Corporate Governance Report

Last Update: July 1, 2022

NISSO CORPORATION
Ryuichi Shimizu,
Representative Director, President & CEO
Contact: Kenichi Nomura,
Senior Executive Officer &
President's Office Director
TEL: +81-45-514-4323
Securities Code: 6569
http:// www.nisso.co.jp/

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] **(UPDATED)**

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

At the Company, employees are appointed to managerial positions regardless of their nationality, educational background, gender, etc., by comprehensively considering their abilities and aptitudes, as well as their missions and roles. In light of the fact that the working population will decrease due to the effects of the declining birthrate and aging population, the Company recognizes that ensuring further diversity is an important issue for the sustainable growth of its business.

At present, due to the low ratio of women and foreign nationals among employees and the lack of overseas business expansion, the Company has not yet established measurable numerical targets for enhancing systems and appointing core human resources.

In addition, since 80.8% of its managers are mid-career hires, the Company believes that it has secured sufficient mid-career hires.

Going forward, the Company will continue to recognize that ensuring diversity is an issue, and will consider establishing targets while taking into account employee composition, its business portfolio, etc.

[Supplementary Principle 3.1.3 Initiatives for Sustainability, etc.]

The Group strives to contribute to society through investments in "people", which are the driving force of the Group, and at the same time, it recognizes that responding to climate change, which is essential for the survival of its business, is an important management issue.

In accordance with its Environmental Policy formulated in June 2016, the Company has started scenario analysis based on the TCFD framework in order to respond to climate change risks. In addition, the Company will continue to study greenhouse gas emission reduction targets while grasping the current situation and measuring the effects.

The Company's policies and initiatives are as described in "I. 1 [Disclosure Based on the Principles of the Corporate Governance Code] [Supplementary Principle 3.1.3 Initiatives for Sustainability, etc.] in this Report.

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

The Company has established a voluntary Nomination and Remuneration Committee as an advisory body to the Board of Directors in order to enhance the transparency of personnel and remuneration, etc., of its Managing Directors, Audit & Supervisory Board Members and Executive Officers, and are comprised of 2 Independent External Managing Directors, 1 Independent External Audit & Supervisory Board Member, and 1 Internal Managing Director, for a total of 4 members, appointed by a resolution of the Board of Directors. Although the Committee is not comprised of a majority of Independent External Managing Directors, it is comprised of a majority of Independent Corporate Officers, including an Audit & Supervisory Board Member, which the Company believes ensures independence and objectivity.

[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 March 2022.

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 Managing Directors/Audit & Supervisory Board Members ③ Organizational Restructuring ④ 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.

[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 Company 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.

As of April 1, 2022, the ratio of core human resources in managerial positions was 3.2% for female employees, 0.8% for foreign nationals, and 80.8% for mid-career hires.

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

At the Company, believing in the potential of each person and bringing out such potential are thoughts that have been consistently included in its philosophy since its foundation, and they are fundamental concepts for promoting human resources development. The Nisso Group will develop human resources who challenge all possibilities in all fields in order to achieve sustainable business growth and realize a sustainable society.

・The Group provides educational opportunities that aim to improve the growth and engagement of each employee

・The Group provides educational opportunities in response to social changes so that diverse human resources can play an active role in a diverse society

・By providing educational opportunities, the Group fosters independence and willingness to take on challenges, and supports the realization of career visions

Please refer to the Company's CSR Report for details and the status of implementation of the policy.

Japanese: https://www.nisso.co.jp/ir/esg/esg_13.html

English: https://www.nisso.co.jp/en/ir/esg/esg_13.html

[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 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 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

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 Managing Directors is determined by resolution of the Board of Directors, after consulting with the Nomination and Remuneration Committee, which is made up in majority by Independent External Managing Directors and an Independent External Audit & Supervisory Board Member.

(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 after consulting with the Nomination and Remuneration Committee. 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 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 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 3.1.3 Initiatives for Sustainability, etc.]

