31, 2024, the status of the major shareholders stated above has been based on the number of shares held on the register of shareholders.
[Shareholder Name (Number of shares held, Shareholding ratio to the total number of issued shares)]
SPARX Asset Management Co., Ltd. (1,808,500 shares, 5.32%)

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Services
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

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

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

Not applicable.

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

1. Organizational Composition and Operation

Organization Form	Company with Audit and Supervisory Committee
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[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	14
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors	President
Number of Directors	8
Status of Appointment of External Directors	Appointed
Number of External Directors	5
Number of External Directors Designated as Independent Officers	5

External Directors' Relationship with the Company (1) **(UPDATED)**

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Junichi Fukui	From another company					△						
Yukiteru Hamada	From another company					△						
Akira Ishida	From another company					△						
Miki Ohno	Attorney											
Hideo Sakano	Certified public accountant								△			

* Categories for "Relationship with the Company"

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

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

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

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

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the listed 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 officer remuneration

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

External Directors' Relationship with the Company (2) (UPDATED)

Name	Audit & Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Junichi Fukui		○	Until 2005, Junichi Fukui was an executive of Nippon Real Estate Bank, Ltd. (current: Aozora Bank, Ltd.), a major business partner of the Company.	Junichi Fukui has insight and experience in corporate management, as well as extensive experience and achievements in areas such as corporate planning and public relations. The Company has determined that he will provide advice and support to the Board of Directors from an objective standpoint as an External Director, and has appointed him as an External Director. Although Junichi Fukui was an executive of Nippon Real Estate Bank, Ltd., the predecessor of Aozora Bank, Ltd., a major business partner of the Company, until 2005, since a considerable amount of time has passed since he has left the said bank, it has been deemed that he is not in a position to be influenced by the intentions of the said bank. Furthermore, he meets the requirements for independence established by the Tokyo Stock Exchange, and since there is no risk of conflict of interest with general shareholders, he has been appointed as an Independent Officer.
Yukiteru Hamada	○	○	Until 2012, Yukiteru Hamada was an executive of Mitsubishi Bank, Ltd. (current: MUFG Bank, Ltd.), a major business partner of the Company.	Yukiteru Hamada has extensive insight and experience as a Director at financial institutions and other companies. The Company has determined that based on his knowledge and experiences, he is able to fulfill the supervisory functions of overall management from an objective and neutral perspective, especially with regard to corporate management and risk management, and has appointed him as an External Director who is an Audit & Supervisory Committee Member. Although Yukiteru Hamada was an executive of Mitsubishi Bank, Ltd., the predecessor of MUFG Bank, Ltd., a

				<p>major business partner of the Company, until 2012, since a considerable amount of time has passed since he has left the said bank, it has been deemed that he is not in a position to be influenced by the intentions of the said bank.</p> <p>Furthermore, he meets the requirements for independence established by the Tokyo Stock Exchange, and since there is no risk of conflict of interest with general shareholders, he has been appointed as an Independent Officer.</p>
Akira Ishida	○	○	<p>Until 2002, Akira Ishida was an executive of Mitsubishi Bank, Ltd. (current: MUFG Bank, Ltd.), a major business partner of the Company.</p>	<p>Akira Ishida has a wealth of insight and experience as a Director who is an Audit & Supervisory Committee Member at financial institutions and other companies. The Company has determined that he is a valuable resource who can enhance the rationality and transparency of the Company's management by continuing to provide opinions and recommendations from an objective standpoint, and has appointed him as an External Director who is an Audit & Supervisory Committee Member.</p> <p>Although Akira Ishida was an executive of Mitsubishi Bank, Ltd., the predecessor of MUFG Bank, Ltd., a major business partner of the Company, until 2002, since a considerable amount of time has passed since he has left the said bank, it has been deemed that he is not in a position to be influenced by the intentions of the said bank.</p> <p>Furthermore, he meets the requirements for independence established by the Tokyo Stock Exchange, and since there is no risk of conflict of interest with general shareholders, he has been appointed as an Independent Officer.</p>
Miki Ohno	○	○	—	<p>Although Miki Ohno does not have direct experience in corporate management, she has profound insight and considerable experience as an attorney. She has been appointed as a Director since she has been deemed to be able to provide expert opinions from her professional viewpoint as an attorney and able to fulfill the supervisory functions of overall management. The Company has determined that she will continue to fulfill the supervisory functions of overall management from an objective and neutral perspective based on her specialized knowledge and experiences,</p>

				and has appointed her as an External Director who is an Audit & Supervisory Committee Member. Furthermore, she meets the requirements for independence established by the Tokyo Stock Exchange, and since there is no risk of conflict of interest with general shareholders, she has been appointed as an Independent Officer.
Hideo Sakano	○	○	Until 2005, Hideo Sakano was an executive of Shin Nihon & Co. (current: Ernst & Young ShinNihon LLC), the Accounting Auditor of the Company.	Although Hideo Sakano does not have direct experience in corporate management, he has an abundance of knowledge and experience as a certified public accountant and tax accountant. The Company has determined that he will continue to fulfill the supervisory functions of overall management from an objective and neutral perspective based on his expertise and experience, and has appointed him as an External Director who is an Audit & Supervisory Committee Member. Although Hideo Sakano was an executive of Shin Nihon & Co., the predecessor of Ernst & Young ShinNihon LLC, the Accounting Auditor of the Company, until 2005, since a considerable amount of time has passed since he has left the said auditing corporation, it has been deemed that he is not in a position to be influenced by the intentions of the said auditing corporation. Furthermore, he meets the requirements for independence established by the Tokyo Stock Exchange, and since there is no risk of conflict of interest with general shareholders, he has been appointed as an Independent Officer.

[Audit and Supervisory Committee]

Committee's Composition and Attributes of Chairperson

Committee's Name	Audit and Supervisory Committee
All Committee Members	4
Full-time Members	1
Internal Directors	0
External Directors	4
Chairperson	External Director

Appointment of Directors and Employees to Assist in Fulfillment of Duties of Audit and Supervisory Committee	Not Appointed
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Reasons for Adopting Current System

In the event that the Audit and Supervisory Committee requests that an employee be appointed to assist in its duties, the Company will immediately appoint an employee. Employees who assist in the duties of the Audit and Supervisory Committee shall perform their duties under the direction and orders of the Audit & Supervisory Committee Members, and decisions on personnel matters shall be discussed in advance with the Audit and Supervisory Committee.

