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NISSO CORPORATION

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The corporate governance of NISSO CORPORATION (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 (our 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 Company shall ensure the transparency of management by complying with laws and ordinances and disclosing accurate information. The Company recognizes the importance of corporate governance in order to achieve continuous improvement of corporate value, and conducts management focused on compliance. Furthermore, the Company respects the rights of shareholders, and aims to be a company that is trusted by society.

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

[Supplementary Principle 4.10.1 Use of Optional Approach]

Although the Company has not established an arbitrary advisory committee, regarding the nomination /remuneration, etc., of senior management executives/Managing Directors, as a matter of resolution of the Board of Directors' Meetings attended by External Managing Directors and External Audit & Supervisory Board Members, while obtaining their advice by taking advantage of their knowledge and experience, decisions are made after thorough deliberations, and the Company is able to ensure the independence and objectivity of the functions of the Board of Directors pertaining to the nomination /remuneration of senior management executives/Managing Directors.

However, with the aim of a more impartial and highly transparent governance structure, the Company plans to institute an arbitrary advisory committee and establish a structure to obtain advice from independent External Managing Directors who are appropriately involved.

[Principle 4.11 Preconditions for Board of Directors/Audit and Supervisory Board Effectiveness]

The Company's Board of Directors shall be constituted of personnel with knowledge/experience and qualifications in order to effectively fulfill its role and responsibilities. In addition, with regards to Audit & Supervisory Board Members, the Company has appointed personnel who have sufficient knowledge of finance/accounting.

However, currently, no women or foreigners have been appointed as Managing Directors. The Company shall strive to be able to appoint a wide variety of Managing Directors according to the progress of future management strategies.

**[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, except in cases where the significance and rationality of strategic holdings are recognized for the purpose of improving corporate value over the medium to long term. In addition, the Company shall sell shares that it holds, taking into consideration their impact on the market, if the significance and rationality of the holdings have decreased.

Under this policy, no listed shares were held as of the end of December 2019.

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:

- Appropriation of Surplus
- Election of Managing Directors/Audit & Supervisory Board Members
- Organizational Restructuring
- Takeover Defense Measure Proposal etc.

**[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 & Supervisory Board Members, 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.

**[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 the Group 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 regards 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 management, after consulting with the 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 Company's relevant administration/finance departments and the officer in charge of the relevant administration 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 Company 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 Company's 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/Managing Directors remuneration by the Board of Directors**

Remuneration for Managing Directors consists of basic remuneration (fixed remuneration) according to title/position, short-term incentive remuneration (monetary remuneration) according to the achievement rate of consolidated performance targets, and medium- to long-term incentive remuneration (restricted shares-based remuneration) in order to achieve continuous enhancement of corporate value. The amount, which is within the limits of the total remuneration decided by the General Meeting of Shareholders, is determined at the Board of Directors' Meetings attended by Independent External Managing Directors upon obtaining their appropriate involvement and advice.

- (iv) Policies and procedures for the appointment/dismissal of senior management executives and the nomination of Managing Director/Audit & Supervisory Board Member candidates by the Board of Directors

The nomination of Managing Director candidates 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 as candidates at the Board of Directors' Meetings attended by Independent External Managing Directors upon obtaining their appropriate involvement and advice. In addition, the nomination of Audit & Supervisory Board Member candidates is based on the selection criteria prescribed in the Auditing Standards of Audit & Supervisory Board Members, and personnel to which the Audit and Supervisory Board gives consent to are appointed 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 obtaining the appropriate involvement and advice from Independent External Managing Directors, deliberations shall be held at the Board of Directors' Meetings, and such resolutions shall be made at the General Meeting of Shareholders.

- (v) Explanations with respect to individual appointments/nominations for the appointment/dismissal of senior management executives and the nomination of Managing Director/Audit & Supervisory Board Member candidates by the Board of Directors

Regarding the individual appointments/nominations of Managing Director and Audit & Supervisory Board Member candidates, their brief career summaries and reasons for their selection are provided in the "Notice of the General Meeting of Shareholders".

[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, the Chairman, department directors and division directors.

[Principle 4.8 Effective Use of Independent External Managing Directors]

At present, the Company has appointed 2 External Managing Directors, and both persons have been reported to the Tokyo Stock Exchange as Independent External Managing Directors.

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

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

[Supplementary Principle 4.11.1 Preconditions for Board of Directors/Audit and Supervisory Board 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 Managing 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.