In accordance with the Group's Sustainability Policy formulated in September 2021, the Company provides Human Resources Solution Services that support the growth of companies and people in order to realize its mission of "Creating opportunities and hopes for people to work".

Based on its Sustainability Policy, the Group considers that it is important to contribute to society and the environment through its business, and has identified materiality (key issues) with the aim of achieving both social and corporate value. Materiality for achieving the mission is defined as "creation of a comfortable workplace", "responding to social changes and changes in industrial structures", and "strengthening of governance". In order to realize the "creation of a comfortable workplace", the Company is clarifying and improving what a rewarding workplace is in accordance with the characteristics of its business. In order to realize "responding to social changes and changes in industrial structures", the Company is investing in human capital, intellectual property, and other assets to respond to rapidly changing business environments such as diversity and DX, with the aim of changing to a business structure that is resilient to economic fluctuations. In addition, the Company is striving to promote compliance management, establish a risk management system, and enhance dialogue with shareholders and investors in order to realize the "strengthening of governance".

In order to enhance the quality and quantity of information disclosure based on TCFD (Task Force on Climate-related Financial Disclosures) and other frameworks such as "Governance", "Strategy", "Risk Management", and "Indicators and Targets", the Group is promoting initiatives aimed at sustainable development of the company in accordance with its Environmental Policy formulated in June 2016.

The Group will strive to enhance the quality and quantity of information disclosure based on TCFD and other frameworks such as "Governance", "Strategy", "Risk Management", and "Indicators and Targets".

With regard to "Governance", the "Sustainability Council", which is part of the "Corporate Value Enhancement Committee" chaired by the Representative Director and President of the Company, identifies issues related to climate change and devises measure to resolve them, and after consultation with the Committee, approves them at the "Board of Directors' Meeting" of the Company.

With regard to "Strategy", the Group has started scenario analysis to evaluate the impact on its business. As a physical risk due to climate change, there a possibility that the working conditions of dispatching and business contracting may be affected by the suspension of business partner factories due to abnormal weather conditions such as large typhoons and storms. In addition, as a transition risk, in the event that a new tax system is introduced due to the increased momentum to respond to climate change, the business performance of the Group may be affected.

With regard to “Risk Management”, analysis and evaluation are conducted in conjunction with compliance and risk management, and after consultation with the Corporate Value Enhancement Committee, approval is made by the Board of Directors.

With regard to "Indicators and Targets", the Group will continue to examine targets for reducing greenhouse gas emissions while grasping the current situation and measuring the effects.

In addition, in accordance with ISO 14001, which was acquired in 2005, the Company is conducting activities with the goal of further reducing its environmental impact, in consideration of the impact of its business partners.

Please refer to CSR Report 2021 for the progress of these activities up to FY 3/2021.

In addition, the Group will continue its efforts to enhance disclosure on climate change in the future.

Japanese: https://www.nisso.co.jp/ir/esg/esg_13.html
English: https://www.nisso.co.jp/en/ir/esg/esg_13.html

[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 Managing Executive Officer, Senior Executive Officers, and Division 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.
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 Managing 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/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.
A skills matrix listing the expertise and experience of each Managing Director is provided on the last page of this Report.

[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 for FY 3/2022, from the viewpoints of 1. Evaluation of effectiveness regarding overall management (ensuring the rights and equality of shareholders, appropriate collaboration with non-shareholder stakeholders, ensuring appropriate information disclosure and transparency, responsibilities of the Board of Directors, etc., dialogue with shareholders), 2. Substantial evaluation of the effectiveness of the Board of Directors (the size of the Board of Directors {number of personnel} and the appropriateness of the constituent members, the quality of the Board's decision-making process, the quality of information provided to the Board of Directors), 3. Other (Effectiveness of the Nomination and Remuneration Committee), and 4. Comprehensive evaluations, the Company conducted a nominal questionnaire for all Managing Directors (including 2 External Managing Directors), and all Audit & Supervisory Board Members (including 3 External Audit & Supervisory Board Members) in April 2022. As a result, all of the items have been generally positively evaluated by all Corporate Officers, and the Company recognizes that the effectiveness of the Board of Directors of the Company has been ensured. However, opinions were expressed regarding the enhancement of succession planning, the elimination of the information gap/disparities between Corporate Officers, and the securing of time for deliberation of important proposals. Based on these opinions, the Company will continue to strive to further improve the effectiveness of the Board of Directors.

