

Promotion of CSR

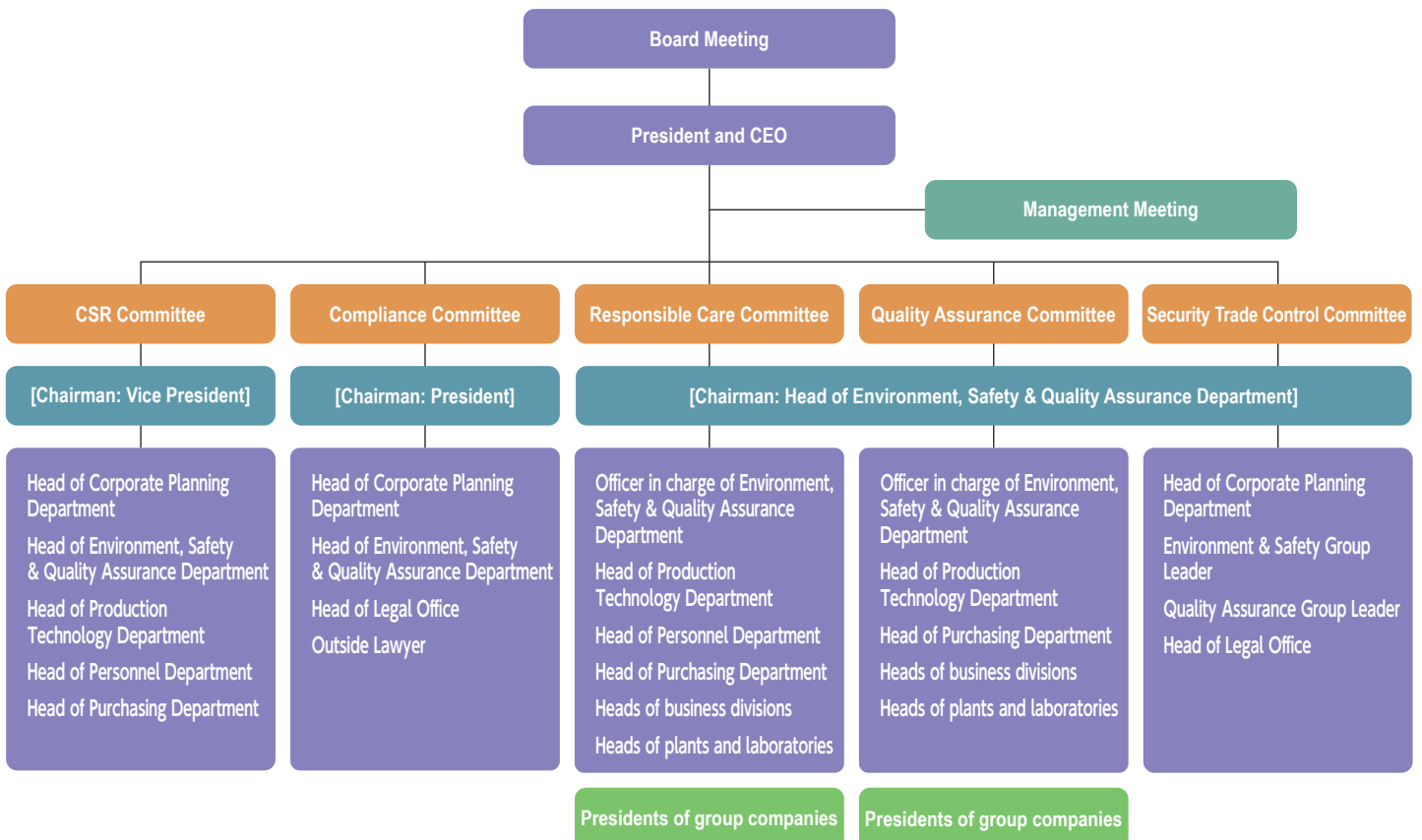
Our group considers that the corporate philosophy “We contribute to society in harmony with the environment, based on our excellent technologies, products and services” is the basis of our business activities. We reviewed our CSR promotion system and established the CSR Committee in April this year to enhance our CSR activities. The activities of this committee include the development of mid- and long-term plans and annual plans related to CSR, and the evaluation of the results of the activities. The committee reports its activities to board meetings twice a year.