Cooperation between Audit and Supervisory Committee, Accounting Auditor, and Internal Auditing Department

In accordance with the audit policy and audit plan established by the Audit and Supervisory Committee, the Audit and Supervisory Committee monitors the implementation status of governance, inspects important approval documents, and conducts on-site inspections of business offices, exchanges opinions and cooperates with the Accounting Auditor and the Internal Auditing Office led by the Full-time Audit & Supervisory Committee Member, and strives to audit the execution of duties by Directors through effective audits.

[Voluntary Committee(s)]

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Remuneration Committee	Nomination and Remuneration Committee
All Committee Members	3	3
Full-time Members	0	0
Internal Directors	1	1
External Directors	2	2
Outside Experts	0	0
Other	0	0
Chairperson	External Director	External Director

Supplementary Explanation

The Company has established a voluntary Nomination and Remuneration Committee to enhance the transparency of personnel and remuneration, etc., of its Directors and Executive Officers.
The Nomination and Remuneration Committee is comprised of 3 or more Directors appointed by a resolution of the Board of Directors, the majority of whom are Independent External Directors. In addition,

the Chairman selects Independent External Directors by a resolution of the Nomination and Remuneration Committee.

<Members>

Chairperson	Akira Ishida (Independent External Director)
Committee Member	Miki Ohno (Independent External Director)
Committee Member	Ryuichi Shimizu (Representative Director, President & CEO)

The Nomination and Remuneration Committee deliberates on the following matters in response to consultation by the Board of Directors, and submits reports to the Board of Directors. In addition, with regard to matters necessary for the execution of duties, a person other than a committee member may attend the meeting and request reports and opinions.

- (1) Matters concerning the election and dismissal of Directors (excluding Directors who are Audit & Supervisory Committee Members)
- (2) Matters concerning the selection and removal of Representative Director(s)
- (3) Matters concerning the election and dismissal of Executive Officers
- (4) Matters concerning the election and dismissal of Directors of subsidiaries
- (5) Matters concerning the remuneration, etc., of Directors (excluding Directors who are Audit & Supervisory Committee Members)
- (6) Matters concerning the remuneration, etc., of Executive Officers
- (7) Matters concerning successor planning (including development)
- (8) Other important matters related to the nomination and remuneration of Corporate Officers and matters consulted by the Board of Directors

[Independent Officers]

Number of Independent Officers	5
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Matters relating to Independent Directors

All External Directors who meet the qualifications of Independent Officers are designated as Independent Officers.

The criteria for determining the independence of External Officers are as follows:

- (1) A person who has not served (or is not currently serving) as a Director (excluding External Directors, the same shall apply hereinafter), Audit & Supervisory Board Member (excluding External Audit & Supervisory Board Members, the same shall apply hereinafter), Executive Officer or employee of the Company or any of its consolidated subsidiaries (hereinafter referred to as the "Group") in the past 10 years.
- (2) A person who has not served (or is not currently serving) as an executive of a major business partner of the Group (*1) or of a company, etc., whose major business partner is the Group (*2) in the past 3 years.
- (3) A person who is not a major shareholder of the Group (*3) or an executive thereof at present or in the past 5 years. In addition, he/she is not an executive of a company, etc., in which the Group is a major shareholder.
- (4) A person who has not received donations or grants/subsidies in excess of 10 million yen from the Group annually, or is not an executive of an organization, such as a corporation or union, at present or for any of the past 3 fiscal years.
- (5) A person who is not an executive of a company, its parent company or subsidiary, that accepts Directors (full-time or part-time) from the Group.
- (6) In the event that a major lender (*4) of the Company and its subsidiaries is a corporation, a person who is not an executive of such a corporation, its parent company, or its significant subsidiaries at present or in the past 3 years.
- (7) A person who is not a member of a law firm, audit corporation, tax accountant corporation, consulting firm, or other organization such as a union, etc., that has obtained money or other property in excess of 10 million yen from the Group annually at present or in any of the past 3 years.
- (8) A person who is not a spouse or relative within the second degree of kinship in (1) to (7) above.

(9) In addition to the above, the Company must determine that there is no doubt about the independence of an Independent Officer and that there are no risks of permanent substantial conflict of interest with general shareholders.

(Note)

*1 A major business partner refers to a company, etc., whose payments or receipts for transactions with the Group in the previous fiscal year and the last 3 fiscal years account for 2% or more of consolidated net sales of the Group or its business partners (including their parent companies and significant subsidiaries).

*2 An executive refers to an executive as defined in Article 2, Paragraph 3, Item 6 of the Regulations for Enforcement of the Companies Act.

*3 A major shareholder refers to a company, etc., that holds 10% or more of the total voting rights.

*4 A major lender refers to a lender whose name or title is listed as a major lender in the business report for the most recent fiscal year.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration
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Supplementary Explanation

The remuneration system for Directors consists of basic remuneration (fixed remuneration), performance-linked remuneration (monetary remuneration), and share-based remuneration (restricted share remuneration) and the policy for determining the ratio of payments shall be based on the title/position of the Director. The indicator pertaining to performance-linked remuneration (monetary remuneration) is group performance (3-year consolidated net sales growth rate, consolidated operating profit) and individual performance (individual performance targets). The reason for selecting this indicator is to clarify the Directors' responsibilities for achieving short-term performance, and to heighten their motivation to contribute to the achievement of the Medium-term Management Plan, as well as the enhancement of corporate value. The amount of performance-linked remuneration shall be determined by multiplying the standard amount of payment according to the title/position by the achievement level of each indicator and the evaluation weight. Remuneration for External Directors and Directors who are Audit & Supervisory Committee Members is limited to basic remuneration, taking into account their positions of being responsible for the supervisory function of management.

Recipients of Stock Options

Supplementary Explanation

[Director Remuneration]

Disclosure (of Individual Directors' Remuneration)	No Individual Disclosure
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Supplementary Explanation

The total amount (of remuneration) will be disclosed separately for Internal Directors and External Directors in the Business Report of the Notice of the General Meeting of Shareholders and the Annual Securities Report (in Japanese only), etc.

Policy on Determining Remuneration Amounts and Calculation Methods (UPDATED)	Established
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The upper limit of the total amount of Corporate Officer remuneration was determined by resolution of the 1st Ordinary General Meeting of Shareholders of the Company held on June 26, 2024, and shall include basic remuneration for Directors (excluding those who are Audit & Supervisory Committee Members) within the limit of 300 million yen per year (of which the amount for External Directors is within the limit of 30 million yen per year), and performance-linked remuneration (monetary remuneration) linked to the achievement level of company-wide consolidated performance (consolidated operating profit) targets in a single fiscal year as short-term incentive remuneration within the limit of 300 million yen per year. In addition, the Company has introduced a restricted share remuneration plan for Directors (excluding Directors who are Audit & Supervisory Committee Members and External Directors) as medium- to long-term incentive remuneration, which provides monetary remuneration claims within the limit of 50 million yen per year.

