

# Corporate Governance

We think of corporate governance as a mechanism that ensures sound, efficient management to provide stakeholders with sustainable, long-term profits. Based on this idea, we strive to ensure management decisions are made promptly, and work to clarify the management responsibility and responsibility for executing operations. At the same time, we take initiatives for strengthening the management's monitoring function, compliance system, risk management system, and internal control system under our board meeting and board of corporate auditors, whose members include highly independent outside officers.

In addition, we have put into practice all of the principles stipulated in the Corporate Governance Code, which was established by the Financial Services Agency of Japan and Tokyo Stock Exchange, Inc.

## Our Corporate Governance System

### Execution and supervision of operations

By introducing a system with executive officers, we clarify the management's function of prompt decision-making and supervision and the function of executing operations, thereby strengthening both. We also strive to improve management's capabilities to develop and execute our management strategies. In addition, we have set a one-year term for each director and executive officer, thereby clarifying the management responsibility and the responsibility for executing operations.

### Board Meeting

Our board meets once a month, in principle, to resolve important management matters. It also supervises the execution of operations by directors and executive officers. We ensure that important management matters are determined through careful deliberations at the board meetings or management meetings in our efforts to eliminate or reduce business risks. In addition, the details of decisions made at the management meetings and the results of business executions based on decisions made at the board meetings, etc. are reported to the board meetings to enhance the supervising function of the board meeting.

### Internal Audit

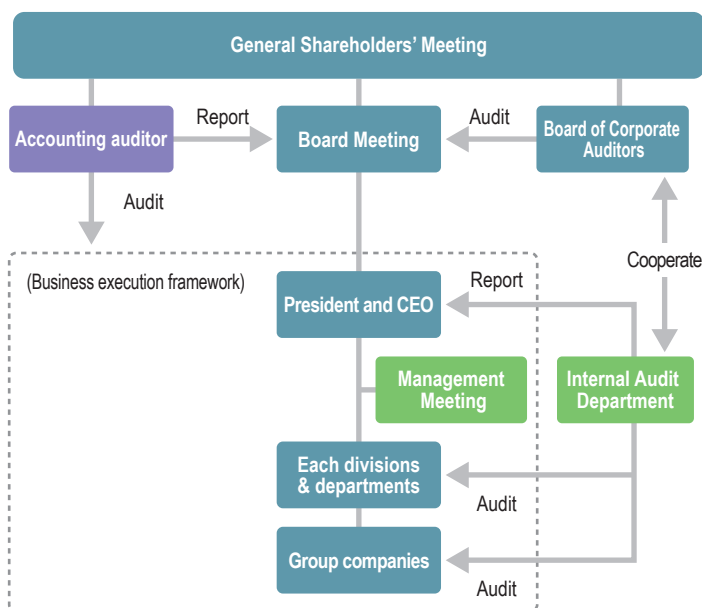
We have the Internal Audit Department, which conducts fair and independent internal audits in accordance with the Internal Auditing Regulations. Business activities are checked by the Finance & Accounting, Legal, Intellectual Property, and Environment, Safety & Quality Assurance Departments, with each applying its respective expertise.

### Audit by Corporate Auditors

Corporate auditors audit the execution of directors' operation by participating in the board meetings and other important meetings in accordance with auditing plans formulated by the board of auditors. They also ensure the appropriate level of cooperation with stakeholders.

### Accounting Audit

We have appointed the Yaesu Audit Company as our accounting auditor. They audit the company and our domestic subsidiaries at the end of each fiscal year, and during the fiscal year when necessary.



### Support for outside directors and corporate auditors

The Corporate Planning Department supports outside directors by giving them prior explanations of the contents of the agenda and other matters to be discussed at the board meeting, enabling them to give effective advice on management policies and management improvement measures and supervise the management. For outside corporate auditors, we have appointed audit assistants in response to requests from them. Audit assistants are employees who help outside corporate auditors fulfill their duties efficiently and smoothly. They serve as coordinators for holding internal audits, board of corporate auditors' meeting, and other meetings, help outside corporate auditors conduct audits, and collect and provide information to them.

