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NAGASE & CO., LTD

Kenji Asakura, Representative Director and President

Contact: Corporate Planning Department

Corporate Administration Office

Securities Code: 8012

<https://www.nagase.co.jp/english/>

The corporate governance of NAGASE & CO., LTD (the “Company”) is described below.

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

### 1. Basic Views

We recognize our responsibility to society and offer beneficial products and services while maintaining the highest standards of integrity. Through our growth, we will contribute to society and enrich the lives of our employees.

Based on this philosophy, we created the NAGASE Vision, which is a promise to our stakeholders that each of us will embody our value proposition to Identify, Develop and Expand to realize a sustainable world where people live with peace of mind.

To execute this Vision, we created a long-term management plan that guides us in becoming a corporate group capable of sustainable growth in the face of dramatic changes in the external environment. This plan calls for our willingness to undertake challenges for growth and to work toward the reinforcement of our business base, engaging in measures to improve corporate value over the medium and long term.

We believe that rapid decision-making, execution, and transparency are essential for us to accomplish these initiatives as we engage in strengthening our corporate governance.

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

Updated

##### Supplementary Principle 4.2(1)

With the exception of outside directors and members of the Audit & Supervisory Board, the Company’s compensation system for directors consists of basic compensation (according to title) and performance incentives (bonus).

Striving to maintain and evolve effective incentive plans, the Company has established a Compensation Committee consisting of a majority of independent outside directors. This committee ensures the propriety of our compensation system and compensation levels in light of quantitative and qualitative business results. This committee also ensures transparency and objectivity in the compensation decision-making process.

To establish a medium- and long-term incentive for improving corporate value, the Company determines an annual number of shares to contribute to the Officers Shareholding Association. Officers obtain a number of shares corresponding to their various responsibilities to be held on an ongoing basis.

The board of directors uses the Compensation Committee to design and modify the Company’s compensation system, including the ratio of compensation tied to medium- and long-term Company earnings.

#### [Disclosure Based on the Principles of the Corporate Governance Code]

Updated

##### Principle 1.4

###### <Cross-Shareholding Policy and Objectives>

The Company holds shares of transaction partners in only two cases: (1) Cases in which the Company foresees potential business in excess of costs of capital, the expansion of business, or synergies and (2) Cases in which the Company foresees the stable access to services indispensable to Company business activities through strengthened relationships. The board of directors conducts a comprehensive review for each share holding, reducing any cross-holdings deemed incompatible with the conditions described above.

###### <Exercising of Voting rights>

We exercise voting rights appropriately, carefully reviewing the resolution in question and determining approval or disapproval in a comprehensive manner according to whether the measure contributes to the increased share price of the issuing company and whether the measure contributes to our own improved corporate value as a shareholder.

### Principle 1.7

Before engaging in transactions with directors or major shareholders, the Company determines whether said transaction requires a resolution of the board of directors according to the Company's Board of Director Regulations or Regulations Governing Approvals.

### Principle 2.6

The Company has adopted a contract-type defined benefit pension plan, establishing and managing an Asset Management Committee which serves as a body to provide basic policies for plan management, establish policies for plan asset composition, and review said policies. The Asset Management Committee is also responsible for evaluating and reviewing the contracted investment institution.

This contracted investment institution includes the Company's labor union and uses outside consultants in plan management, ensuring transparency and objectivity. The committee manages the plan appropriately to ensure no conflicts of interest occur between plan beneficiaries and the Company.

Further, the Company has established Operating Regulations for Corporate Pension Asset Management Committee to prevent any conflicts of interest. The Company appoints a plan manager who is well-experienced in finance and investing. This individual develops greater expertise through the guidance of outside consultants and performs regular monitoring of the investment institution.

### Principle 3.1

(i) , (ii)

The Company's Management Philosophy states that we recognize our responsibility to society and offer beneficial products and services while maintaining the highest standards of integrity. Through our growth, we will contribute to society and enrich the lives of our employees.

Under this philosophy, we pursue the NAGASE Vision as a promise to our stakeholders that we will realize a sustainable world where people live with peace of mind, each of us embodies our value proposition, Identify, Develop and Expand through daily activities.

To perform on these promises, we have established a longer-term management policy based on Challenges for Growth and Reinforcing our Management Platform for Growth to become a corporate group capable of sustainable growth in the midst of harsh changes in the external environment. We engage in initiatives under this policy for corporate growth over the medium and long term.

We continue to strengthen corporate governance, as the Company believes that speed in decision-making and action and ensuring transparency are essential for executing the initiatives described above.

(iii)

See II Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Execution of Business, and Oversight in Management 1. Organizational Composition and Operation [Director Remuneration] in this report and 4 [Corporate Governance] (1) Corporate Governance 4. Director Remuneration in our annual securities report for more information related to policies and decision-making procedures regarding director compensation.

(iv) , (v)

<Policies and Procedures for Selecting Executive Officers>

Candidates for executive officer are those individuals who demonstrate an honest character and who possess great insight and skills. Candidates must also possess operational experience, knowledge, and expertise. Candidates are selected by the representative director. After deliberations by the independent Nominating Committee, the board of directors then conducts deliberations and comes to a decision.

<Policies and Procedures for Selecting Directors and Members of the Audit & Supervisory Board>

As a rule, internal directors interim directors are selected from candidates who have experience as an executive officer. Candidates for outside director are individuals who demonstrate honest character and possess great insight and skill, providing insight from stakeholders in society from which they can raise issues to be addressed by the Company. Candidates are selected by the representative director. After deliberations by the independent Nominating Committee, the board of directors then conducts deliberations and comes to a decision. Finally, candidates are proposed before the general shareholders' meeting.

Candidates for member of the Audit & Supervisory Board are selected by the representative director from among individuals who meet conditions as provided in the Audit & Supervisory Board Audit Standards. After deliberations by the independent Nominating Committee, the board of directors conducts deliberations and comes to a decision. Finally, candidates are proposed before the general shareholders' meeting. The Company discloses the reasons for nominating each candidate for director in each candidate for member of the Audit & Supervisory Board within the reference materials included in the shareholders' meeting convocation notice. The Company has established standards for the dismissal of directors and executive officers\*. After deliberations by the independent Nominating Committee as to the dismissal of individuals subject to any of the aforementioned standards, the board of

directors conducts celebrations and comes to a decision. The Company performs dismissal procedures as necessary, disclosing the reasons for dismissal as applicable.