[Supplementary Principle 4.11.2 Preconditions for Board of Directors/Audit and Supervisory Board Effectiveness]

The Company's Managing Directors/Audit & Supervisory Board Members select candidates who can secure the time and effort required to appropriately fulfill their roles and responsibilities. In cases where Managing Directors/Audit & Supervisory Board Members 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 Managing Directors/Audit & Supervisory Board Members are provided in the "Annual Securities Report" and the "Notice of the General Meeting of Shareholders".

[Supplementary Principle 4.11.3 Preconditions for Board of Directors/Audit and Supervisory Board Effectiveness]

For the evaluation of the effectiveness of the Board of Directors, from the viewpoints of 1. The composition of the Board of Directors, 2. The management method of the Board of Directors, 3. The agenda and proceedings of the Board of Directors, 4. The support system of the Board of Directors, 5. Previous comparisons, and 6. Comprehensive evaluations; the Company conducts a nominal questionnaire for all Managing Directors (including 2 External Managing Directors), and all Audit & Supervisory Board Members (including 2 External Audit & Supervisory Board Members). The results of the questionnaire are tabulated/analyzed by the Secretariat of the Board of Directors, with the inclusion of the 2 External Managing Directors, and its contents are examined/summarized at the Board of Directors' Meetings.

[Supplementary Principle 4.14.2 Managing Director/Audit & Supervisory Board Member Training]

The Company's Managing Directors/Audit & Supervisory Board Members 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 Managing Director or External Audit & Supervisory Board Member assumes office, the Company 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]

In order to realize sustainable growth and the enhancement of corporate value over the mid- to long-term, the Company strives for constructive dialogue with shareholders, and in order to strive for a balanced understanding of the position of stakeholders, including shareholders, as well as for appropriate responses based on such an understanding, the Board of Directors has formulated the "Policy on Structural Improvements and Initiatives to Promote Constructive Dialogue with Shareholders".

## 2. Capital Structure

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

Name / Company Name	Number of Shares Held	Percentage (%)
CW Holdings Co., Ltd.	6,912,000	20.58
Shimizu Holdings Co., Ltd.	5,692,000	16.95
Japan Trustee Services Bank, Ltd. (Trust Account)	4,468,600	13.30
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,137,800	6.37
Tadao Shimizu	1,992,800	5.93
Chikako Shimizu	974,000	2.90
BNP PARIBAS SECURITIES SERVICES LUXEMBOURG/JASDEC/FIM/ LUXEMBOURG FUNDS/UCITS ASSETS	710,000	2.11
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	632,800	1.88
MSIP CLIENT SECURITIES	619,200	1.84
GOLDMAN SACHS INTERNATIONAL	322,822	0.96

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

- The above-mentioned [Status of Major Shareholders] is based on the register of shareholders as of the end of December 2019.

- In the Changes Report of the Large Shareholding Report which was made available for public inspection on January 9, 2019, although it was stated that BlackRock Japan Co., Ltd. and its joint holders, BlackRock (Luxembourg) S.A. and BlackRock International Limited, held the following shares as of December 31, 2018, since the Company was unable to confirm the number of real held shares by these companies as of March 31, 2019, the status of the major shareholders listed above has been based on the number of shares held on the register of shareholders. The contents of the Changes Report of the Large Shareholding Report is as follows:

Although the Company's common stock was split at a ratio of 2 shares for 1 share on May 1, 2019, the number of shares held listed below indicates the number of shares held before the stock split.

[Shareholder Name (Number of shares held, Shareholding ratio to the total number of issued shares)]  
 BlackRock Japan Co., Ltd. (187,000 shares, 1.11%)  
 BlackRock (Luxembourg) S.A. (444,800 shares, 2.65%)  
 BlackRock International Limited (84,300 shares, 0.50%)  
 <Total: 716,100 shares, 4.27%>

- In the Changes Report of the Large Shareholding Report which was made available for public inspection on July 20, 2018, although it was stated that Resona Bank, Limited held the following shares as of July 13, 2018, since the Company was unable to confirm the number of real held shares as of March 31, 2019, the status of the major shareholders listed above has been based on the number of shares held on the register of shareholders. The contents of the Changes Report of the Large Shareholding Report is as follows:

Although the Company's common stock was split at a ratio of 2 shares for 1 share on August 22, 2018 and on May 1, 2019, the number of shares held listed below indicates the number of shares held before the stock split.