The amount of remuneration for Directors who are Audit & Supervisory Committee Members shall be within the limit of 60 million yen per year.

■ Policy for Determining Director Remuneration, etc.

1. Basic Policy

The remuneration of Directors (excluding Directors who are Audit & Supervisory Committee Members) of the Company shall be based on a remuneration system linked to shareholder interests so that it can fully function as an incentive to continuously enhance corporate value by achieving short-term business results and realizing the Medium-term Management Plan. In addition, when determining the remuneration of individual Directors, the Company's basic policy shall be to set an appropriate level based on their respective responsibilities.

The remuneration level of Directors shall be determined in consideration of the balance between the Company's management content and employee salaries, etc., based on the business scales of companies similar to that of the Company and the remuneration level benchmarked by companies belonging to related industries and business types.

2. Policy on the Determination of the Amount of Individual Remuneration, etc., for Basic Remuneration (Fixed Remuneration) and the Calculation Method Thereof (Includes policies on the timing or conditions under which remuneration, etc., are to be rewarded.)

The basic remuneration of the Company's Directors shall be determined by taking into account the roles and responsibilities, etc., and a fixed amount shall be paid each month.

In addition, the remuneration for External Directors shall be limited to basic remuneration, taking into account the position in which they assume the supervisory function of management.

3. Policy on the Determination of the Content and Amount or Method of Calculating the Number of Performance-linked Remuneration and Non-monetary Remuneration (Includes policies on the timing or conditions under which remuneration, etc., are to be rewarded.)

Performance-linked remuneration shall be paid at a fixed time each year in an amount calculated in accordance with the target achievement rate, and is done by clarifying the responsibility for achieving short-term performance, setting evaluation indicators to increase motivation to contribute to the achievement indicators to increase the motivation to contribute to the achievement of the Medium-term Management Plan as well as the enhancement of corporate value.

Furthermore, the amount of performance-linked remuneration shall vary in the range of 0% and 150% depending on the achievement rate of the indicator.

a. Indicators related to performance-linked remuneration
(Group performance)

· 3-year consolidated net sales growth rate

In order to measure the growth potential of the Company's business activities, the consolidated net sales growth rate shall be used as an indicator.

In addition, in order not to be excessively affected by environmental changes in a single fiscal year, the criteria shall be based on the 3-year average including the current fiscal year.

· Consolidated operating profit (initial target ratio and Medium-term Management Plan target ratio)

In order to measure the profitability of the Company's business activities, consolidated operating profit shall be used as an indicator.

The Company shall measure the achievement level of both its initial targets and the targets of the Medium-term Management Plan.

(Individual performance)

· Individual performance targets

Quantitative and qualitative individual performance targets shall be set for each individual and deliberated by the Nomination and Remuneration Committee.

With regard to the evaluation of target achievement levels, the result of the initial targets shall be deliberated by the Nomination and Remuneration Committee.

b. Calculation method of performance-linked remuneration payment amount

The formula for calculating the amount of performance-linked remuneration by individual is as follows:

Performance-linked remuneration payment amount = standard amount of payment by position x indicator payment rate*

*Indicator payment rate

The indicator payment rate is calculated by multiplying the achievement level of each indicator by the evaluation weight.

In order to provide non-monetary remuneration as an incentive to share value with shareholders, to raise awareness of share prices among Directors, and to enhance corporate value over the medium- to long-term, restricted shares with a transfer restriction period (the period from the payment date to the date of resignation or retirement, etc., from the position of Director or any other position determined by the Board of Directors of the Company) shall be granted, and the number of shares to be granted, determined by comprehensively taking into account the title/position, etc., shall be granted at a certain time after the conclusion of the Ordinary General Meeting of Shareholders. Furthermore, such restricted shares shall be managed in a dedicated account opened at a securities company during the transfer restriction period so that they cannot be transferred, have security interests established, or otherwise disposed of during the transfer restriction period.

4. Policy on the Determination of the Ratio of the Amount of Basic Remuneration, Performance-linked Remuneration, etc., or Non-monetary Remuneration, etc., to the Amount of Individual Remuneration, etc., of Directors

Regarding the remuneration ratio by type of Director, the higher the position, the higher the weight of performance-linked remuneration and restricted share remuneration share shall be.

5. Matters related to Decisions on the Content of Individual Remuneration of Directors

Regarding the amount of remuneration for each individual Director, based on the resolution of the Board of Directors, the Representative Director shall be entrusted with the determination of its specific content. In addition, the content of such authority shall be the amount of basic remuneration and performance-linked remuneration for each Director.

The Board of Directors shall consult with the Nomination and Remuneration Committee on the draft so that such authority can be appropriately exercised by the Representative Director, and the Representative Director who has received the above mandate shall determine the content of the individual remuneration based on the report.

For non-monetary compensation, the Board of Directors shall determine the number of shares to be allocated to each individual Director based on the report of the Nomination and Remuneration Committee.

[Supporting System for External Directors]

Support for External Directors and Audit & Supervisory Committee Members is provided by (the) Planning Development (Department). Materials and matters to be discussed at the Board of Directors' Meetings are distributed in advance by Planning Development, and in addition to securing time for External Directors to review such matters, Planning Development provides explanations to them in advance as deemed necessary. In addition, the Internal Auditing Office provides support for audits by the Audit and Supervisory Committee.

[Persons who Retired as Presidents/Representative Directors, etc.]

Information on former Presidents/Representative Directors holding advisory positions

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without remuneration, etc.)	Date when former role as President/ Representative Director ended	Term
Tadao Shimizu	Founder/ Honorary Counsellor	Advice for consultative matters to Chairman/President	Part time, without remuneration	June 24, 2020	1 year

Number of retired Presidents/Representative Directors holding advisory positions	1
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Other matters

- The appointment and remuneration for former Presidents & Representative Directors to become Counsellors are determined by a resolution of the Board of Directors.
- The Founder/Honorary Counsellor is not involved in any of the Company's business/management decision-making.

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

a. Board of Directors

The Company's Board of Directors is comprised of 8 Directors (including 5 External Directors). In addition to holding regular Board of Directors' Meetings once a month, in principle, a system has been established where extraordinary meetings can be flexibly held when important matters arise. As a supervisory body for decision-making and business execution of important matters concerning the management of the Company, the Board of Directors examines the validity, efficiency and fairness of management, and resolves matters that are stipulated by laws and ordinances as well as other matters related to important business tasks.

b. Audit and Supervisory Committee

The Audit and Supervisory Committee is comprised of 4 Directors who are Audit & Supervisory Committee Members (including 4 External Directors). Audit policies and audit plans are discussed and decided by the Audit and Supervisory Committee.