At the same time, we established the “CSR & Public Relations Office” under the Corporate Planning Department. The missions of this new office are “to draw up CSR strategies in response to social trends, to raise awareness of CSR internally, and to send relevant information”. This office will provide internal and external stakeholders with information about the company, including the contents of our CSR activities, in an appropriate manner.

Basic CSR Policy

- (1) Conduct sensible business activities as a member of the international community in compliance with laws and regulations.
- (2) Enhance corporate value by providing safe and useful products and services.
- (3) Strive to achieve no-accidents & no-disasters and protect the global environment.
- (4) Disclose information appropriately with a focus on communication with stakeholders.
- (5) Create a cheerful and pleasant workplace by respecting the individuality and personalities of employees.
- (6) Conduct ourselves as good corporate citizens and decent members of society.

CSR Promotion System



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

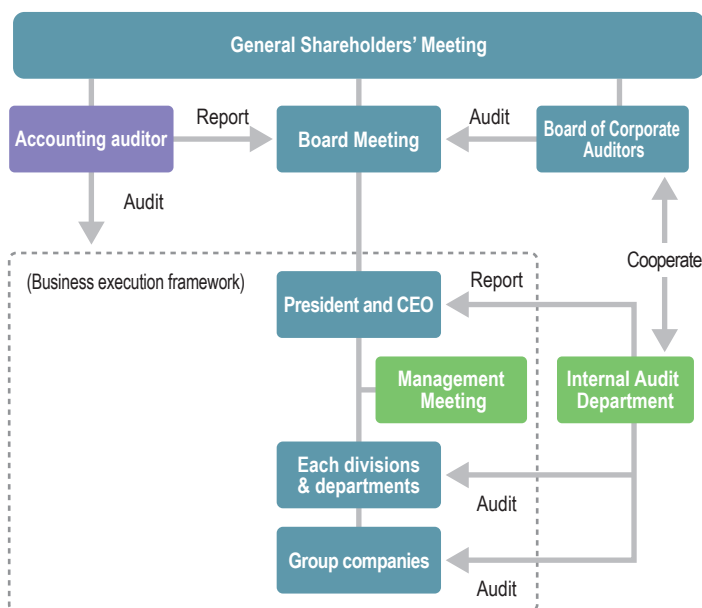
We have the Internal Audit Department, which conducts fair and independent internal audits in accordance with the Internal Auditing Regulations. Business activities are checked by the Finance & Accounting, Legal, Intellectual Property, and Environment, Safety & Quality Assurance Departments, with each 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><Internal Directors> Human resources who have expertise, knowledge and other capacities in each business field such as corporate planning, personnel, finance & accounting, research and development, production technology, environment, safety & quality assurance and others.</p> <p><Outside Directors> 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

Compliance

Regarding compliance with legislation and social norms to be a prerequisite for our continued survival and development as a company, we have established a “Compliance Committee” as the organization for actively promoting, maintaining and improving compliance throughout the entire group. The committee is chaired by the president and consists of members that include outside specialists.

The Compliance Committee specifies the matters to be observed by the Group’s employees, revises guidelines and creates manuals. It also receives reports from each division / department chief, plant / laboratory chief, related committees and presidents of subsidiaries. In addition, it periodically audits the state of compliance and provides recommendations for improvements when necessary. The committee also holds explanatory sessions on various laws and regulations and compliance, with the secretariat playing the leading role, in its efforts to ensure compliance with laws and regulations.

Matters to be Observed Stipulated in the Compliance Manual

We have specified the matters to be observed from various points of view, including the prevention of corruption.

Restrictions on acts of endowment and political donations

- (1) Political donations and donations to various organizations must be made by observing the relevant laws and regulations, such as the Public Offices Election Act and the Political Funds Control Act, and by following the proper methods.
- (2) Prior approval must be obtained by following internal rules before donating money or making any other donation.
- (3) Sound, transparent relationships with politicians and the government must be created by refraining strictly from actions that may lead to the misunderstanding that we have cozy relationships with them, not to mention bribery, payoffs, and illegal political donations.

Prohibition of excessive entertainment and gift-giving

- (1) Entertainment and gift-giving for public officials or quasi-public officials that contravene the regulations under the National Public Service Ethics Act, etc. are prohibited.
- (2) Entertainment and gifts to business partners must be given within the bounds of common sense of the general public.
- (3) Response to entertainment or a gift offered by our client or business partner, etc. must not be made before consulting our superiors when the entertainment or the gift is suspected to be beyond the bounds of common sense of the general public.