[Shareholder Name (Number of shares held, Shareholding ratio to the total number of issued shares)]  
 Resona Bank, Limited (297,900 shares, 3.57%)

- In the Changes Report of the Large Shareholding Report which was made available for public inspection on September 20, 2019, although it was stated that Resona Bank, Limited held the following shares as of September 13, 2019, since the Company was unable to confirm the number of real held shares as of March 31, 2019, the status of the major shareholders listed above has been based on the number of shares held on the register of shareholders. The contents of the Changes Report of the Large Shareholding Report is as follows:

[Shareholder Name (Number of shares held, Shareholding ratio to the total number of issued shares)]  
 Resona Bank, Limited (61,600 shares, 0.18%)  
 Resona Asset Management Co., Ltd. (2,113,900 shares, 6.22%)  
 <Total: 2,176,500 shares, 6.41%>

### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
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
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**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.
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**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 Board
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**[Managing Directors]**

Maximum Number of Managing Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board of Directors	President
Number of Managing Directors	6
Status of Appointment of External Managing Directors	Appointed
Number of External Managing Directors	2
Number of External Managing Directors Designated as Independent Officers	2

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

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Shigeru Horisawa	Attorney											
Shin Monzawa	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 Managing Director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the Managing Director himself/herself only)
- k. Others

External Managing Directors' Relationship with the Company (2)

Name	Designation as Independent Managing Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Shigeru Horisawa	○	—	<p>Shigeru Horisawa is the Representative Director of the Kannai General Law Office. He has profound insight and considerable experience as an attorney and assumed the office of External Managing Director of the Company in June 2016. He is able to provide expert opinions from his professional viewpoint as an attorney, and fulfills the supervisory functions of overall management.</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>
Shin Monzawa	○	—	<p>Shin Monzawa is the Representative Director of the Monzawa Certified Public Accountant Office. He has high-level insight and rich experience as a certified public accountant, and assumed the office of External Managing Director of the Company in June 2017. Based on his specialized knowledge and experiences, he fulfills the supervisory functions of overall management from an objective and neutral perspective.</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>

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Not Established
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**[Audit & Supervisory Board Members]**

Establishment of Audit and Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	4
Number of Audit & Supervisory Board Members	3

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Auditing Division

In order to maintain in-depth cooperation, the Audit & Supervisory Board Members, the Accounting Auditor, and the Internal Auditing Division regularly hold three-way meetings to actively exchange information, and enhance the effectiveness and efficiency of audits.

Furthermore, Audit & Supervisory Board Members attend important meetings such as the Board of Directors' Meetings, inspect important documents such as the minutes of the Board of Directors' Meetings and documents pertaining to requests for managerial decisions/approval, and strive to understand important decision-making processes and the statuses of the execution of business. In addition, fiscal year auditing plans and audit results are reported to them by the Internal Auditing Division, and they hold meetings as deemed necessary in order to share information. Moreover, Audit & Supervisory Board Members accompany the field audits of internal audits as deemed necessary.

Appointment of External Audit & Supervisory Board Members	Appointed
Number of External Audit & Supervisory Board Members	2
Number of External Audit & Supervisory Board Members Designated as Independent Officers	2

External Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Akira Ishida	From another company							△						
Ryuta Hasegawa	From another company													

\* 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 subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

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

d. Audit & Supervisory Board Member of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

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

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



- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides officer remuneration
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)
- k. Executive of a company, between which and the Company external officers are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
- m. Others

External Audit & Supervisory Board Members' Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Akira Ishida	○	Akira Ishida was an executive of Mitsubishi Bank, Ltd. (current: MUFG Bank, Ltd.) in the past, but 17 years have passed since his retirement from the bank. The Company has a business relationship with this bank.	Akira Ishida has extensive experience and in-depth insight as a <i>kansayaku</i> at financial institutions and other companies, and assumed the office of External Audit & Supervisory Board Member in June 2016. Based on his experience and knowledge, he fulfills the auditing functions from an objective and neutral perspective. 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.
Ryuta Hasegawa	○	—	Ryuta Hasegawa has a wealth of experience and deep insight from financial institutions and other companies, and assumed the office of External Audit & Supervisory Board Member in June 2017. Based on his experience and knowledge, he fulfills the auditing functions from an objective and neutral perspective. 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.

**[Independent Officers]**

Number of Independent Officers	4
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Matters relating to Independent Managing Directors/Audit & Supervisory Board Members

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**[Incentives]**

Incentive Policies for Directors	Performance-linked Remuneration / Stock Options / Other
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Supplementary Explanation **(UPDATED)**

The remuneration system for Managing Directors was reviewed in order to enhance the sustainable corporate value of the Company, in addition to providing incentives for the realization of the Medium-term Management Plan and the achievement of short-term performance, as well as for the purpose of sharing benefits (profits) between shareholders and Managing Directors, and a restricted share remuneration system for Managing Directors was introduced.