In addition to striving to communicate with Directors and employees who are not Audit & Supervisory Committee Members to gather information, Directors who are Audit & Supervisory Committee Members attend Board of Directors' meetings, receive reports on the status of the execution of duties from Directors and employees, request explanations as deemed necessary, inspect important decision-making documents etc., and investigate the status of the Company's business operations and assets.

The Audit and Supervisory Committee convenes on a regular basis once a month, and extraordinary meetings are held occasionally as deemed necessary.

Furthermore, the Audit and Supervisory Committee works closely with the Internal Auditing Office and the Accounting Auditor, and strives to enhance the effectiveness and efficiency of audits.

c. Nomination and Remuneration Committee

The Nomination and Remuneration Committee is comprised of 2 Independent External Directors and the Representative Director, President & CEO, and is chaired by an Independent External Director.

For the purpose of enhancing the transparency of personnel affairs and remuneration, etc., of Directors (excluding Directors who are Audit & Supervisory Committee Members) and Executive Officers, it will report to the Board of Directors matters concerning (i) the personnel affairs of Representative Directors, Directors, Executive Officers and Directors of subsidiaries, as well as successor planning, and (ii) the remuneration structure and remuneration levels of Directors and Executive Officers based on the evaluation of the company's business performance, etc.

The Nomination and Remuneration Committee will be convened at any time as deemed necessary.

d. Corporate Value Enhancement Committee

The Corporate Value Enhancement Committee, which has been established for the purpose of enhancing the corporate value of the Group over the medium- to long-term, holds discussions aimed at the resolution of medium- to long-term management issues for the entire Group, and submits and reports the results of the discussions to the Board of Directors as deemed necessary.

Under the Corporate Value Improvement Committee, the Company has established the Sustainability Council, which discusses the ideal structure for realizing materiality and methods of appealing disclosure of current activities, etc.; the Internal Control • Compliance Council, which discusses the development, operation and checking of the internal control system and the status of compliance; the Financial Strategy Council, which discusses financial strategies that take into account the effective use of resources, assets, capital and capital costs; the DX Council, which discusses the development of a system that enables the use of data and digital technologies across the Group; the Well-being Council, which discusses measures to increase the motivation and engagement of the Group's employees; and the Risk Management Council, which discusses risk management for the entire Group and the early establishment of a BCP structure.

e. Internal Audits and Audit and Supervisory Committee Audits

The Internal Auditing Office, which is under the direct control of the Representative Director & President, is in charge of internal audits, and has staff members in addition to the Office Head. Based on the fiscal year plan, the Internal Auditing Office conducts audits for all departments and divisions of Headquarters, Sales Offices and affiliated companies, prepares audit reports, and reports the results to the Board of Directors and the Representative Director & President. In addition, instructions for improvements based on the results of the audits are issued to the department/division that has received the audits, and the status of improvements are reported by them and confirmed by the Internal Auditing Office without delay. Moreover, follow-up audits and special audits are conducted as deemed necessary.

Audit and Supervisory Committee audits, which are based on its auditing plans created for each fiscal year, are implemented with a focus on the legality and validity of the Directors' execution of duties, as well as the maintenance • operational status of internal control systems as priority items.

Furthermore, the Audit and Supervisory Committee exchanges information with the Internal Auditing Office and the Accounting Auditor as deemed necessary in order to enhance mutual cooperation.

f. Status of Accounting Audits

The Company has concluded an auditing contract with Ernst & Young ShinNihon LLC. In addition to receiving audits on periodic financial statements, etc., from Ernst & Young ShinNihon LLC, the Company has been examined for the maintenance • operational status of systems and procedures related to internal control, accounting systems and accounting records that are within the scope deemed necessary for auditing purposes, and moreover, have received reports on the results.

3. Reasons for Adoption of Current Corporate Governance Structure

The Company aims to "strengthen the audit and supervisory functions of the Board of Directors" and "further accelerate management decision-making and business execution" to appropriately audit and supervise the execution of duties by the Directors and enhance the check-and-balance function for management.

Based on the above, in addition to establishing a General Meeting of Shareholders, the Board of Directors, the Audit and Supervisory Committee, and an Accounting Auditor, the Company has set up an office in charge of internal auditing to monitor business operations on a daily basis. The current structure has been adopted since the Company has determined that the mutual cooperation among these organizations will ensure more soundness, efficiency and transparency of management.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Meetings of Shareholders and Facilitate the Exercise of Voting Rights

(UPDATED)

	Supplementary Explanations
Early Notification of General Shareholder Meetings	In order to allow shareholders to thoroughly review the agenda items of the General Meeting of Shareholders, the Company strives for the early issuance of notifications notwithstanding the provisions of the Articles of Incorporation.
Scheduling General Meetings of Shareholders Avoiding the Peak Day	In order to allow as many shareholders as possible to participate, the Company takes heed to not set the date of the General Meeting of Shareholders on days when other meetings are concentrated.
Allowing Electronic Exercise of Voting Rights	It is possible to exercise voting rights via the Internet.
Participation in Electronic Voting Platform and Other Initiatives to Enhance the Voting Environment of Institutional Investors	The Company participates in the electronic voting platform for institutional investors operated by ICJ Inc.
Providing Convocation Notice in English	The English version of the Convocation Notice is posted on the Company's website and on the website of the Tokyo Stock Exchange.

2. IR Activities

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	The "IR Information Disclosure Policy" is posted in the IR • Investor Relations information section of the Company's website. Japanese: https://www.nisso-hd.com/ir/management/ir-policy.html English: https://www.nisso-hd.com/en/ir/management/ir-policy.html	
Regular Investor Briefings for Individual Investors	The Company plans to hold company briefing sessions (in Japanese only) for individual investors several times a year. In addition, videos and materials of the briefing sessions are posted in the IR • Investor Relations information section of the Company's website. Japanese: https://www.nisso-hd.com/ir/event/	Provided
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds financial results briefings for analysts • institutional investors, and the Representative Director & President, or the IR Division will provide explanations. In addition, financial results briefing materials and the main Q&A at financial results briefings are posted in the IR • Investor Relations information section of the Company's website. Japanese: https://www.nisso-hd.com/ir/event/ English: https://www.nisso-hd.com/en/ir/event/	Provided
Regular Investor Briefings for Overseas Investors	English materials of the above-mentioned briefings are posted in the IR • Investor Relations information section of the Company's website and are available for overseas investors. In addition, top management executives hold Web and telephone conference calls with institutional investors in Europe, the U.S. and Asia. English: https://www.nisso-hd.com/en/ir/event/	Provided
Posting of IR Materials on Website	Summaries of consolidated financial statements, annual securities reports (quarterly reports, in Japanese only),	