[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]

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 Senior Executive Officer in charge of IR, along with the division in charge of IR assist and promote such dialogue.

(2) Initiatives for seamless collaboration within the Company

At the Company, the Accounting, Finance, Legal Affairs, Internal Auditing, and other business divisions/offices, centering on the office in charge of IR, will work together for constructive dialogue with shareholders through the discussion, sharing and preparation of disclosure information, in addition to cooperating with the Corporate Value Enhancement Committee to ensure 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, as well as sending out and disclosing 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 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 is 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.

2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%

[Status of Major Shareholders]] (UPDATED)

Name / Company Name	Number of Shares Held	Percentage (%)
NS Holdings Co., Ltd.	13,917,400	40.95
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,490,500	10.27
Custody Bank of Japan, Ltd. (Trust Account)	3,128,300	9.21
Tadao Shimizu	1,022,600	3.01
Chikako Shimizu	974,000	2.87
NOMURA PB NOMINEES LIMITED OMNIBUS-MARGIN (CASHPB)	743,100	2.19
STATE STREET BANK AND TRUST COMPANY 505103	463,800	1.36
Shoichi Iwashige	433,800	1.28
NISSO CORPORATION Employee Shareholding Association	358,000	1.05
The Nomura Trust and Banking Co., Ltd. (Investment Trust Account)	344,400	1.01

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 the end of March 2022.

- 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 Changes Report of the Large Shareholding Report which was made available for public inspection on December 17, 2020, although it was stated that SPARX Asset Management Co., Ltd. held the following shares as of December 15, 2020, since the Company was unable to confirm the number of real held shares as of the end of March 2022, the status of the major shareholders stated 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 are as follows:

  [Shareholder Name (Number of shares held, Shareholding ratio to the total number of issued shares)]
  SPARX Asset Management Co., Ltd. (2,107,900 shares, 6.16%)
  <Total: 2,107,900 shares, 6.16%>

- In the Changes Report of the Large Shareholding Report which was made available for public inspection on July 7, 2021, although it was stated that Nomura Asset Management Co., Ltd. held the following shares as of June 30, 2021, since the Company was unable to confirm the number of real held shares as of the end of March 2022, the status of the major shareholders stated 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 are as follows:

[Shareholder Name (Number of shares held, Shareholding ratio to the total number of issued shares)]
Nomura Asset Management Co., Ltd. (2,991,200 shares, 8.72%)
＜Total 2,991,200 shares, 8.72%＞

- In the Changes Report of the Large Shareholding Report which was made available for public inspection on April 7, 2022, although it stated that Sumitomo Mitsui DS Asset Management Company, Limited and 2 other companies held the following shares as of March 31, 2022, since the Company was unable to confirm the number of real held shares as of the end of March 2022, the status of 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)]
  Sumitomo Mitsui DS Asset Management Company, Limited (1,297,700 shares, 3.78%)
  Sumitomo Mitsui Banking Corporation (55,900 shares, 0.16%)
  SMBC Nikko Securities Inc. (522,000 shares, 1.52%)
  ＜Total 1,875,600 shares, 5.46%＞

3. Corporate Attributes (UPDATED)

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

—

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 Board

[Managing Directors] **(UPDATED)**

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	3
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
Shin Monzawa	Certified public accountant											
Miki Ohno	Attorney											