The remuneration system for Managing Directors (excluding External Managing Directors) consists of basic remuneration (fixed remuneration), performance-linked remuneration (monetary remuneration), and share-based remuneration (restricted shares-based remuneration). The policy for determining the ratio of payments shall be based on the title/position of the Managing Director. The indicator pertaining to performance-linked remuneration (monetary remuneration) is the consolidated operating profit. The reason for selecting this indicator is to clarify the Managing 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 with the formula of the payment rate according to the target achievement rate of the consolidated operating profit.

In addition, for the purpose of raising the motivation and morale for the improvement of the Group's business performance, share acquisition rights are granted to the Managing Directors of the Company and each of its group companies, in accordance with the resolution of the Extraordinary General Meeting of Shareholders held on March 22, 2016.

Recipients of Stock Options	Internal Managing Directors / Internal Audit & Supervisory Board Members / Employees / Subsidiaries' Managing Directors / Subsidiaries' Employees
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Supplementary Explanation

For the purpose of raising the motivation and morale for the improvement of the Group's business performance, share acquisition rights are granted to the Managing Directors, the Audit & Supervisory Board Members and the employees of the Company, as well as the Managing Directors and the employees of each of its group companies, in accordance with the resolution of the Extraordinary General Meeting of Shareholders held on March 22, 2016.

The number of grants to each recipient is determined by taking into consideration their degree of contribution to the Company and their future responsibilities • expectations.

**[Managing Director Remuneration]**

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

The total number of Managing Directors and the total amount of remuneration paid are provided in the "Status of Corporate Governance" of the Annual Securities Report, and in the "Matters Concerning Corporate Officers" of the Company's Business Report.

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

The Company has established the amount of remuneration, etc., for officers, or a policy concerning the determination of the calculation method thereof, and the contents are determined in consideration of a balance between common practices, business contents and employee salaries, etc., in order to secure superior management personnel and to carry out appropriate treatment. In addition, the remuneration for Managing Directors, excluding External Managing Directors, shall provide incentives for the realization of the Medium-term Management Plan and the achievement of short-term performance, in order to enhance the sustainable corporate value of the Company for the purpose of sharing benefits (profits) between the shareholders and Managing Directors.

The resolution date of the General Meeting of Shareholders regarding the remuneration, etc., for Managing Directors was June 27, 2019. The contents of the resolution shall include basic remuneration (fixed remuneration) within the limit of 300 million yen per year (of which the amount for External Managing 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 performance (consolidated operating profit) in a single fiscal year as short-term incentive remuneration within the limit of 300 million yen per year (no provision to External Managing Directors). In addition, the Company has introduced a new restricted share remuneration system as its medium- to long-term incentive remuneration, and shall provide monetary remuneration claims within the limit of 50 million yen per year.

The remuneration for Managing Directors, excluding External Managing Directors, consists of basic remuneration (fixed remuneration), performance-linked remuneration (monetary remuneration), and share-based remuneration (restricted shares-based remuneration).

Furthermore, External Managing Directors shall only be provided with basic remuneration.

The amount of remuneration, etc., for the Managing Directors of the Company, or the policy concerning the determination of the calculation method thereof, has been determined by the Board of Directors, and the contents of the authority and the scope of discretion shall be in accordance with the payment level for each title/position and the performance-linked remuneration ratio within the limits of the total amount of remuneration determined by the General Meeting of Shareholders.

### <Basic Remuneration (Fixed Remuneration)>

Basic remuneration levels have been set in accordance with the roles • responsibilities, etc., of the Managing Directors.

### <Performance-linked Remuneration (Monetary Remuneration)>

The indicator pertaining to performance-linked remuneration is the consolidated operating profit, and the reason for selecting this indicator is to clarify the Managing 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.

Performance-linked remuneration is a scheme that determines the amount paid according to the target achievement rate of consolidated operating profit. The amount of remuneration paid when the achievement rate is 120% or more is 200% of the amount paid when the achievement rate is 100%, and in the event that the achievement rate is 70% or less, no payment will be made.

The amount of performance-linked remuneration paid to each Managing Director shall be calculated by multiplying the standard amount of payment according to the title/position with the formula of the payment rate according to the target achievement rate of the consolidated operating profit.

Performance-linked remuneration shall be paid in a lump sum after the end of the fiscal year subject to evaluation.