	financial results briefing materials, main Q&A of financial results briefings, medium-term management plan materials, timely disclosure materials, convocation notices of shareholder meetings, etc., are posted in the IR • Investor Relations information section of the Company's website. Japanese: https://www.nisso-hd.com/ir/library/ English: https://www.nisso-hd.com/en/ir/library/	
Establishment of Division and/or Manager in Charge of IR	The Company has established the IR Division as the dedicated department/division in charge of investor relations.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Regulations, etc., for Respecting the Position of Stakeholders	In addition to establishing the "Nisso Group Charter of Corporate Behavior", the Company has established the "Nisso Group Employee Code of Conduct" to indicate desirable behavior and stipulate respect for shareholders, both of which are posted on the Company's website. Japanese: https://www.nisso-hd.com/company/ethics/ English: https://www.nisso-hd.com/en/company/ethics/
Implementation of Environmental Conservation Activities, CSR Activities etc.	Based on the "Nisso Group Charter of Corporate Behavior" and the "Nisso Group Employee Code of Conduct", the Group recognizes that deepening relationships based on trust between stakeholders and each and every employee is an important issue for corporate advancement, and is engaged in a variety of CSR activities. Based on its founding philosophy of " <i>Nurturing and Bringing Out the Best in People</i> ", the Group believes that its greatest asset is "people" and that they are the most fundamental and important resource for providing services. Based on respect for human rights and compliance, the Group will work on "human development" based on the aptitude of each individual and the creation of an environment where the working people can flourish with a sense of fulfillment. Furthermore, various CSR activities are included in the "Sustainability Report". Japanese: https://www.nisso-hd.com/sustainability/report/ English: https://www.nisso-hd.com/en/sustainability/report/
Formulation of Policies on Information Provision to Stakeholders	The Company makes its "IR Information Disclosure Policy" available to the public, and conducts the appropriate disclosure of information in order to gain the understanding of shareholders and other stakeholders. Moreover, in addition to disclosures based on laws and ordinances, the Company will strive to actively disclose information that is deemed important to shareholders and other stakeholders on its website.

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development **(UPDATED)**

At the Board of Directors' Meeting, the Company has made resolutions that define the "Basic Policy on Internal Control Systems". The contents of the policy are as follows:

1. System to ensure that the execution of duties by the Group's Directors is in accordance with laws, ordinances and the Articles of Incorporation

(1) In order to carry out sound and sincere business activities with compliance as well as high moral values, the Company has established the "Nisso Group Charter of Corporate Behavior", and concrete guidelines for personal conduct, the "Nisso Group Employee Code of Conduct". In addition, the Directors have taken the initiative to implement these measures, and the Company shall continue to strive to ensure the thorough awareness of the measures by employees by posting them on the in-house intra-system.

(2) In order to ensure the thorough compliance of laws and ordinances, corporate ethics and internal regulations, the Company has established "Compliance Regulations", and has set up a "Corporate Value Enhancement Committee" chaired by the President to promote sound and sincere business activities.

(3) Directors who discover any material violation of laws or ordinances or any other material facts concerning compliance, shall report such matters to the Board of Directors.

(4) The Group has taken a resolute stance against unreasonable demands from anti-social forces, and has established concrete action guidelines which demonstrate that it has no relationships whatsoever with them. The Group shall continue to ensure the thorough awareness of such matters to Directors and employees in order to eliminate any relationships with these forces.

(5) In order to preserve corporate assets and improve management efficiency, the Company has established "Internal Audit Regulations", and has set up an independent Internal Auditing Office. The Group shall continue the auditing of its entire operations in regards to its compliance with laws and ordinances and the status of the execution of its business operations.

2. System concerning storage and control of information related to the execution of duties of Directors

(1) The Company has established "Document Control Regulations" for documents such as the minutes of the Board of Directors' Meetings and documents pertaining to other significant decisions as prescribed by laws and ordinances, in addition to properly storing and managing such documents after clarifying management responsibilities. Also, the Company shall continue to maintain a system which allows for the viewing of such documents as deemed necessary.

(2) The Company has established "Information Management Regulations" for confidential information, and shall continue to ensure security.

3. Regulations and other systems concerning the management of risk of loss

(1) The Company has established "Risk Management Regulations" for risks affecting business objectives (hereinafter referred to as "risks"), and in order to maintain a system that can adequately respond to such risks, it has set up a "Corporate Value Enhancement Committee" (hereinafter referred to as the "Committee"). The Committee shall convene in accordance with the regulations of the meeting body and shall be convened as deemed necessary.

(2) Based on the "Risk Management Regulations", the Committee identifies, analyzes and evaluates specific risks, and discusses its response policies. In addition, in the event where an emergency response is needed as the Committee monitors the status of risk management, an emergency committee shall be convened to discuss the necessary response measures.

(3) The Committee shall submit and report any matters related to risks to the Board of Directors on a regular basis or as deemed necessary.

(4) Each Division Head of the Group shall be responsible for risk management within their respective divisions, and must promptly report to the Committee Secretariat in the event that an emergency situation requiring reporting on risks arises, and in the event that there are risks involving multiple divisions, etc., or serious risks that may materialize. In addition, they are required to administer appropriate procedures, such as incorporating countermeasures in their business plans to respond to significant risks identified within their division of responsibility, as well as other individual risk-related matters.

(5) In order to respond promptly and accurately to the actualization of risks that may affect its business objectives, the Group has established response systems, procedures, and regulations in advance, and shall maintain and strive to improve the structure of reporting systems in the event of a crisis, as well as processes capable of responding quickly and appropriately.

(6) The Group shall formulate a business continuity plan and strive to develop a system that can promptly carry out business continuity after the occurrence of a disaster.

4. System to ensure the efficient execution of duties by Directors

(1) The Group has established "Regulations of the Board of Directors", and shall clarify the governance of the Board of Directors and matters to be discussed.

(2) To ensure the smooth and efficient operation of duties of Directors and employees, the Board of Directors has established "Organization • Division of Duties Regulations" and "Regulations of Administrative Authority", and shall determine matters regarding the segregation of duties of each division, as well as the fundamental roles, duties and authorities of each position.