\*Dismissal Standards:

(1) Individual has committed an act of suspected illegality, unfairness, or bad faith, individual becomes subject to discipline under the provisions of Employment Regulations, individual has engaged in acts or speech damaging to the Company's reputation for profits, or individual has become otherwise ineligible, deemed unsuitable to serve in the capacity of corporate officer.

(2) Individual demonstrates insufficient performance of duties or results, and the board of directors determines that leaving said individual in the capacity of corporate officer is inappropriate.

Supplementary Principle 4.1(1)

The board of directors functions to oversee business operations and make decisions regarding important business matters. The board also make decisions about important management issues, as well as important operational issues as provided by laws, relations, and the Company's articles of incorporation. The Company has established standards for those matters to be decided by the president, the director in charge, division general managers, or supervisory departments. We have established systems that clarify the division of responsibilities, allowing for speed in business management. We clearly define these standards in Board of Director Regulations and Regulations Governing Approvals.

Furthermore, we have carried out deliberations into the management of the board of directors as well as a partial review of resolutions of the board of directors in order to provide sufficient time for discussion of the NAGASE Group's medium to long term management plan, strategies, and other issues; in this we have delegated authority to the executive side.

Principle 4.9

The Company selects candidates according to independent standards provided by the financial instruments exchange, as well as the ability to raise issues to be addressed by the Company from the standpoint of our stakeholders and society.

Supplementary Principle 4.11(1)

Our basic policy is to have a board of directors consisting of inside directors and a multiple number of outside directors. Inside directors have operational experience, knowledge, and expertise to properly understand the Company's business operations, provide agile and timely decision-making, and oversee the execution of our business. Outside directors provide insight from stakeholders and society, raising issues to be addressed by the Company.

As a part of this basic policy, currently the Company's board of directors comprises eight directors of whom three are independent outside directors, meaning these independent outside directors comprise more than one-third of the board of directors. Furthermore, we feel that the NAGASE Group pursues diversity in management, regardless of gender, nationality, or race, and we have appointed one female director. We have also ensured a certain degree of diversity from the perspective of gender and internationality, and by ensuring that many of our directors have experience of being posted overseas for a number of years (average length of overseas posting for internal directors: six years). Presently, we believe that we are able to maintain both a certain level of diversity and an appropriate size for the board of directors. However in order to ensure the effectiveness of the board of directors, we are aiming to achieve higher levels of both diversity and a more appropriate size for its composition.

Supplementary Principle 4.11(2)

The Company discloses the significant concurrent duties (including service as directors of other publicly traded corporations) performed by directors, members of the Audit & Supervisory Board, and candidates thereof on an annual basis in disclosure documents including shareholders' meeting convocation notice reference materials, business reports, and annual securities reports. The Company believes that the number of companies in which directors perform concurrent services is within a reasonable scope.

Supplementary Principle 4.11(3)

The Company analyzes and evaluates the effectiveness of the board of directors, believing in the importance of improving board effectiveness on ongoing basis. Accordingly, the Company has conducted a survey of all directors and members of the Audit & Supervisory Board to analyze and evaluate the effectiveness of the board of directors. As a result, the Company confirmed that our board of directors conducts appropriate and timely deliberations and decision-making, functioning effectively.

Additionally, in response to the issue of the requirement to further expand deliberations of management strategies and important matters identified in the evaluation from the previous year's board of directors' meeting, we carried out a review of resolutions of the board of directors (delegating authority), and made improvements in order to allocate sufficient time for deliberation of important matters.

At the same time, we confirmed the need for improved discussions regarding mid- to long-term management plans and company-wide management strategies from the standpoint of further improving effectiveness.

The Company intends to continue with initiatives for improving board of director effectiveness.

#### Supplementary Principle 4.14(2)

The Company provides information related to the NAGASE Group Management Philosophy, corporate management, business activities, and organization to outside directors and outside members of the Audit & Supervisor Board. In this way, we help these individuals gain a deeper understanding of these topics.

The Company also provides opportunities at the Company's expense to help directors and members of the Audit & Supervisory Board (including outside directors and outside members) obtain the necessary knowledge to accomplish their roles and responsibilities.

#### Principle 5.1

Our basic policy is to conduct constructive dialogue with shareholders that contributes to sustainable growth and corporate value improvement over the medium and long term. As much as reasonable, we respond to meeting requests from shareholders the purpose of holding constructive dialogues.

The Company's director in charge of the Corporate Planning Department in charge of Company investor relations. Our investor relations department works in cooperation with other internal departments to provide appropriate responses in creating opportunities for constructive dialogue with our shareholders.

The Company strives to provide information through various briefings, in-person meetings with domestic and foreign investors, facilities tours, and publication on our corporate website.

Information and requests received from shareholders through these and other dialogues are forwarded to the board of directors as deemed necessary. We manage information carefully in accordance with our Regulations for Preventing Insider Trading to prevent inside information from being disclosed during these dialogues.

## 2. Capital Structure

Foreign Shareholding Ratio **Updated** More than 20% less than 30%

Supplementary Explanation

[Status of Major Shareholders] **Updated**

Name / Company Name	Number of Shares Owned	No. of Shares Held (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,191,000	6.61
NORTHERN TRUST CO. (AVFC) RE SILCHESTER INTERNATIONAL INVESTORS INTERNATIONAL VALUE EQUITY TRUST	5,922,200	4.78
Sumitomo Mitsui Trust Bank, Limited	5,776,000	4.66
Japan Trustee Services Bank, Ltd. (Trust Account)	5,676,800	4.58
Sumitomo Mitsui Banking Corporation	4,377,000	3.53
Nippon Life Insurance Company	3,589,133	2.89
Reiko Nagase	3,533,249	2.85
NORTHERN TRUST CO. (AVFC) RE U.S. TAX EXEMPTED PENSION FUNDS	3,080,200	2.48
Nagase Shunzo Co., Ltd.	2,688,000	2.17
NAGASE & CO., LTD. Own Share Investment Association	2,643,893	2.13

Controlling Shareholder (except for Parent Company)

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Parent Company

None

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**Supplementary Explanation**

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1. On August 20, 2010, BlackRock Japan Co., Ltd. submitted the following information to the Director-General of the Kanto Finance Bureau in connection with a substantial shareholding report (change report) concerning holdings of Company stock. As of the end of the second quarter, we have not been able to confirm beneficial ownership status. Accordingly, BlackRock Japan Co., Ltd. is not included in the Status of Major Shareholders above.