Prohibition of bribery of foreign public officials

It is prohibited to provide foreign public officials, etc. with money or any other favors to gain illegal profits in the course of business or in return for favors provided by them in business, either directly or via a third party such as a consultant. It is also prohibited to promise or offer to provide such favors.

Matters to be observed that are stipulated in the compliance manual are described at <http://www.nissanchem.co.jp/eng/profile/compliance.html>

Measures for Promoting Compliance (FY2016)

Internal training (explanatory sessions): Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, Insider Trading Regulations, General Data Protection Regulations

Response to Guidelines for the Prevention of Bribery of Foreign Public Officials: Internal notification of the law, revision to the compliance manual

Response to the revised Act on the Protection of Personal Information: Revision to the Regulations for Information Management

Consultation Hotline

We have a system that permits direct whistleblowing to the Compliance Committee.

When an employee discovers a compliance violation or potential compliance violation, they shall address the problem in normal operations, in principle, through measures that include reporting the matter to their superior. However, if they think it is difficult to address the problem promptly and effectively, they can use the hotline to prevent compliance

violations or resolve the problem early on. Whistleblowers can remain anonymous and if they state their name, we make sure that they are not disadvantaged by the use of the hotline.

In FY2016, there were no cases of whistleblowing. We inform employees of the system via our in-house newsletter.

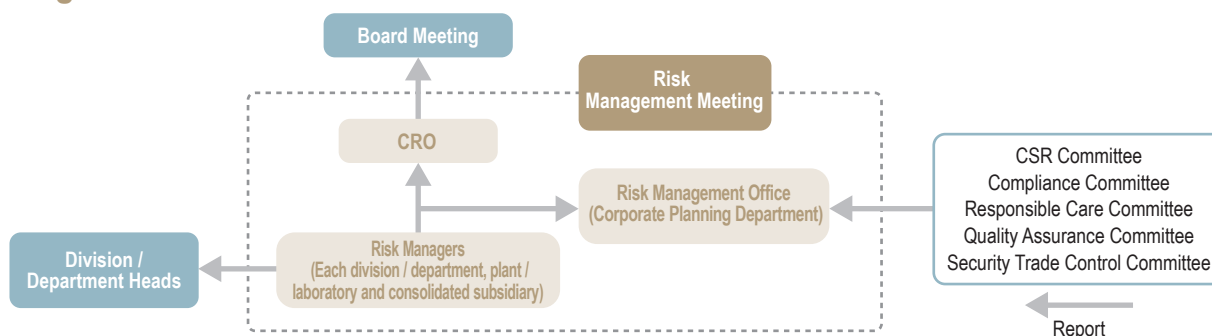
Consultation Hotline Reports (Number)	FY2012	FY2013	FY2014	FY2015	FY2016
	0	2	1	1	0

Risk Management

We have established risk management guidelines with basic rules on risk management to prevent the emergence of various risks to the Group that could affect the achievement of the following items, and minimize the damage and impact of these risks should they arise.

1. Ensuring the safety of human resources	3. Sound maintenance of assets	5. Optimizing business opportunities and opportunities to make achievements and avoiding the loss of these opportunities
2. Surviving as a company	4. Maintaining trust of stakeholders	6. Ensuring compliance and pursuing efficiency, accuracy and effectiveness in the execution of operations

Risk Management Framework



We appoint risk managers to divisions, departments, plants, laboratories and group companies under the overall control of the Chief Risk Management Officer (CRO) appointed by the board of directors. We run the Risk Management Meeting with the Corporate Planning Department serving as the Risk Management Office.

At the Risk Management Meeting, we cooperate with specialized committees in identifying and assessing risks in individual organizations, examining the status of the implementation of countermeasures, strengthening systems for handling crises and emergencies, and formulating a business continuity plan (BCP). In addition, we share the risk management information of the entire group through the annual plan, the annual review of risk management activities and reports from all organizations. The status of risk management is reported regularly to the board meeting via CRO.