<Share-based Remuneration (Restricted Shares-based Remuneration)>

The equivalent of 20% of the basic remuneration shall be paid for each fiscal year.

The total number of common stock to be issued or disposed of by Managing Directors (excluding External Managing Directors, hereinafter, referred to as "Eligible Managing Directors") under this system shall be within the limit of 80,000 shares per year. However, with regards to common stock, in the event that the Company implements a stock split, or performs acts that may affect the stock value per share, such as stock consolidation, the total number of common stock to be issued or disposed of in accordance with this system shall be reasonably adjusted taking into consideration the split ratio • consolidation ratio.

The amount to be paid in per share is based on the closing price of common stock on the Tokyo Stock Exchange on the previous business day of the date of resolution of each Board of Directors' Meeting to determine the subscription requirements of common stock (if there is no closing price on the same day, the closing price of the closest preceding transaction day), and the Board of Directors will decide on the amount that is not particularly favorable to Eligible Managing Directors.

The transfer restriction period of common stock allotted to Eligible Managing Directors shall be 30 years from the date of payment (hereinafter, referred to as the "Transfer Restriction Period"). Such shares shall not be transferred, attached with security interests, made as living donations, or otherwise be disposed of within the Transfer Restriction Period. The conditions for the removal of transfer restrictions are that, on the condition that Eligible Managing Directors remain in the position of Managing Director of the Company during the Transfer Restriction Period, transfer restrictions shall be removed for all such allotted shares upon the expiration of the Transfer Restriction Period. However, in the event that an Eligible Managing Director exits the office or retires for a legitimate reason, or exits the office or retires due to death before the expiration of the Transfer Restriction Period, the number of shares to be removed from transfer restrictions, and the timing of the removal of transfer restrictions shall be reasonable adjusted as deemed necessary.

**[Supporting System for External Managing Directors (External Audit & Supervisory Board Members)]**

Support for External Managing Directors and External Audit & Supervisory Board Members is provided by the General Affairs Division. Materials and matters to be discussed by the Board of Directors are distributed in advance by the General Affairs Division, and in addition to securing time for External Managing Directors to review such matters, the General Affairs Division provides explanations to them in advance as deemed necessary. In addition, the Internal Auditing Division supports the audits of the Audit & Supervisory Board Members.

**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 Director is comprised of 6 members (including 2 External Managing 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.

Furthermore, all Audit & Supervisory Board Members attend the Board of Directors' Meetings, and a setting where audits of decision-making can be conducted are maintained at all times.

b. Audit & Supervisory Board Members and Audit and Supervisory Board

The Company is a company with an Audit and Supervisory Board, and it is comprised of 3 Audit & Supervisory Board Members (including 2 External Audit & Supervisory Board Members). The auditing policy and auditing plans are discussed and decided by the Audit and Supervisory Board.

In addition to striving to communicate with Managing Directors and employees, etc., to gather information, Audit & Supervisory Board Members attend Board of Directors' meetings, receive reports on the status of the execution of duties from Managing Directors and employees, request explanations as deemed necessary,

inspect important decision making documents, and investigate the status of the Company's business operations and assets.

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

Furthermore, the Audit & Supervisory Members work closely with the Internal Auditing Division and the Accounting Auditor, and strive to enhance the effectiveness and efficiency of audits.

c. Management Committee

The Management Committee is comprised of Managing Directors, the full-time Audit & Supervisory Board Member, and Executive Officers, as well as department and division directors, and convenes once a month. It reports on the management status of the Company, such as the ascertainment of management figures and the conveyance of decisions by high-level meeting bodies such as the Board of Directors. In addition, the Management Committee functions as an organization that communicates overall thorough matters across all divisions and departments of the Company.

d. Group Meetings

Group Meetings are comprised of the Company's Managing Directors, Audit & Supervisory Board Members, the Corporate Planning Division Director and representatives of affiliated companies, and convenes once a month. Reports regarding the status of business operations as well as business performance results are received at Group Meetings, and business plans and significant factors that contribute to their differences are confirmed. In addition, progress reports and policy guidance regarding important matters such as management issues are conducted.

e. Group Control Committees

The Group Control Committees are comprised of the Company's Managing Directors, Audit & Supervisory Board Members, department directors, representatives of subsidiaries, and the Company's Internal Auditing Division Director. It conducts reports • deliberations of issues for the prevention of corporate scandals for the entire Group, the strengthening of our multifaceted corporate structure, and the realization of sustainable businesses.