Name/Company Name	Number of Shares Held (Thousands)	(%)
BlackRock Japan Co., Ltd.	3,672	2.65
BlackRock Advisors (UK) Limited	654	0.47
BlackRock Fund Advisors	309	0.22
BlackRock Institutional Trust N.A.	1,057	0.76

2. On November 8, 2017, Silchester International Investors LLP submitted the following information to the Director-General of the Kanto Finance Bureau in connection with a substantial shareholding report (change report) concerning holdings of Company stock. As of the end of the second quarter, we have not been able to confirm beneficial ownership status. Accordingly, Silchester International Investors LLP is not included in the Status of Major Shareholders above.

Name or Trade Name	Number of Shares Owned (Thousands)	(%)
Silchester International Investors LLP	13,900	10.91

3. On April 16, 2018, Mitsubishi UFJ Financial Group, Inc. submitted the following information to the Director-General of the Kanto Finance Bureau in connection with a substantial shareholding report (change report) concerning holdings of Company stock. As of the end of the second quarter, we have not been able to confirm beneficial ownership status. Accordingly, Mitsubishi UFJ Financial Group, Inc. is not included in the Status of Major Shareholders above.

Name/Company Name	Number of Shares Held (Thousands)	(%)
MUFG Bank, Ltd.	1,836	1.44
Mitsubishi UFJ Trust and Banking Corporation	5,602	4.40
Mitsubishi UFJ Kokusai Asset Management Co., Ltd.	360	0.28

4. On December 21, 2018, Sumitomo Mitsui Trust Bank, Limited submitted the following information to the Director-General of the Kanto Finance Bureau in connection with a substantial shareholding report (change report) concerning holdings of Company stock. As of the end of the second quarter, we have not been able to confirm beneficial ownership status. Accordingly, Sumitomo Mitsui Trust Bank, Limited is not included in the Status of Major Shareholders above.

Name/Company Name	Number of Shares Held (Thousands)	(%)
Sumitomo Mitsui Trust Bank, Limited	5,776	4.53
Sumitomo Mitsui Trust Asset Management Co., Ltd.	2,543	2.00
Nikko Asset Management Co., Ltd.	1,355	1.06

### 3. Corporate Attributes

Listed Stock Market and Market Section	First Section of the Tokyo Stock Exchange
Fiscal Year-End	March
Type of Business	Wholesale trade
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 ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 50 to less than 100

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

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

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

### 1. Organizational Composition and Operation

Organization Form	a company with an Audit and Supervisory Board
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 years
Chairperson of the Board	Chairman (excluding cases when serving concurrently as president)
Number of Directors <span style="background-color: #FFD700; padding: 2px;">Updated</span>	8
Appointment Status of Outside Members of the Managing Board	Appointed
Number of Outside Directors <span style="background-color: #FFD700; padding: 2px;">Updated</span>	3
Number of Independent Directors <span style="background-color: #FFD700; padding: 2px;">Updated</span>	3

Outside Directors' Relationship with the Company (1) <span style="background-color: #FFD700; padding: 2px;">Updated</span>
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Name	Attribute	Relationship to the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Nobumasa Kemori	From another company									△		
Takahiko Ijichi	From another company									△		
Ritsuko Nonomiya	From another company									○		

\* Categories for "Relationship with the Company"

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

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

a. Executive of the Company or its 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 compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)

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

k. Others

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Nobumasa Kemori	○	<p>Mr. Kemori serves as an Executive Adviser to Sumitomo Metal Mining Co, Ltd. Although the Company conducts business transactions with Sumitomo Metal Mining, sales from Sumitomo Metal Mining to the NAGASE Group amounted to less than 0.1% of Company net sales, and our purchases from Sumitomo Metal Mining amounted to less than 0.1% of the total of our cost of sales and our selling, general and administrative expenses during the fiscal year ending March 2020.</p>	<p>Mr. Kemori has been involved in management of Sumitomo Metal Mining Co, Ltd. for many years and possesses advanced knowledge and extensive experience regarding corporate management. We expect Mr. Kemori to enhance the Company's corporate governance through his knowledge and experience, offering proposals concerning the Company's overall management from a perspective of familiarity with industry. Accordingly, we have appointed Mr. Kemori as an outside director. Mr. Kemori serves as an Executive Adviser to Sumitomo Metal Mining Co, Ltd., with whom the company conducts business transactions, however we do not believe any significant special interest between Sumitomo Metal Mining Co, Ltd. and the Company exists when considering the scope of these business transactions, and thus we consider Mr. Kemori to be an independent director having no potential conflicts of interest with our general shareholders. Further, with the exception of his stock ownership in the Company, Mr. Kemori has no personal relationships, equity relationships, business relationships, or other interests in the Company.</p>
Takahiko Ijichi	○	<p>Mr. Ijichi formerly served as an Executive Vice president at Toyota Motor Corporation, one of our business partners. Although the Company conducts business transactions with Toyota Motor Corporation, sales from Toyota Motor Corporation to the NAGASE Group amounted to less than 0.4% of Company net sales, and our purchases from Toyota Motor Corporation amounted to less than 0.1% of the total of our cost of sales and our selling, general and administrative expenses during the fiscal year ending March 2020.</p>	<p>Mr. Ijichi has been involved in management of Toyota Motor Corporation for many years and possesses advanced knowledge and extensive experience regarding corporate management. Mr. Ijichi has been appointed as an outside director, so that he can use this knowledge and experience to make proposals concerning the Company's overall management including about production activities underway both within Japan and overseas, and he is expected to strengthen the Company's corporate governance. Accordingly, we have appointed Mr. Ijichi as an outside director. Mr. Ijichi is an Executive Vice president at Toyota Motor Corporation with whom the Company conducts business transactions, we do not believe any significant special interest between Mr. Ijichi and the Company exists when considering the scope of Company sales to Toyota Motor Corporation. Accordingly, we consider Mr. Ijichi to be an independent director having no potential conflicts of interest with our general shareholders. Mr. Ijichi has no personal relationships, equity relationships, business relationships, or other interests in the Company.</p>
Ritsuko Nonomiya	○	<p>Ms. Ritsuko Nonomiya is a director of GCA Corporation and GCA Advisors Inc. Although the Company conducts business transactions with these companies, transactions between us and these companies amounted to less than 0.1% of the total of</p>	<p>Having experience in accounting and similar areas at KPMG Group, and in M&amp;A and business development at UBS Group and GE Group, Ms. Nonomiya has high levels of financial and accounting knowledge, together with ample insight into and experience in corporate management. She has been appointed as an outside director so that she can use this knowledge and experience to make proposals concerning the Company's overall management, and</p>