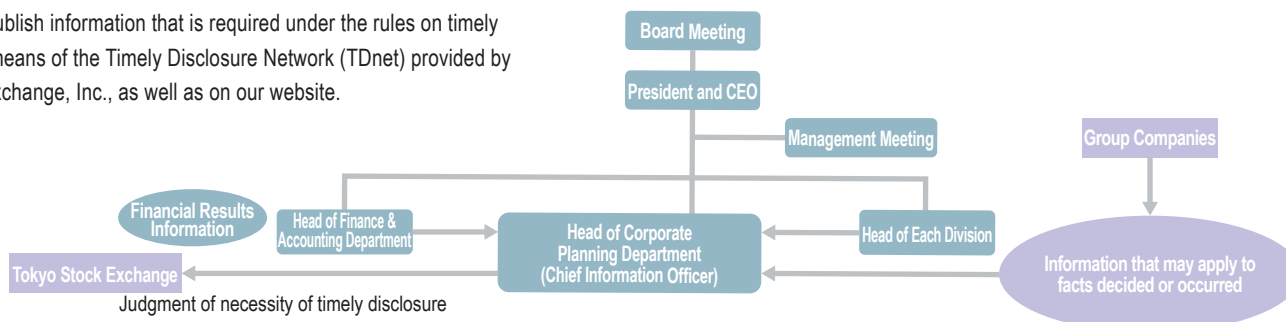
Major Initiatives in FY2016

- Checking the status of BCPs of important businesses and reviewing them
- Strengthening overseas risk management
- Provision of training on initial response by the emergency headquarters of the head office, and training on safety confirmation

Information Disclosure

Timely Disclosure System

We promptly publish information that is required under the rules on timely disclosure by means of the Timely Disclosure Network (TDnet) provided by Tokyo Stock Exchange, Inc., as well as on our website.



Environmental Reporting Platform Development Pilot Project

As a measure for disclosing environmental, social and governance (ESG) information, which has been increasingly demanded by institutional investors in recent years, we disclose information by participating in the "Environmental Reporting Platform Development Pilot Project", which is led by the Ministry of the Environment of Japan.

Value Chain

Supply Chain Management

We have established a policy on the procurement of raw materials and materials. We work on priority topics of CSR together with our business partners in our efforts to fulfill our corporate social responsibility.

Before outsourcing an operation such as the manufacture of important raw materials, intermediates and products, we ask the potential contractor to answer a questionnaire on CSR. We give priority to companies which fulfill our standards when selecting business partners. We also conduct on-site audits of suppliers in Japan and overseas to check their initiatives for CSR activities in detail, with a particular focus on their activities related to the environment, health and safety (EHS) in our efforts to promote supply chain management. In addition, we have made it our policy not to use conflict minerals and raw materials containing such minerals related to inhumane armed groups in the Democratic Republic of the Congo and surrounding countries.

Purchase Policy

We procure and purchase raw materials and materials in accordance with our Basic CSR Policy.

1. Compliance with laws, regulations, and social norms

We promote sound procurement and purchase activities by observing all relevant laws, regulations, social norms, and internal regulations, as well as corporate ethics.

2. Fair, equitable, transparent trades

We continue to create opportunities for business with new suppliers, without adhering to past purchases or the corporate group, thereby ensuring fair, equitable, transparent trades.

3. Procurement and purchase based on economic rationality

We undertake procurement and purchase that are optimal for us based on a comprehensive evaluation of quality, price, stable supply, technology development capabilities, stable management and other factors.

4. Consideration for the global environment

To achieve a sustainable society, we strive to remain conscious of the protection of the global environment in our procurement and purchase activities.

5. Establishment of partnership

Based on our fundamental recognition that all of our business partners are essential for executing businesses, we establish relationships of mutual trust with them in our efforts to achieve further development. We will also work on the following themes with our business partners in our efforts to fulfill our corporate social responsibility.

- 1) Compliance with laws, regulations, social norms and corporate ethics
- 2) Ensure safety and protecting the environment
- 3) Respect human rights and giving consideration to the work environment

Disclosure of Product SDS

To ensure our chemical products are used safely, we provide customers with Safety Data Sheets (SDSs) of all products. Customers and users can download the SDSs for all agrochemicals from our website. Our employees can obtain product information, including information about their risks and hazards, laws and regulations, transportation, storage and methods of disposal, from our internal SDS database.

Disclosure of GPS Safety Summaries

We participate in the Global Product Strategy (GPS) / Japan Initiative of Product Stewardship (JIPS) activities that are promoted by the International Council of Chemical Associations (ICCA) and the Japan Chemical Industry Association (JCIA). We assess the risk of chemical products, manage them properly, compile their safety information in the GPS Safety Summary and make it available to the public. The disclosure of this information helps to minimize the risks of chemical substances throughout the entire value chain.