## Number of Major Meetings and Attendances (FY2016)

Board Meeting	12 times	Board of Corporate Auditors' Meeting	12 times
Attendance of outside directors at board meetings	100%	Attendance of outside corporate auditors at board of auditors' meetings	100%
Attendance of outside corporate auditors at board meetings	100%		

## Policy and Procedures in the Nomination of Officer Candidates

Decisions regarding the nomination of candidates for directors and corporate auditors are made at board meetings attended by outside directors and proposed at the general shareholders' meeting. In addition, nominations of corporate auditor candidates are approved by the board of corporate auditors in advance.

	Policy	Number stipulated in the Articles of Incorporation	Current number	Number of outside officers included in the figure on the left
Directors	<p>We operate business activities globally in diverse fields, including chemicals, performance materials, agricultural chemicals, and pharmaceuticals. Accordingly, in nominating candidates for our directors, we consider the balance between knowledge, experience, capabilities, and other elements of the overall board of directors and its diversity to ensure that our directors can make decisions regarding the above business activities and supervise the execution of operations in an appropriate and flexible manner.</p> <p>&lt;Internal Directors&gt; Human resources who have expertise, knowledge and other capacities in each business field such as corporate planning, personnel, finance &amp; accounting, research and development, production technology, environment, safety &amp; quality assurance and others.</p> <p>&lt;Outside Directors&gt; Human resources who are capable of giving opinions proactively, raising questions and giving advice on growth strategies, the enhancement of governance and other issues from the viewpoints of various stakeholders and society.</p>	12	9	2(2)
Corporate Auditors	Human resources with experience and knowledge in a wide range of fields including finance & accounting who are capable of giving opinions and advice to the management from a fair and neutral standpoint, in addition to auditing the execution of operations.	5	4	3(1)

The figure in ( ) indicates the number of directors / corporate auditors designated as independent officers.

## Policy on Determination of Officers' Remuneration

The fundamental principle in the determination of officers' remuneration is to maintain a system of remuneration that is in line with management policy by ensuring that officers contribute to increasing operating performance on a continual basis over the mid- to long-term and toward increasing the overall value of the group, thereby meeting shareholder expectations. At the same time, the basic policy is to set remuneration at an appropriate level, taking into account such factors as the management environment, operating performance and consistency with the treatment of employees.

The remunerations of individual directors are determined within the total amount determined by resolution of the general shareholders' meeting at the board meeting attended by outside directors as well. The remunerations of individual corporate auditors are determined through discussions by the corporate auditors.

## Analysis and Evaluation of the Effectiveness of the Overall Board of Directors (Effectiveness Evaluation)

Every year, we conduct a questionnaire survey of all of our directors to see whether the board of directors is fulfilling its roles and duties. Based on the responses to the questionnaire, we undertake an analysis and evaluation at an opinion exchange meeting (of all independent officers, the president, the vice president and head of the Corporate Planning Department). The contents of the analysis and evaluation are deliberated and confirmed at the board meeting.

As a result of the effectiveness evaluation in FY2016, it was judged that the overall operation of the board of directors of the company is mostly appropriate and its effectiveness is secured from the viewpoint of whether it is fulfilling its major roles and duties. However, it was determined that, to aim for further improvement in the following points, the level of achievement of each of them will be checked and improvement measures will be taken as necessary from the next fiscal year onward.

### Major improvements to be undertaken in the future

- Creating a system that will allow directors, including outside directors, to hold discussions and exchange opinions in an even more unrestricted manner
- Undertaking thorough deliberations regarding preparations for risks and negative aspects
- Recruitment of women and external human resources with extensive experience in business administration

The major roles and duties of the board of directors are described in our corporate governance report.

[http://www.nissanchem.co.jp/eng/profile/corporate\\_governance.pdf](http://www.nissanchem.co.jp/eng/profile/corporate_governance.pdf)