The Compliance • Risk Subcommittee, which belongs to the Group Control Committees, reviews the compliance observance status of the Group and promotes risk assessment • countermeasures. The IR • SR Subcommittee engages in efforts to enhance the brand value of the corporate group. The Internal Control Subcommittee maintains the structure necessary for internal control, and promotes its appropriate operation • checks. The Sustainability Subcommittee helps to provide value to society through the Company's sustainable businesses, strives to enhance corporate value, and promotes sustainability management. The Work-style Reform Subcommittee engages in efforts to create a comfortable working environment in order to improve productivity. The IT Strategy Subcommittee promotes the utilization of IT that leads to the efficiency of management and the creation of new values.

The Committees convene once a quarter, but extraordinary meetings are held as deemed necessary.

f. Committee on Diversity and Inclusion

The Committee on Diversity and Inclusion is comprised of the Company's internal Managing Directors, the full-time Audit & Supervisory Board Member, department directors, the Director of the Management Innovation Office, and the President of Nisso Brain. It conducts discussions on the direction of resolutions to the issues facing the Group's efforts to achieve diversity and the creation of workplaces where employees can pursue job satisfaction.

The Committee convenes once a quarter.

g. Internal Audits and Audit & Supervisory Board Member Audits

The Internal Auditing Division, which is under the direct control of the President, CEO & Representative Director, is in charge of internal audits, and has three staff members in addition to one Division Director. Based on the fiscal year plan, audits are conducted for all departments and divisions of headquarters, sales/business offices and affiliated companies, and the results of such audits are reported to the President, CEO & Representative Director in writing. 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 Division without delay. Moreover, follow-up audits and special audits are conducted as deemed necessary.

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

Furthermore, Audit & Supervisory Board Members exchange information with the Internal Auditing Division and the Accounting Auditor as deemed necessary in order to enhance mutual cooperation.

**h. 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**

In addition to establishing a General Meeting of Shareholders, the Board of Directors, the Audit and Supervisory Board, and an Accounting Auditor, the Company has set up a division 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 the 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**

	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	Voting rights may be exercised 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 exercise of voting rights platform for institutional investors operated by ICJ, Inc.
Providing Convocation Notice in English	The English version of the Convocation Notice is provided 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 Company has prepared its Disclosure Policy which is provided on its website.	
Regular Investor Briefings for Individual Investors	The Company conducts IR activities for individuals, such as implementing company briefing sessions for individual investors.	Provided
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds quarterly financial results briefing sessions for analysts • institutional investors,	Provided

	and the President or the Managing Director in charge of IR conducts explanations.	
Regular Investor Briefings for Overseas Investors	The Company holds individual meetings and conference calls with overseas institutional investors.	Provided
Posting of IR Materials on Website	The Company provides summaries of consolidated financial statements, timely disclosure materials, various explanatory materials, annual securities reports and quarterly reports in the IR section of its website.	
Establishment of Division and/or Manager in Charge of IR	The IR Division is the 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	The Company has established the "Charter of Corporate Behavior" and the "Employee Code of Conduct", and is determined to respect the position of each stakeholder.
Implementation of Environmental Conservation Activities, CSR Activities etc.	<p>Based on the "Environmental Policy", the "Charter of Corporate Behavior", and the "Employee Code of Conduct", the Company 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.</p> <p>By providing an environment where working people can grow and fully demonstrate their capabilities under the founding philosophy of "<i>Nurturing and Bringing Out the Best in People</i>", the Company aims to protect employment in the Japanese manufacturing industry, and continues to foster the work and sense of satisfaction of the working people. On March 18, 2019, the Company signed the UN Global Compact, and was registered as a participating company.</p> <p>In order to contribute to the achievement of the Sustainable Development Goals (SDGs), the Company will continue to engage in the 10 Principles of the UN Global Compact, which is comprised of the 4 areas of "Human Rights • Labor • Environment • Anti-Corruption", advocated by the United Nations.</p>
Formulation of Policies on Information Provision to Stakeholders	The Company makes its 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

At the Board of Directors' Meeting held on March 17, 2017, 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 Managing 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 Managing 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 "Group Control Committee" chaired by the President to promote sound and sincere business activities.

(3) Managing 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 Managing 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 Division. 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 Managing 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 "Group Control Committee" (hereinafter referred to as the "Committee") which each company in the Group takes part in. The Committee, in principle, shall convene once a quarter and on other occasions as deemed necessary.