* 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
Shin Monzawa	○	—	Shin Monzawa 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. He has been appointed as an External Managing Director since he fulfills the supervisory functions of overall management from an objective and neutral perspective based on his specialized knowledge and experiences. 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.
Miki Ohno	○	—	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 an External Managing 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. 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.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

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	4	4
Full-time Members	0	0

Internal Managing Directors	1	1
External Managing Directors	2	2
Outside Experts	0	0
Other	1	1
Chairperson	External Managing Director	External Managing Director

Supplementary Explanation] (UPDATED)

The Company has established a voluntary Nomination and Remuneration Committee to enhance the transparency of personnel and remuneration, etc., of its Managing Directors, Audit & Supervisory Board Members and Executive Officers.

The Nomination and Remuneration Committee is comprised of 3 or more Managing Directors or Audit & Supervisory Board Members appointed by a resolution of the Board of Directors, the majority of whom are Independent External Managing Directors and Independent External Audit & Supervisory Board Members. In addition, the Chairman selects Independent External Managing Directors by a resolution of the Nomination and Remuneration Committee.

＜Members＞

Chairperson	Shin Monzawa (Independent External Managing Director)
Committee Member	Miki Ohno (Independent External Managing Director)
Committee Member	Akira Ishida (Independent Audit & Supervisory Board Member)
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 Managing Directors
(2) Matters concerning the selection and removal of Representative Directors
(3) Matters concerning the election and dismissal of Audit & Supervisory Board Members
(4) Matters concerning the election and dismissal of Executive Officers
(5) Matters concerning the election and dismissal of subsidiary Managing Directors
(6) Matters concerning the remuneration, etc., of Managing Directors
(7) Matters concerning the remuneration, etc., of Executive Officers
(8) Matters concerning successor planning (including development)
(9) Other important matters related to the nomination and remuneration of Corporate Officers and matters consulted by the Board of Directors

[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 Office

In order to maintain in-depth cooperation, the Audit & Supervisory Board Members, the Accounting Auditor, and the Internal Auditing Office 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 Office, 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	3
Number of External Audit & Supervisory Board Members Designated as Independent Officers	3

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													
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 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) **(UPDATED)**

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Akira Ishida	○	Until, 2002, Akira Ishida was an	Akira Ishida has extensive experience and in-depth insight as a *kansayaku* at

		executive of Mitsubishi Bank, Ltd. (current: MUFG Bank, Ltd.), a major business partner of the Company.	financial institutions and other companies, and assumed the office of External Audit & Supervisory Board Member in June 2016. He has been appointed as an External Audit & Supervisory Board Member since he fulfills the auditing functions from an objective and neutral perspective based on his experience and knowledge. 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 company, it has been deemed that he is not in a position to be influenced by the intentions of the said company. 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. He has been appointed as an External Audit & Supervisory Board Member since he fulfills the auditing functions from an objective and neutral perspective based on his experience and knowledge. 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.
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. He has been appointed as an External Audit & Supervisory Board Member since he fulfills the supervisory functions of overall management from an objective and neutral perspective based on his expertise and experience. 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.

[Independent Officers]

Number of Independent Officers	5

Matters relating to Independent Managing Directors/Audit & Supervisory Board Members

All External Managing Directors and External Audit & Supervisory Board Members 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 Managing Director (excluding External Managing 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 Managing 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. A person who is not a member of a law firm, audit corporation, tax accountant corporation, consulting firm, or other organization such as a 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.

(7) A person who is not a spouse or relative within the second degree of kinship in (1) to (7) above.

(8) 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 / Stock Options / Other

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 are 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 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 by the achievement level of each indicator and the evaluation weight.

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

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

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 **(UPDATED)**	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

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.

■ Policy for Determining Managing Director Remuneration, etc.

1. Basic Policy

The remuneration of Managing Directors 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 Managing Directors, the Company's basic policy shall be to set an appropriate level based on their respective responsibilities.

The remuneration level of Managing 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 Managing 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 Managing 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, Amount, or Number of Performance-linked Remuneration and Non-monetary Remuneration and the Calculation Method Thereof (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.