		our cost of sales and our selling, general and administrative expenses during the fiscal year ending March 2020.	she is expected to strengthen the Company's corporate governance. Ms. Nonomiya is a director of GCA Corporation and GCA Advisors Inc. with whom the company conducts business transactions, however we do not believe any significant special interest between these companies and the Company exists when considering the scope of these business transactions, and thus we consider Ms. Nonomiya to be an independent director having no potential conflicts of interest with our general shareholders. Furthermore, Ms. Nonomiya has no personal relationships, equity relationships, business relationships, or other interests in the Company.
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee

Established

Committee's Name, Composition, and Attributes of Chairperson

Updated

	Committee's Name	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Committee Corresponding to Nomination Committee	Nominating Committee	5	0	2	2	0	1	Internal member of the Managing Board
Committee Corresponding to Remuneration Committee	Compensation Committee	4	0	1	3	0	0	Internal member of the Managing Board

Supplementary Explanation

The Nominating Committee consists of the majority of outside officers. The committee deliberates director appointments and succession plans, reporting to and offering advice to the board of directors. In this way, the committee accomplishes its role to enhance objectivity and transparency in the naming of Company senior management.

The Officer Remuneration Committee consists of a majority of outside directors. The committee deliberates the propriety of compensation levels and structures, reporting to and offering advice to the board of directors. In this way, the committee accomplishes its role to enhance objectivity and transparency in the process for determining direct compensation for Company directors and executive officers.

#### [Audit & Supervisory Board Members]

Cooperation among Audit & Supervisory Board Members, Accounting Auditor and the Internal Audit

Establishment of Audit & Supervisory Board	Established
Maximum number of Audit & Supervisory Board Members stipulated	5
Number of Audit & Supervisory Board Members	4

Members of the Audit & Supervisory Board hold regular meetings with the independent financial statement auditor, receiving explanations of audit plans and audit results. In addition to exchanging opinions related to the identification of risks, members also ask the independent financial statement auditor to provide explanations of their structure for audit quality assurance. In addition,

members coordinate with the independent financial statement alter as appropriate, including participation in visits to subsidiaries, asset observations, etc. Members of the Audit & Supervisor Board exchange information with the Audit Office, internal auditors, and audit divisions of domestic and international affiliated companies. Further, members receive reports about the status of internal controls related to financial reporting.

Appointment of outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of independent officers designated from among outside Audit & Supervisory Board Members	2

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

Name	Attribute	Relationship to the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Nobuyuki Shirafuji	From another company										△			
Gan Matsui	Lawyer													

\* 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 compensation as a director/*kansayaku*

g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)

i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)

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

k. Others

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Nobuyuki Shirafuji	○	In the past, Mr. Shirafuji worked for the Sumitomo Mitsui Banking Corporation, one of the Company's banks. Although the Company maintains an outstanding loan from the bank in question, the loan balance was less than 2.1% of Company's total assets as of the end of the fiscal year ended March 2020.	Mr. Shirafuji possesses a wide range of knowledge based on his many years of experience at overseas financial institutions. He also has many years of experience related to audits and working in audit departments, earning considerable knowledge regarding finance and accounting, and for the last four years has performed his duties on the External Audit & Supervisory Board. Accordingly, it is our judgment that Nobuyuki Shirafuji has the ability to appropriately execute the duties of an outside member of the Audit & Supervisory Board and we have consequently appointed him to this role. In the past, Mr. Shirafuji worked for the Sumitomo Mitsui Banking Corporation, one of the Company's banks; however, Mr. Shirafuji did not manage Company accounts during his service at the bank in question. Furthermore, the Company maintains a high shareholder's equity ratio and a sound financial structure. We do not rely heavily on borrowings from financial institutions, resulting in minimal impact of financial institutions on Company management. Accordingly, we do not believe any significant special interest between Mr. Shirafuji and the Company exists, and we consider Mr. Shirafuji to be an independent director having no potential conflicts of interest with our general shareholders. Further, with the exception of his stock ownership in the Company, Mr. Shirafuji has no personal relationships, equity relationships, business relationships, or other interests in the Company.
Gan Matsui	○	—	Mr. Matsui has a wealth of experience in legal circles and considerable knowledge of compliance and governance. Accordingly, it is our judgment that Mr. Matsui has the ability to execute the duties of an outside member of the Audit & Supervisory Board and we have consequently appointed him to this role. The Company has no business transactions with Mr. Matsui nor with the Yaesu Sogo Law Office where he serves as an attorney. Accordingly, we consider Mr. Matsui to be an independent director having no potential conflicts of interest with our general shareholders. Further, with the exception of his stock ownership in the Company, Mr. Matsui has no personal relationships, equity relationships, business relationships, or other interests in the Company.