(2) Based on the "Risk Management Regulations", the Committee identifies, analyzes and evaluates concrete risks, and has established a policy to correspond to such matters. In addition, in the event where an emergency response is needed as the Committee monitors the status of risk management, it shall convene an emergency committee to take the necessary measures.

(3) The Committee shall report on any matters concerning risks to the Board of Directors on a regular basis.

(4) Each Division Director 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. 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) Each Division Director of the Group, after sharing information with relevant divisions, shall clarify response systems, and must take appropriate measures regarding risks that may affect multiple divisions, as well as other significant risks that may be actualized.

(6) 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.

(7) 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 Managing 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 Managing 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 Managing 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 "Group Control 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 regards 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 Managing 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 Division. 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 Managing 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 Division shall conduct audits of each company in the Group on a regular basis and when deemed necessary. Furthermore, the Internal Auditing Division shall cooperate with Audit & Supervisory Board Members 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 Audit & Supervisory Board Members when requested

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

8. Matters concerning the independency of employees in the preceding item from Managing Directors

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

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

9. System for Managing Directors and employees to submit reports to Audit & Supervisory Board Members and other systems related to submitting reports to Audit & Supervisory Board Members

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

(2) The Company's Representative Directors (Chairman & President) and the Internal Auditing Division shall maintain cooperation with the Audit & Supervisory Board Members and exchange information on a regular basis.

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

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

10. Other systems to ensure the effective implementation of audits by Audit & Supervisory Board Members

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

(2) In response to the request of Audit & Supervisory Board Members, 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 Audit & Supervisory Board Members about the expenses required to perform their duties, in addition to establishing a system for the prepayment or reimbursement of expenses incurred when executing their duties.

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

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

The Company respects the "Charter of Corporate Behavior & its Implementation Guidance (6th Edition)" (September 2019) 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 officers and employees of the corporate group is extremely important and an everlasting theme of the Company.

As for internal systems, the Group Control 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 General Affairs Division (related matters are handled by 5 division staff, including the Division Director). 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, 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 Company'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 of NIKKEI Telecom's (one of Japan's largest membership-based business database service) database 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 of NIKKEI Telecom's database 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 of NIKKEI Telecom's database is performed, and an investigation utilizing the information search provided by the Kanagawa Prefectural Center for Removal of Criminal Organizations is conducted. In addition, the Company will investigate and pay close attention to a certain range of shareholders (holdings of 1% or more).