5. System to ensure that the execution of duties by employees is in accordance with laws, ordinances and the Articles of Incorporation

(1) In order to carry out sound and sincere business activities with compliance as well as high moral values, the Company has established the "Nisso Group Charter of Corporate Behavior", and concrete guidelines for personal conduct, the "Nisso Group Employee Code of Conduct". In addition, the Directors have taken the initiative to implement these measures, and the Company shall continue to strive to ensure the thorough awareness of the measures by employees by posting them on the in-house intra-system.

(2) In order to ensure the thorough compliance of laws and ordinances, corporate ethics and internal regulations, the Company has established "Compliance Regulations", and has set up a "Corporate Value Enhancement Committee" chaired by the President to promote sound and sincere business activities.

(3) The Group has established "Whistleblower Protection Regulations", and shall institute a system for the early detection of violations of laws and regulations with regard to the Group, as well as ensuring that the informant is not subjected to any disadvantages.

(4) The Group has taken a resolute stance against unreasonable demands from anti-social forces, and has established concrete action guidelines which demonstrate that it has no relationships whatsoever with them. The Group shall continue to ensure the thorough awareness of such matters to Directors and employees in order to eliminate any relationships with these forces.

(5) In order to preserve corporate assets and improve management efficiency, the Company has established "Internal Audit Regulations", and has set up an independent Internal Auditing Office. The Group shall continue the auditing of its entire operations in regards to its compliance with laws and ordinances and the status of the execution of its business operations.

6. System to ensure appropriate business operations in the Corporate Group consisting of the Company and its subsidiaries

(1) In order to promote the fair business activities of the Group, the Company has established the Group-wide "Nisso Group Charter of Corporate Behavior", and concrete guidelines for personal conduct, the "Nisso Group Employee Code of Conduct". Furthermore, each company in the Group shall continue to strive to ensure the thorough awareness of these matters by Directors and employees.

(2) In order to strengthen the management of the Group, the Company has established "Affiliated Companies Management Regulations". In addition to requiring the reporting of significant matters concerning the business operations of subsidiaries, the Company shall refer matters of particular importance to the Board of Directors.

(3) The Company's Internal Auditing Office shall conduct audits of each company in the Group on a regular basis and when deemed necessary. Furthermore, the Internal Auditing Office shall cooperate with the Audit and Supervisory Committee and the Accounting Auditor to strive to ensure the proper business operations of the Group through audits.

7. Matters concerning employees and their appointment to assist in the fulfillment of duties of the Audit and Supervisory Committee when requested

(1) The Company shall immediately appoint employees to assist in the fulfillment of the duties of the Audit and Supervisory Committee when requested to do so.

8. Matters concerning the independency of employees in the preceding item from Directors (excluding Directors who are Audit & Supervisory Committee Members)

(1) The Company shall have employees assisting in the fulfillment of the duties of the Audit and Supervisory Committee execute their duties under the direction of the Audit & Supervisory Committee Members whom they are assisting.

(2) The Company shall consult with the Audit and Supervisory Committee in advance about the decision of matters concerning personnel affairs of employees assisting in the fulfillment of the duties of the Audit and Supervisory Committee.

9. System for Directors (excluding Directors who are Audit & Supervisory Committee Members) and employees to submit reports to the Audit and Supervisory Committee and other systems related to submitting reports to the Audit and Supervisory Committee

(1) The Company shall request the attendance of Audit & Supervisory Committee Members for the "Board of Directors' Meetings", the "Corporate Value Enhancement Committee Meetings", and other meetings of importance.

(2) The Company's Representative Director and the Internal Auditing Office shall maintain cooperation with the Audit and Supervisory Committee and exchange information on a regular basis.

(3) Directors (excluding Directors who are Audit & Supervisory Committee Members) and employees of the Group shall respond to requests in the event they are asked by the Audit and Supervisory Committee to submit reports on important information.

(4) The Company shall ensure that persons who submit reports to the Audit and Supervisory Committee do not receive disadvantageous treatment due to reasons for submitting the report.

10. Other systems to ensure the effective implementation of audits by the Audit and Supervisory Committee

(1) Audit & Supervisory Committee members shall attend the "Board of Directors' Meetings", the "Corporate Value Enhancement Committee Meetings", and other meetings of importance.

(2) In response to the request of the Audit and Supervisory Committee, the Company shall establish a system that allows for the viewing of important documents such as minutes of meetings.

(3) The Company shall formulate a budget after confirming with the Audit and Supervisory Committee about the expenses required to perform its duties, in addition to establishing a system for the prepayment or reimbursement of expenses incurred when executing its duties.

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

The Company's corporate group, its special stakeholders, shareholders, business partners, etc., have no relations with anti-social forces.

The Group respects the "Charter of Corporate Behavior & its Implementation Guidance (6th Edition)" (September 2010) and the "Guideline for How Companies Prevent Damage from Anti-Social Forces" (agreed upon at a meeting in June 2007 of cabinet ministers responsible for anti-crime measures) published by the Japan Business Federation (Keidanren) as a basic policy, and is establishing a system according to these guidelines. The policies and standards of the corporate group are set forth in the "Nisso Group Charter of Corporate Behavior" and the "Nisso Group Employee Code of Conduct", and are distributed to each employee in the form of the "*NISSO Michishirube*" (literal meaning: "NISSO Guidelines"), which are leaflets created by the Company. Moreover, the Company has been making efforts to ensure that all employees are aware of its contents through opportunities such as important internal meetings, etc. Through these measures, it is understood that the isolation from anti-social forces by all Corporate Officers and employees of the corporate group is extremely important and an everlasting theme of the Company.

As for internal systems, the Corporate Value Enhancement Committee has been established as a meeting body for compliance and risk management, and the division responsible for matters related to anti-social forces is the Internal Control Division. Moreover, the Company has established the "Anti-social Forces Countermeasure Regulations" and the "Manual for Responding to Unjust Demands by Anti-social Forces", as practical regulations • manuals, in addition to striving to thoroughly enforce matters such as the inclusion of an anti-social forces elimination clause in all contracts that it concludes with each of its business partners.

Regarding its cooperation with external organizations, NISSO CORPORATION, a consolidated subsidiary of the Company, has joined the Kanagawa Prefectural Center for Removal of Criminal Organizations (a public interest incorporated foundation) in September 2016, and has been continuously striving to collect information on anti-social forces. In addition, the NISSO CORPORATION's headquarters and each office have appointed persons responsible for the prevention of unjust demands (headquarters: General Affairs Section Manager, each office: Office Manager) who conduct notifications to the police station under relevant jurisdictions, and the Company has established a system to cooperate with the police, in conjunction with a system where it can consult with corporate attorneys.