## [Independent Officers]

Number of Independents

Updated

5

## Matters relating to Independents

The Company designates all outside officer who satisfy the requirements of independent officers as such.

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration
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Supplementary Explanation

• Performance-linked Remuneration  
 The Company determines a lump-sum basic bonus payment according to annual company earnings. Each director (excluding outside directors) receives a portion of this amount as a bonus payment reflecting an evaluation of their individual performance based on the company’s goal management system.

Recipients of Stock Options	
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Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors’ Remuneration	The Company does not disclose individual compensation.
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Supplementary Explanation Updated

• Compensation paid to directors and members of the Audit & Supervisory Board in service as of the fiscal year ended March 2020  
 The Company paid ¥258 million in compensation to ten directors and ¥78 million in compensation to five members of the Audit & Supervisor Board. Of this amount, a total of ¥53 million in compensation was paid to four outside officers. Payments to directors include accrued bonuses for directors in the amount of ¥34 million for the year ended March 2020, recognized as an expense for the period. In addition, the Company paid the equivalent of ¥13 million as employee bonuses for individuals serving concurrently as directors and employees.  
 The aforementioned compensation includes payments to three director and one member of the Audit & Supervisory Board who retired upon the conclusion of the 104th regular shareholders’ meeting held June 21, 2019.

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

The Company has determined a policy related to decisions on amounts and calculation methods for director compensation. This basic policy insures compensation is commensurate with the role and scope of responsibilities for each director and that compensation serves as motivation to improve ongoing corporate value.  
 Based on the preceding policy, director compensation (excluding outside directors and members of the Audit & Supervisory Board) consists of fixed compensation (basic salary) according to director responsibility and performance incentives (bonus). Performance incentive (bonus) amounts are determined according to a basic payment amount based on Company earnings for the period in question. The Company considers individual performance based on the Goal Management System when determining basic salary and director bonuses. Compensation for outside directors and members of the Audit & Supervisory Board reflects the individual’s responsibilities and consists only of fixed (basic) compensation. Director compensation amounts and calculation methods are within the overall scope predetermined by resolution of the general shareholders meeting.  
 Director compensation is left the discretion of the representative director entrusted by the board of directors, while compensation for members of the Audit & Supervisory Board is determined according to negotiations with said members. The Compensation Committee, which consists of a majority of outside directors, deliberates the validity of compensation systems and amounts to ensure higher levels of objectivity and transparency in the compensation determination process.

[Supporting System for Outside Directors]

The Company has assigned a department responsible for coordinating board of director meeting schedules, contacting meeting attendees, and providing materials and explanations prior to board meetings.

[Supporting of Former Director and President of the Company]

Name, etc. of advisor or counselor who is a former director and president of the Company

Name	Position	Responsibilities	Work status/conditions (full-time, part-time, Remuneration status, etc.)	Date of retirement as president, etc.	Term
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Number of advisor or counselor who is a former director and president of the Company **0**

Other notes

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2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration

Updated

The Company has adopted an Audit & Supervisory Board system and an executive officer system, under which the Company has eight directors (including three outside directors) and 20 executive officers (three of whom served concurrently as directors). The Company also has four members of the Audit & Supervisory Board (including two outside members).

The Company has defined the board of directors as the body that determines management policies and strategic decision-making, as well as the body that oversees business execution. The board meets regularly on a monthly basis, resolving important matters, discussing progress of the Company’s business, and formulating policies.

Members of the Audit & Supervisory Board follow audit policies and roles as determined by the Audit & Supervisory Board, attending meetings of the board of directors and other important meetings. As necessary, members request reports from subsidiaries and otherwise conducts audits related to performance of duties on the part of directors.

The Company has established the following voluntary committees to strengthen corporate governance functions. The Compensation Committee, which consists of four individuals (a majority of outside directors), deliberates the validity of compensation standards and systems, reporting to and advising the board of directors. The role of this committee is to improve objectivity and transparency in the director compensation decision-making process. The Nomination Committee, which consists of five individuals (a majority of outside directors), deliberates candidates for director and executive officer, as well as succession plans, reporting to and advising the board of directors. The role of this committee is to improve objectivity and transparency in the Company’s nominations of senior managers.

The Company has also established the following voluntary committees and committee structures: The Group Management Committee comprises executive officers appointed by the Board of Directors, and in principle, this meets regularly twice a month to discuss management strategies, investment projects, and other important matters, and to support management decision-making. This serves as an advisory body that discusses matters resolved by the Board of Directors. The Sustainability Committee is chaired by the President and comprises executive officers and senior management of Group companies. This formulates policies for promoting sustainability throughout the Group, establishes and maintains the promotion system, monitors measures and policies, and conducts educational activities within the Group. The Risk Management & Compliance Committee serves as an advisory body to the board of directors to strengthen mechanisms not only for legal compliance, but also for risk management and compliance, including risks associated with corporate ethics. The Internal Control Committee deliberates basic policy for internal controls and monitors the structure and operation of mechanisms determined under the internal controls system to ensure the appropriateness of business operations. The Security Trade Control Committee ensures compliance with laws and regulations related to transactions and goods and technologies addressed by export-related regulations, including the Foreign Exchange and Foreign Trade Act.

Audits conducted by members of the Audit & Supervisory Board are conducted by four members who have a considerable amount of knowledge about finance and accounting, three of whom are full-time members (one outside member) and one of whom is a part-time member (outside members). The Audit & Supervisory Board meets on a monthly basis, reporting on audit activities and results by each member, exchanging opinions, and sharing information. To ensure the effectiveness of audits by members of the Audit & Supervisory Board, two individuals are assigned from the audit office (internal audit division) to provide assistance.

Internal audits are conducted by a staff of 11 individuals having expert knowledge in internal audits, including certified auditors (CIA) and qualified internal auditors (QIA). These individuals conduct audits of the appropriateness and efficiency of business operations within the Company and subsidiaries based on Internal Audit Regulations.

The Company's financial statement audits are performed by the following designated limited liability partners to ensure a fair and unbiased audit.