The criteria for FY 3/2023 were determined as follows at the Board of Directors' Meeting held on May 19, 2022, based on deliberations of the Nomination and Remuneration Committee held on the same day. Moreover, 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.

Non-monetary renumeration shall be granted to shares with a transfer restriction period (30 years from the date of payment) in order to provide incentives for sharing value with shareholders, raising awareness of share prices by Managing Directors, and enhancing corporate value over the medium- to long-term. The number of shares to be granted shall be determined by comprehensive consideration of positions, etc., and shall be granted at a certain time after the conclusion of the Ordinary General Meeting of Shareholders. The total number of common stock to be disposed of by Managing Directors (excluding External Managing Directors") by this type of remuneration shall be within the limit of 80,000 shares per year. However, with regard 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 and 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.

In addition, such restricted shares shall be managed in a dedicated account opened at a securities company during the transfer restriction period, so that transfers, setting of security interests, or other dispositions cannot be made during 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 reasonably adjusted as deemed necessary.

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

Regarding the remuneration by type of Managing Directors (excluding External Managing Directors), the higher the position, the higher the weight of performance-linked remuneration and restricted share remuneration shall be.

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

Regarding the amount of remuneration for each individual Managing 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 Managing 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.

Non-monetary remuneration shall be determined by the Board of Directors on the number of shares to be allotted to each individual Managing Director based on the report of the Nomination and Remuneration Committee.

[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 Office supports the audits of the Audit & Supervisory Board Members.

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

Information on former Presidents/Representative Directors holding advisory positions **(UPDATED)**

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

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 3 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 3 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 Office and the Accounting Auditor, and strive to enhance the effectiveness and efficiency of audits.

c. Nomination and Remuneration Committee

The Nomination and Remuneration Committee is comprised of 2 External Managing Directors, the Representative Director, President & CEO, and 1 External Audit & Supervisory Board Member, and is chaired by an External Managing Director.

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

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

d. Management Committee

The Management Committee is comprised of Internal Managing Directors, the full-time Audit & Supervisory Board Member, the Managing Executive Officer, Senior Executive Officers, and Executive Officers, and convenes once a month. It ascertains management figures, and discusses/reports on important measures and policies.

e. Group Meetings

Group Meetings are comprised of the Company's Managing Directors, Audit & Supervisory Board Members, the Managing Executive Officer, Senior Executive Officers, 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.

f. Corporate Value Enhancement Committee

The Corporate Value Enhancement Committee is comprised of the Company's Managing Directors, Audit & Supervisory Board Members, the Managing Executive Officer, Senior Executive Officers, Executive Officers, representatives of subsidiaries, and the Company's Internal Auditing Office 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, as well as constructing a management system to enhance corporate value over the medium- to long-term.

The Sustainability Council, which belongs to the Corporate Value Enhancement Committee, clarifies the roles that the Company should fulfill through its businesses to shareholders, society, and other stakeholders, establishes the structures to put them into practice, and promotes their appropriate operations・checks. The Internal Control・Compliance Council establishes, operates, and checks the internal control structure of the Group, reviews its compliance observance status, and promotes risk assessment・countermeasures. In order to make effective use of the Group's resources, assets, and capital, the Investment and Loan Review Council promotes the establishment of standards and management methods that include not only financial aspects but also non-financial aspects such as environmental・social impacts.

The Committee convenes 3 times a year, but extraordinary meetings are held as deemed necessary.

g. Internal Audits and Audit & Supervisory Board Member Audits

The Internal Auditing Office, which is under the direct control of the Representative Director & President, is in charge of internal audits, and has 4 staff members in addition to one Office Director. 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 & 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 Office 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 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 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

(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	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. https://www.nisso.co.jp/en/ir/event/event_03.html

2. IR Activities (UPDATED)

	Supplementary Explanations	Explanation by Representative
Preparation and Publication of Disclosure Policy	The "Disclosure Policy" is posted in the IR Information section on the Company's website.	