The procedures for checking the Company's business partners', etc., associations with anti-social forces are as follows:

1. For new business partners

Based on the "Anti-social Forces Countermeasure Regulations", the basic procedure is to perform an article search using specialized services and an information search of materials provided by the Kanagawa Prefectural Center for Removal of Criminal Organizations, in addition to concluding contracts with the inclusion of anti-social forces elimination clauses in transaction agreements or the use of anti-social forces elimination memorandums.

2. For existing business partners

Based on the "Anti-social Forces Countermeasure Regulations", an article search using specialized services is performed once a year, and a recheck utilizing the information search provided by the Kanagawa Prefectural Center for Removal of Criminal Organizations is conducted.

3. For shareholders

In cases where it is possible to reflect the intention of the Company, such as in the third-party allocation of shares, an article search using specialized services is performed and an investigation utilizing the information search provided by the Kanagawa Prefectural Center for Removal of Criminal Organizations is conducted in advance. In addition, the Company will investigate and pay close attention to a certain range of shareholders (1% or more of shares held).

4. For Corporate Officers

In cases where employees are chosen as candidates for Director or Audit & Supervisory Board Member, an article search using specialized services is performed, and a check utilizing the information search provided by the Kanagawa Prefectural Center for Removal of Criminal Organizations is conducted. When one assumes their office, a pledge to the effect that they have no association whatsoever with anti-social forces is secured. In particular, special attention is given to those who are chosen externally.

5. For employees

When hiring general employees, a pledge to the effect that they have no association whatsoever with anti-social forces is secured when they join the Company. Procedures for mid-career hires are handled in the same manner.

V. Other

1. Adoption of Takeover Defense Measures

Adoption of Takeover Defense Measures	Not Adopted
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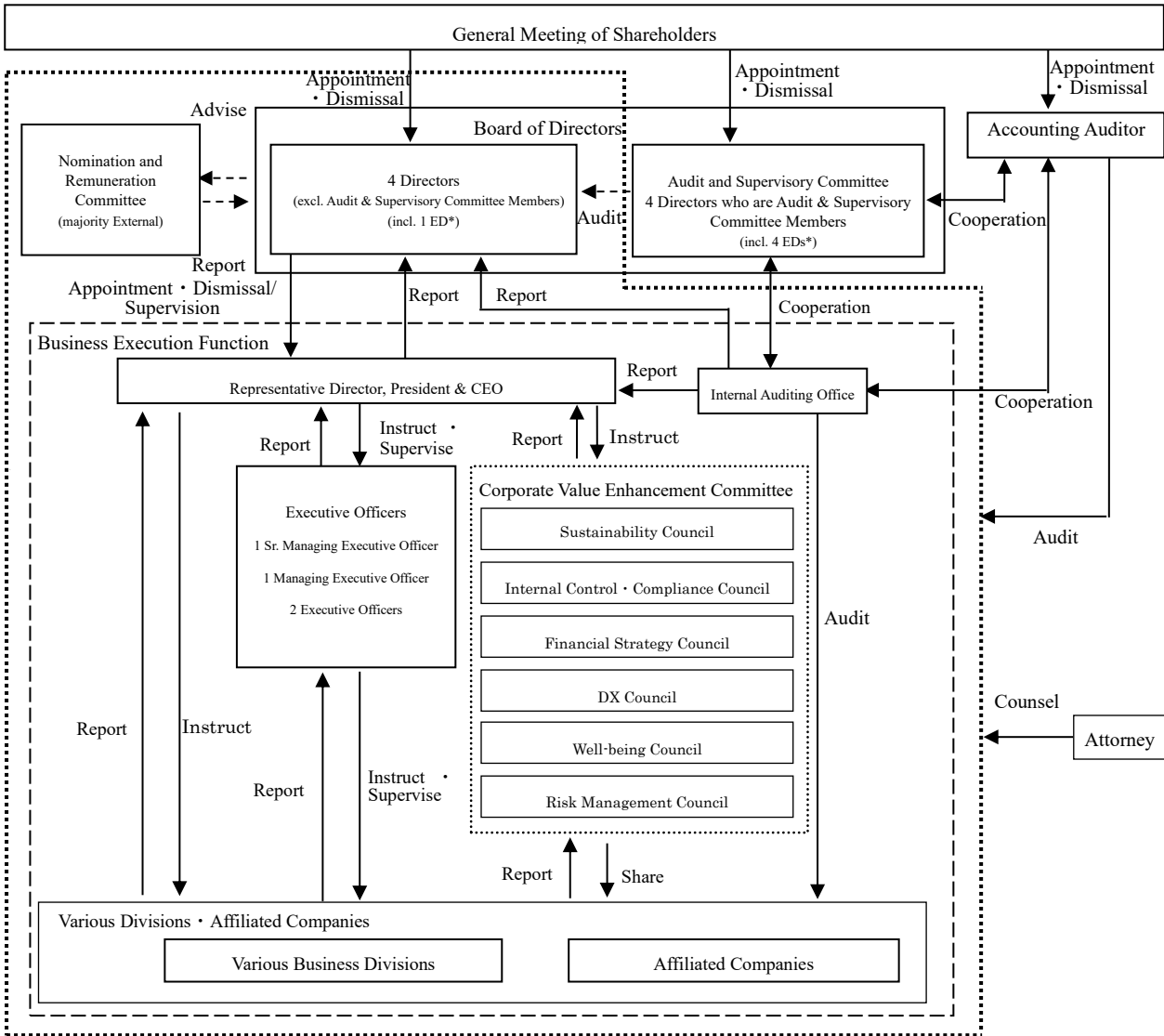
Supplementary Explanation

The Company has not adopted a so-called Takeover Defense Measure, and has no plans to do so. In the event that the Company is attached to a tender offer bid, the views and countermeasures of the Board of Directors will be clearly explained to shareholders. However, the Company will not interfere with the exercising of any rights of the shareholders.