None of the individuals mentioned below have been engaged in audits of the Company for more than seven consecutive years.

- Specified limited liability partners and managing executive partners

Name	Audit Corporation
Yoshifumi Mitsugi	Ernst & Young ShinNihon LLC
Yasuhiro Takata	Ernst & Young ShinNihon LLC

The Company has executed limited liability agreements with the Company's outside directors and outside members of the Audit & Supervisory Board, an overview of which follows.

Outside directors shall be liable for compensation of damages to the Company at the minimum limit of liability as provided in Article 425.1 of the Companies Act when negligence of duties results in damage to the Company, but said outside director has acted in good faith and without gross negligence in the execution of their duties.

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

The Company's current corporate governance structure facilitates coordination among each corporate committee to strengthen outside directors, members of the Audit & Supervisory Board, and corporate governance functions. We believe this corporate governance structure facilitates effective supervisory and audit functions from a wide variety of viewpoints, including aspects from outside our corporate boundaries, and is the most rational structure available at the current time.

The Company will continue to improve our corporate governance functions to ensure the ongoing confidence of our stakeholders.

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

Updated

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Scheduling AGMs Avoiding the Peak Day	The Company scheduled our 105th shareholders meeting for the fiscal year ended March 2020 to avoid peak meeting dates in Japan.
Allowing Electronic Exercise of Voting Rights	The Company allows shareholders to exercise voting rights electronically through an electronic voting website ( <a href="https://www.web54.net">https://www.web54.net</a> ). Voting is allowed until 5:15 PM on the day before the general shareholders' meeting.
Participation in Electronic Voting Platform	The platform for electronic exercise of voting rights for institutional investors managed by Investors Communications Japan, Inc. is available.
Providing Convocation Notice in English	The Company provides endless translations of convocation notices, business reports, financial statements, etc. on the Company's website, the website of the Tokyo Stock Exchange, and the electronic voting platform operated by Investor Communications Japan, Inc.
Other	The Company publishes convocation notices for general shareholders meetings approximately three weeks prior to the scheduled date of said meeting. This information is published on the Company's website, the website of the Tokyo Stock Exchange, and the electronic voting platform operated by Investor Communications Japan, Inc.

	Supplementary Explanations	Explanations by the Representative Himself /Herself
Preparation and Publication of Disclosure Policy	The Company's Basic Compliance Policy and NAGASE Group Compliance Conduct Standards call for the Company to engage in the proactive and fair disclosure of corporate information to stakeholders to ensure transparency. See the Company's website for disclosures related to our Basic Compliance Policy and NAGASE Group Compliance Conduct Standards.	
Regular Investor Briefings for Individual Investors	During the fiscal year ended March 2020, the Company conducted five briefings.	None
Regular Investor Briefings for Analysts and Institutional Investors	The Company conducts investor briefings in May and November. The president of NAGASE & CO., LTD. provides an explanation of financial results and mid-term management plans, etc. These briefings are tended by approximately 50 persons, including analysts and institutional investors.	Yes
Posting of IR Materials on Website	The Company publishes investor relations communications on our corporate website. These communications include disclosures related to financial information, timely disclosure materials other than financial information, the Company's annual securities report and quarterly reports, shareholder meeting convocation notices (including English translations), overviews of mid-term management plans, presentation materials used in briefings for analysts and institutional investors, presentation materials used in briefings for individual investors, shareholder newsletters, integrated reports, corporate videos, corporate governance materials, etc. Our main investor relations webpage may be found at the following URL: <a href="https://www.nagase.co.jp/ir">https://www.nagase.co.jp/ir</a>	
Establishment of Department and/or Manager in Charge of IR	Department in Charge of Investor Relations: Corporate Planning Department Director in Charge of Investor Relations: Director in Charge of the Corporate Planning Department	
Other	The Company offers individual meetings and facility tours to analysts and institutional investors on an appropriate basis.	



	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	<p>The Company's Management Philosophy states that we recognize our responsibility to society and offer beneficial products and services while maintaining the highest standards of integrity. Through our growth, we will contribute to society and enrich the lives of our employees.</p> <p>Guided by this statement, the Company created our Basic Compliance Policy and NAGASE Group Compliance Conduct Standards to define rules for respecting the position of our stakeholders.</p>
Implementation of Environmental Activities, CSR Activities etc.	<p>In April 2000, the Company obtained ISO 14001 certification (international standard for environmental management systems). We conduct ongoing activities to improve our environmental management systems, including measures to achieve goals for reducing energy usage and general waste in our business processes.</p> <p>As part of our social contribution activities, the Company provides a grant to the NAGASE Science Technology Foundation to encourage science and technology development throughout Japan.</p> <p>For more information, see the Company's integrated report (<a href="https://www.nagase.co.jp/ir/library/annual-report/">https://www.nagase.co.jp/ir/library/annual-report/</a>).</p> <p>The Company's main Sustainability webpage can be found at <a href="https://www.nagase.co.jp/sustainability/">https://www.nagase.co.jp/sustainability/</a>.</p>
Development of Policies on Information Provision to Stakeholders	<p>The Company's Basic Compliance Policy and NAGASE Group Compliance Conduct Standards call for the Company to engage in the proactive and fair disclosure of corporate information to stakeholders to ensure transparency.</p>
Other	<p>The NAGASE Group believes that diversity is an important part of corporate strategy. We respect the ideas and views of a diverse workforce, encouraging active internal discussions and the creation of new ideas, which represent a source of competitive advantage. We believe this policy results in the growth of the NAGASE Group, as well as in the growth of every individual employee.</p> <p>&lt;Policies and Initiatives on Women in the Workforce&gt;</p> <p>As of March 2018, 2019 and 2020, the Company had 18, 20, and 22 women in managerial roles*. This number has risen gradually over time, and the Company plans to continue to hire and promote women in these roles.</p> <p>To support female employees in the workplace, the Company established project within the Diversity Promotion Committee during the fiscal year ended March 2015. Under this project, the Company continues to study and implement policies encouraging female employees to maximize their potential.</p> <p>The Company has created a guidebook defining systems supporting maternal care and child rearing to allow women to continue to work in the Company. Prior to taking leave for maternity or childcare, and prior to returning to work, employees meet with their workplace superior a representative of the human resources department. Upon returning to work from childcare leave, official assistants and other employees take advantage of Company programs (during fiscal year ended March 2016, the Company raised the eligible age for children of employees working under the shorter-time work system and flex-time system (in April 2017, the Company expanded the definition of eligible children and family care recipients)) to balance work duties and childcare obligations.</p> <p>During the fiscal year ended March 2017, the Company formulated a five-year action plan to promote the role of women in the workplace based on the Act on Promotion of Women's Participation and Advancement in the Workplace. This plan includes raising the ratio of women in managerial roles from 2.9% to 6.0% by the fiscal year ending March 2021. As of the fourth year of this plan, the Company has raised this ratio to 4.1%.</p> <p>* Managerial role is defined as an individual who oversees subordinates as part of their duties or equivalent without subordinates.</p> <p>&lt;Work-Life Balance&gt;</p> <p>The Company believes that work-life balance is a necessary part of promoting diversity. Providing a supportive work environment for a diverse employee base and facilitating work styles that balance work and life these two benefits for both company and employee. Accordingly, the Company is striving to reform attitudes and implement systems that support this balance.</p> <p>The Company sponsors a monthly Safety Committee meeting held jointly between labor and management. The major topics of this meeting include flexible work styles, encouraging taking paid vacation, and reducing overtime. The Company</p>