4. For officers

In cases where employees are chosen as candidates for Managing Director or Audit & Supervisory Board Member, an article search of NIKKEI Telecom's database 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 on the Observance of Compliance" is concluded, and 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 on the Observance of Compliance" or a "Pledge" is concluded when they join the Company, and a pledge to the effect that they have no association whatsoever with anti-social forces is secured. 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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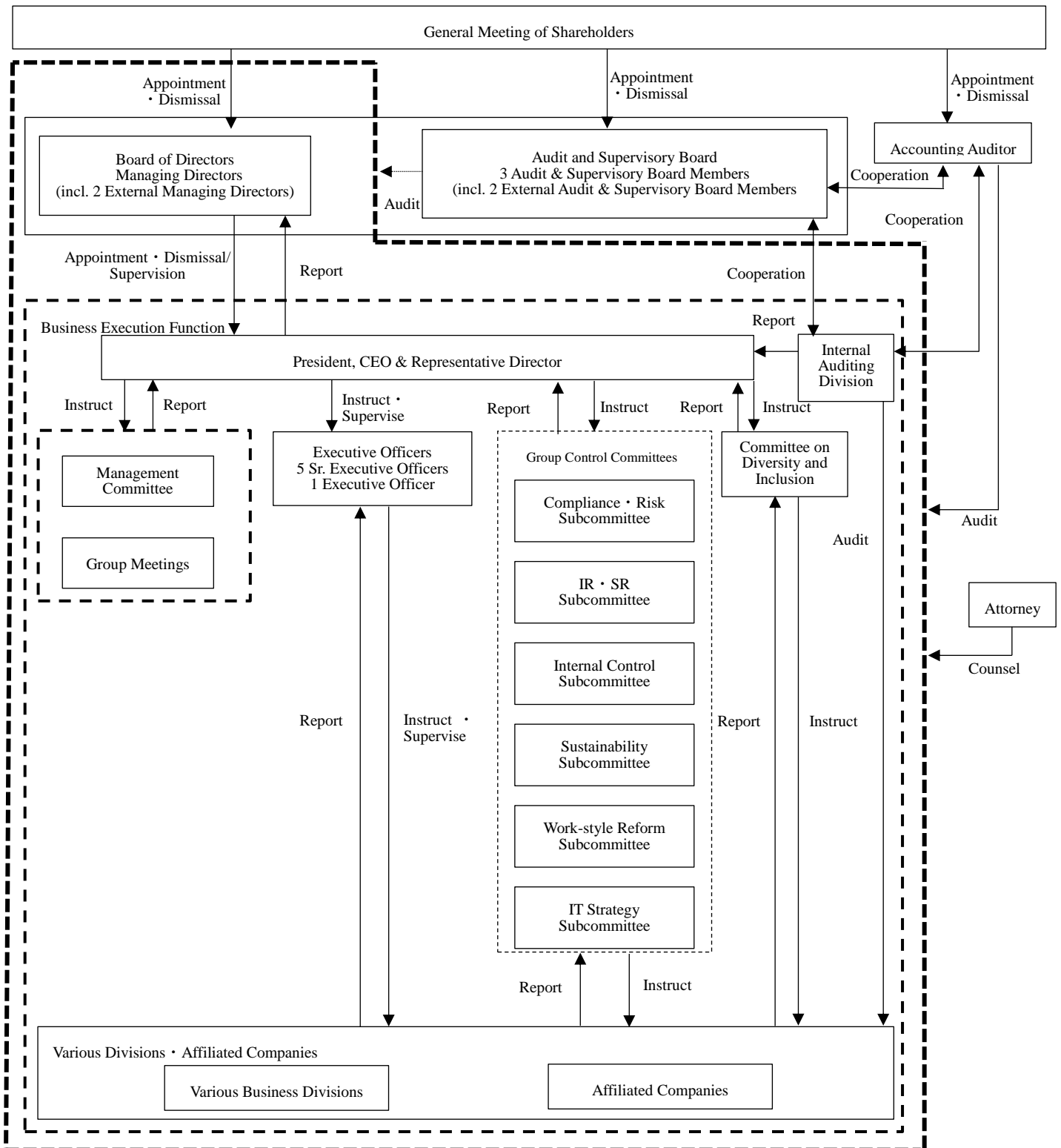
Supplementary Explanation

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 **(UPDATED)**

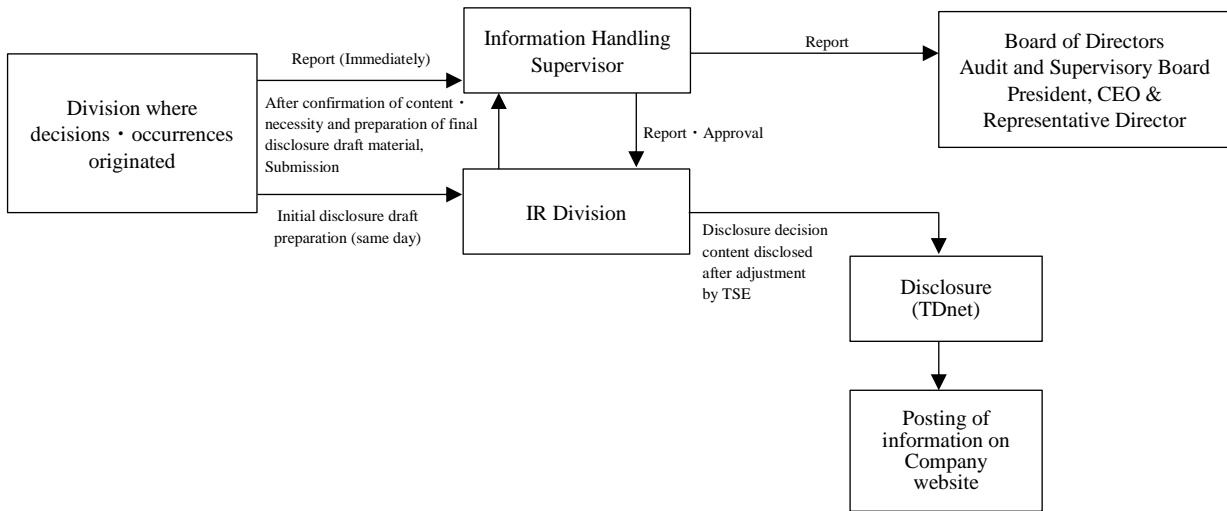
The Company's corporate governance structure and the flows of timely disclosure are as follows:

**【Corporate Government Structure】**



**【Outline of Timely Disclosure System】**

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



○Timely disclosure work flow of financial results