2. Other Matters Concerning to Corporate Governance Structure

The Company's corporate governance structure and the flows of timely disclosure are as follows:

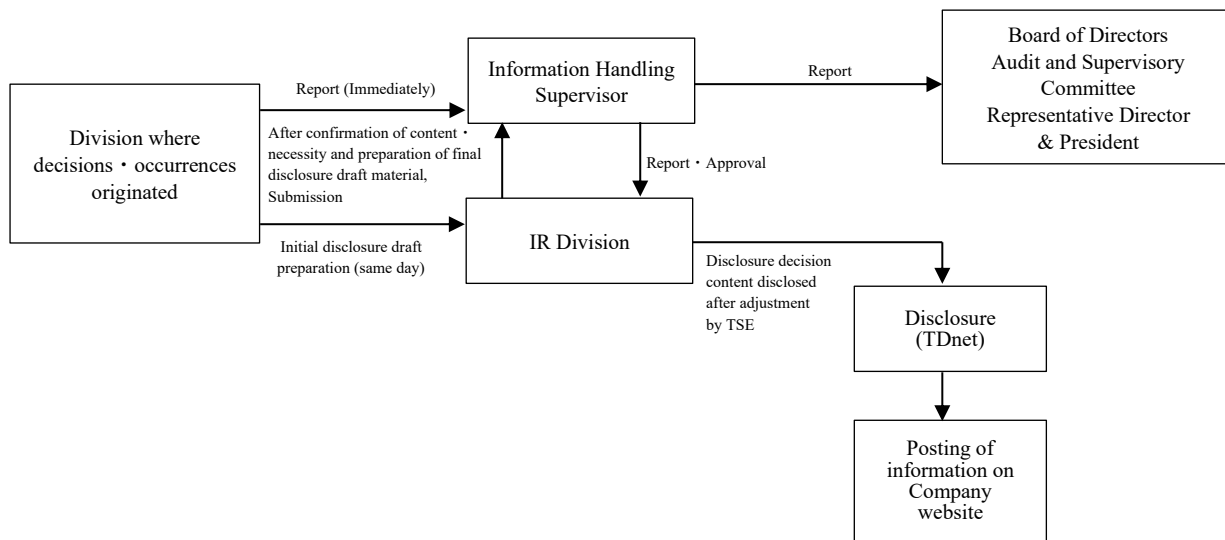
【Corporate Governance Structure】



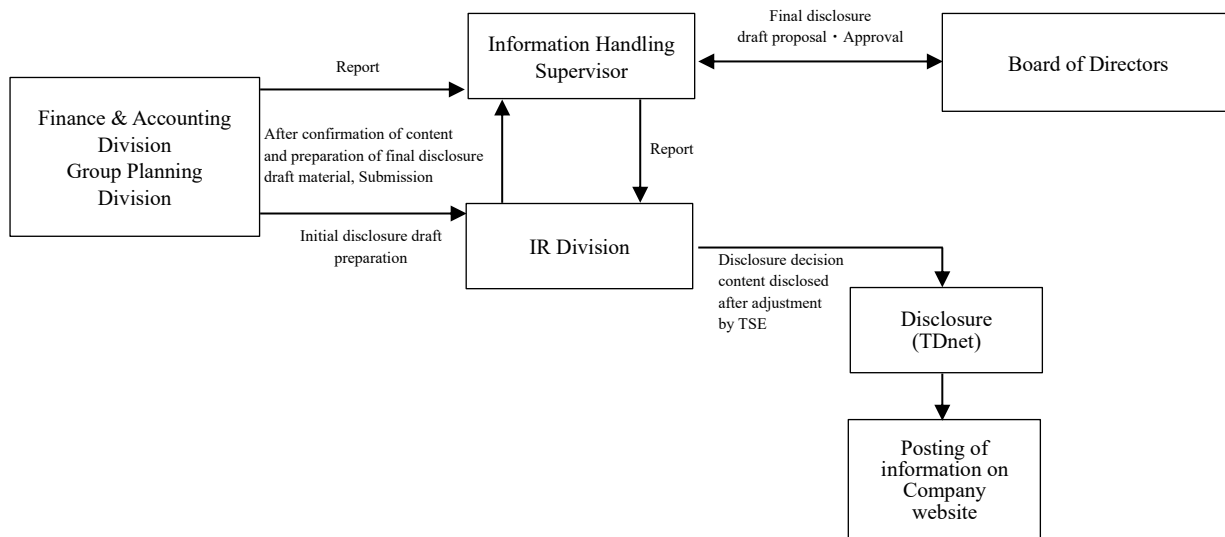
*ED(s) = External Director(s)

【Outline of Timely Disclosure System】

○Timely disclosure work flow of corporate decisions • occurrence of material facts



○Timely disclosure work flow of financial results



【Skills that the Board of Directors should Possess】

Based on the medium- to long-term direction and business strategy of the Group, the Company believes that the skills that the Board of Directors of the Company should possess at the present time are as follows:

Skill items	Reasons for selection as an item
Management	Even in a rapidly changing business environment, it is necessary to have the skills to present policies and plans for the sustainable growth of the Group and the enhancement of corporate value over the medium- to long-term.
Markets · Business	It is necessary to have the skills to grasp market trends and needs, including those of different industries, in order to expand existing and new business areas.
Finance · Accounting	It is necessary to have the skills to make decisions on "offensive" and "defensive" investments and fund-raising based on the profitability of the Group.
Organization · Human Resources	It is necessary to have the skills to formulate and manage organizational and human resources strategies for sustainable growth of the Group and the enhancement of corporate value over the medium- to long-term.
Risk Management	Rather than simply reducing risks, it is necessary to have the skills to understand risks and to determine whether or not to appropriately retain risks when necessary for the sustainable growth of the Group and the enhancement of corporate value over the medium- to long-term.
Society	In order to continue medium- to long-term sustainable growth and development, it is important to co-exist and co-prosper with stakeholders, so it is necessary to have the skills to plan and implement initiatives to fulfill social responsibilities.
Internal Control · Governance	It is necessary to have the skills to legally and appropriately construct and promote the business processes of the Group and to manage sound corporate governance.

【Skills Matrix of Directors】

Based on the Group's medium- to long-term direction and business strategy, the Company defines the skills it deems necessary for the Board of Directors at the present time as "Management", "Markets • Business", "Finance • Accounting", "Organization • Human Resources", "Risk Management", "Society", and "Internal Control • Governance".

The above skills will be reviewed as appropriate, taking into account the external environment and the status of the Group.

Name	Position	Management	Markets • Business	Finance • Accounting	Organization • Human Resources	Risk Management	Society	Internal Control • Governance
Ryuichi Shimizu	Representative Director, President & CEO	●	●		●	●		
Kenji Fujino	Senior Managing Director & COO/ Head of Business Support Office	●	●		●	●		
Naoki Hayakawa	Managing Director & CFO/ Head of Planning and Development	●		●			●	●
Junichi Fukui	External Director	●	●	●	●			
Yukiteru Hamada	External Director (Full-time Audit & Supervisory Committee Member)	●		●		●		●
Akira Ishida	External Director (Audit & Supervisory Committee Member)	●		●		●		●
Miki Ohno	External Director (Audit & Supervisory Committee Member)					●	●	●
Hideo Sakano	External Director (Audit & Supervisory Committee Member)			●				●

*The above table does not represent all the knowledge and experience of the Directors.

*Of the skills possessed by each Director, up to four skills that can be particularly contributed are marked with "●".