uses the results of workplace and work environment surveys in ongoing dialogue with employees to create more comfortable work environments. The Company has achieved 12.6 vacation days taken per employee, exceeding the Japanese national average of 9.4 days. To reduce overtime, the Company has designated one day per week as a no overtime day. In addition, the company discloses overtime data by job description to promote operational efficiency and encourage a closer look at the status of overtime work. We will continue to create practical systems that provide more flexible work options for our employees.

## IV. Matters Related to the Internal Control System

Updated

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

The Company's Board of Directors adopted a resolution on basic policy for creating internal control systems entitled "Creation of Systems to Ensure that Directors Execute their Duties in Accordance with Laws and Regulations and the Articles of Incorporation and Other Systems Specified by Ministry of Justice Ordinance Necessary for Ensuring the Proper Implementation of Business by a Stock Corporation and the Corporate Group Comprising that Corporation and its Subsidiaries." Details of the policy are set forth below. Based on this basic policy, the Company will ensure the appropriateness of its business operations and conduct ongoing reviews and continuous improvement in order to appropriately reinforce governance systems even further in light of changes in the Company's business environment.

Furthermore, the company has established an Internal Control Committee in order to establish, maintain, and improve the internal control system. The Internal Control Committee deliberates basic policy for internal controls, and monitors the structure and operation of mechanisms determined by the internal controls system.

#### a) Systems to ensure that Directors and employees execute their duties in accordance with laws and regulations and the Articles of Incorporation

The Company adopted Basic Compliance Policy setting forth a code of conduct with which all officers and employees must comply, conducts all business activities in accordance with the Nagase Group Compliance Code of Conduct, and complies with laws and regulations and the Articles of Incorporation. Furthermore, regarding the internal reporting system, the Company operates it in an appropriate and proper way that ensures the information management of the contents of the report and ensures people reporting incidents or concerns regarding non-compliance will not suffer any disadvantage. Courses and other programs contributing to legal compliance are conducted as necessary for officers and employees including those of Group companies.

#### b) Systems for retaining and managing information relating to the execution of duties by Directors

Information relating to the execution of duties by Directors is recorded on paper or electromagnetically in accordance with internal rules and is retained and managed. Directors and Audit & Supervisory Board members can access and view these documents at any time.

#### c) Rules relating to management of loss-related risks and other systems

The Company has established the Risk Management & Compliance Committee as the organization that performs comprehensive management relating to loss-related risks for the Company and Group companies, determined the committee's functions and authority, and created a system that clarifies its roles and responsibilities. Under this system, each responsible division establishes rules and guidelines, conducts training, prepares and distributes manuals, and takes other measures concerning individual risks relating to the business activities of the Company and Group companies. When new risks arise, the Committee promptly designates the responsible division to address the risks, and also develops a system for prompt and appropriate communication and emergency procedures in case that an incident occurs within the Group.

#### d) Systems for ensuring the efficient execution of duties by Directors

The Board of Directors is clearly positioned as the body in charge of making decisions on management policies and strategies, and it supervises the execution of operations as the foundation for ensuring that Directors efficiently execute their duties. The Board of Directors holds regular monthly meetings as well as extraordinary meetings when necessary. With regard to the performance of business in accordance with the decisions of the Board of Directors, organizational operations rules and divisions of work responsibilities established under an executive officer system specify responsible parties, their responsibilities, and procedures for carrying out those responsibilities. Additionally, the Group Management Committee comprises executive officers appointed by the board of directors, and in principle, this meets regularly twice a month to discuss management strategies, investment projects and other important matters, and to support management decision-making.

Furthermore, directors and corporate auditors may attend Group Management Committee meetings.

#### e) Systems for ensuring the proper implementation of business by the corporate group comprising a stock corporation and its subsidiaries

In principle, the Company dispatches officers to Group companies and ensures the proper conduct of business by those companies by establishing operational standards and establishing a system that requires approval from or reporting to the Company before Group companies make decisions on certain matters. The Audit Office of the Company conducts audits of the Company and its Group companies in accordance with the Internal Audit Rules. Under the mid-term management plan and a system of annual budgets, clear targets are set and budget and results management is performed for the Company and each Group company. In order to enhance the reliability of financial reports, the status of company-wide internal controls as well as the process for preparing financial statements have been codified in light of the Financial Instruments and Exchange Act and evaluation and improvement efforts are made on a consolidated basis.