	Japanese: https://www.nisso.co.jp/ir/management/management_05.html English: https://www.nisso.co.jp/en/ir/management/management_05.html	
Regular Investor Briefings for Individual Investors	The Company holds company briefing sessions (in Japanese only) for individual investors several times a year. In addition, the latest briefing session videos and materials are posted in the IR Information section of its website. https://www.nisso.co.jp/ir/event/event_02.html (in Japanese only)	Provided
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds financial results briefings for analysts・institutional investors 4 times a year, and the Representative Director & President, or the PR・IR Division conducts explanations. The financial results briefing materials and the main Q&A of financial results briefings are posted in the IR Information section of its website. Japanese: https://www.nisso.co.jp/ir/event/event_01.html English: https://www.nisso.co.jp/en/ir/event/event_01.html	Provided
Regular Investor Briefings for Overseas Investors	English materials of the above-mentioned briefings are posted in the IR Information section of the Company's website and are available for overseas investors. In addition, top management executives regularly conduct overseas road show visits and conference calls to institutional investors in Europe, the U.S., and Asia. https://www.nisso.co.jp/en/ir/event/event_01.html	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 Information section of the Company's website. Japanese: https://www.nisso.co.jp/ir/library/ English: https://www.nisso.co.jp/en/ir/library/	
Establishment of Division and/or Manager in Charge of IR	The Company has established the PR・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 "Charter of Corporate Behavior", the Company has established the "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.co.jp/company/management/ English: https://www.nisso.co.jp/en/company/management/
Implementation of Environmental Conservation Activities, CSR Activities etc.	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. By providing an environment where working people can grow and fully demonstrate their capabilities under the founding philosophy of "*Nurturing and Bringing Out the Best in People*", 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.

	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. The CSR Report is posted on the Company's website. Japanese: https://www.nisso.co.jp/ir/esg/esg_13.html English: https://www.nisso.co.jp/en/ir/esg/esg_13.html
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 (UPDATED)

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 "Corporate Value Enhancement 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 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 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 "Corporate Value Enhancement Committee" (hereinafter referred to as the "Committee") which

each company in the Group takes part in. The Committee, in principle, shall convene 3 times a year 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 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 "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 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 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 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 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 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 "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 & 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 "Corporate Value Enhancement 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

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 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 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 services) 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 Corporate 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