The Company and Group companies perform Group-wide risk management with the Risk Management & Compliance Committee mentioned above playing a central role. Important matters relating to Group-wide compliance are discussed and decisions are made

based on deliberations and determinations regarding issues relating to implementation and countermeasures addressing those issues.

f) Matters pertaining to employees when Audit & Supervisory Board members request the appointment of employees to assist them in the execution of their duties

Upon request from Audit & Supervisory Board members, in order to ensure their auditing effectiveness, the Company appoints employees to support the Audit & Supervisory Board members' work. Such employees are assigned to the Audit Office.

g) Matters pertaining to ensuring the independence of employees specified in the preceding paragraph from Directors and ensuring the effectiveness of instructions from Audit & Supervisory Board members

In order to ensure the independence of the employees specified in the preceding paragraph from the Directors, when such employees are transferred, evaluations are conducted, and so on, prior consultations are conducted with Audit & Supervisory Board members and their opinions are sought. In addition, efforts are made to ensure the effectiveness of instructions to such employees, adequately taking into consideration the selection of such employees and the period for which they will work supporting the execution of duties by Audit & Supervisory Board members.

h) Systems for Directors and employees to report to Audit & Supervisory Board members and other systems for reporting to Audit & Supervisory Board members

Audit & Supervisory Board members attend the Board of Directors meetings and other important meetings, exchange opinions with managers, review requests for decisions, reports, and so on so that they can understand the status of operations of the Company and Group companies at all times. Furthermore, the directors, employees, and so on of the Company and Group companies can report to Audit & Supervisory Board and its members regarding the following matters individually or through the Risk Management & Compliance Committee or the Board of Directors as necessary.

i. Improper implementation, violations of laws and regulations or the Articles of Incorporation, or other compliance-related issues regarding the performance of duties by Directors;

ii. Facts that pose a risk of substantial harm to the Company;

iii. Disclosure of material information; and

iv. Facts reported to internal reporting system and other matters.

Detrimental treatment of persons who make reports is prohibited in cases where a report is made by a Company Director or employee directly to an Audit & Supervisory Board member of the Company. This information is distributed throughout the Group and is clearly stated within internal reporting system.

i) Other systems to ensure that audits are conducted effectively by Audit & Supervisory Board members

In order to raise awareness and understanding of the importance and usefulness of audits by Audit & Supervisory Board members, Audit & Supervisory Board members hold periodic meetings for the exchange of opinions with the Representative Director and the outside Director. There are also systems that allow for close collaboration and mutual support among the independent auditor, Audit Office, and Audit & Supervisory Board members of affiliated companies so that Audit & Supervisory Board members can efficiently and effectively perform audit operations. When advice is sought from attorneys, certified public accountants, and other outside professionals or expenses are requested for outsourcing investigations, appraisals, or other administrative tasks so that the Audit & Supervisory Board or its members can perform audits, the Company may not refuse such requests except when the expenses relating to a request are not necessary for the performance of duties by the Audit & Supervisory Board or its members.

## 2. Basic Views on Eliminating Anti-Social Forces

### • Basic Approach to Eliminating Anti-Social Forces

The Company responds resolutely in the face of anti-social forces threatening the public order and safety, defining our firm commitment within our Basic Compliance Policy in opposition to such forces.

The NAGASE Group Compliance Conduct Standards states that (1) the Company will have no relationships with individuals or groups having a negative impact on the social order or sound corporate activities; (2) individuals involved in Company management will take the initiative and correct actions without fear of such forces; (3) the Company will act as a unified organization, without abandoning individual directors or employees, to seek the aid of police and legal authorities to reject fear, funding, or usage in response to unreasonable demands.

### • Status of Efforts to Eliminate Anti-Social Forces

The Company has established responsible departments and individuals in Tokyo, Osaka, and the Nagoya branch office. The individual responsible in the Tokyo head office participates in seminars on the prevention of unreasonable demands sponsored by the Tokyo Metropolitan Public Safety Commission.

In every region, the Company participates in groups discussing measures to deal with anti-social forces. Assigned individuals readily attend conferences and seminars, maintaining contact with local police. At the same time, these individuals gather and manage information about anti-social forces. The Company's basic trade agreements include terms regarding the elimination of anti-social forces. The Company endeavors to cancel agreements with any trading partner determined to be an anti-social force.

General affairs personnel in Tokyo, Osaka, and the Nagoya branch have access to the Manual Regarding the Prevention of Unreasonable Demands, taking the initial response in case of emergencies.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	None
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Supplementary Explanation

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### 2. Other Matters Concerning to Corporate Governance System

Updated

(1) See Attachment (1) for a diagram of the Company's corporate governance structure, including our internal controls system.

(2) Overview of Timely Disclosure Structure

The Company has established Basic Compliance Policy. In pursuit of compliance with laws, regulations, and internal regulations/rules and public disclosure to stakeholders (interested parties), the company actively and fairly discloses corporate information striving to ensure transparency.

Under this basic approach, the company has created the following structure for identifying and managing information subject to timely disclosure which functions as an internal system for providing me timely and appropriate disclosure of company information to investors.

The following describes how the Company handles each type of information.

#### ■ Information Related to Material Facts

The relevant headquarters general managers and division managers report information collected from departments and subsidiaries to the individual designated to handle such information. The individual designated to handle information coordinates with the relevant internal departments, summarizes information, and submits a report to the representative director and president.

As necessary, a report is submitted to the board of directors, after which the Corporate Planning Department (body responsible for timely disclosures) promptly issues a timely disclosure.

#### ■ Information Related to Decision-Supporting Facts

Each department or subsidiary circulates a proposal draft, based on which the Corporate Planning Department and related departments hold consultations. After a decision by the president, the board of directors makes a final approval, after which the Corporate Planning Department promptly issues a timely disclosure.

#### ■ Financial Information

Finance & Accounting Div., and Corporate Planning Departments receive financial information from each consolidated subsidiary, accepting advice and guidance from members of the Audit & Supervisory Board and outside experts as necessary to ensure the reliability of financial information received. These divisions then prepare financial reports and drafts of public announcements. After decision by the president, the board of directors makes a final approval, after which the Corporate Planning Department promptly issues a timely disclosure.

Refer to Attachment (2) for a diagram of this structure.

Attachment (1)

Corporate Governance system