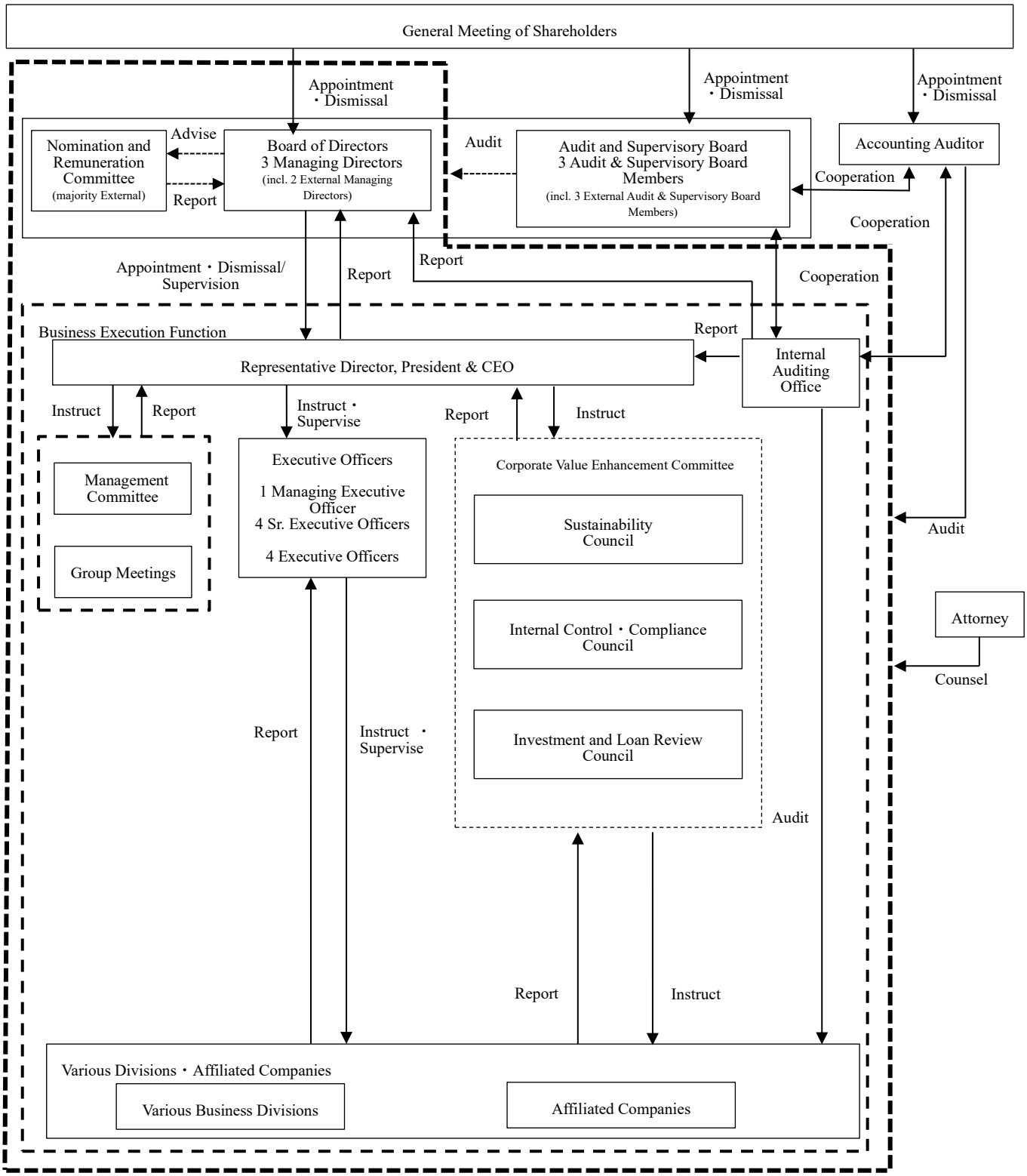
Supplementary Explanation

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)

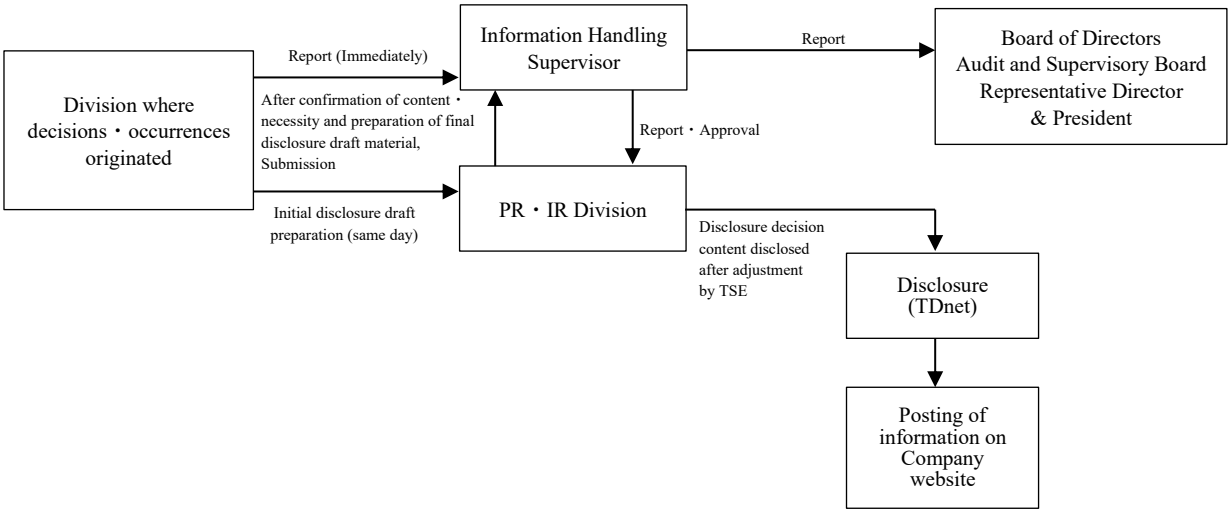
The Company's corporate governance structure and the flows of timely disclosure are as follows:

【Corporate Government Structure】

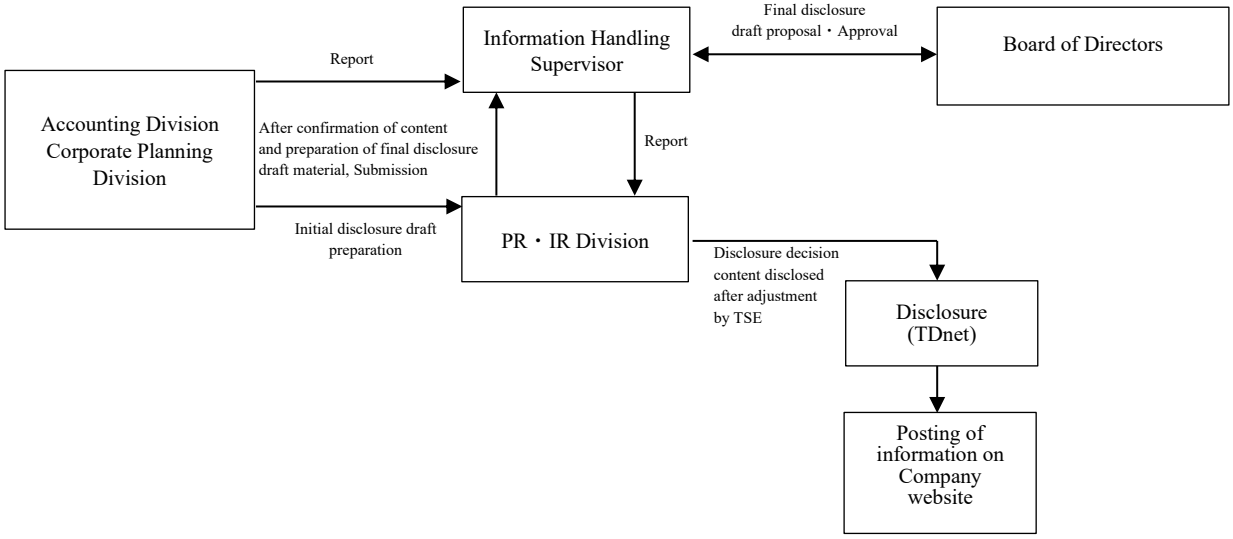


【Outline of Timely Disclosure System】

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



○Timely disclosure work flow of financial results



【Skills Matrix of Managing Directors】

Based on the Company'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 Company.

Name	Position	Management	Markets・Business	Finance・Accounting	Organization・Human Resources	Risk Management	Society	Internal Control・Governance
Ryuichi Shimizu	Representative Director, President & CEO	●	●		●	●		
Shin Monzawa	External Managing Director	●		●				●
Miki Ohno	External Managing Director					●	●	●
Akira Ishida	Full-time Audit & Supervisory Board Member (External)	●		●		●		●
Ryuta Hasegawa	External Audit & Supervisory Board Member			●		●		●
Hideo Sakano	External Audit & Supervisory Board Member			●				●

*The above table does not represent all the knowledge and experience of the Managing Directors and Audit & Supervisory Board Members
*Of the skills possessed by each Managing Director and Audit & Supervisory Board Member, up to four skills that can be particularly contributed are marked with "●".