

# Corporate Governance

## Newly-appointed Officers

\* Officers appointed during the 151st General Meeting of Shareholders held on June 25, 2021.



### ① KINOSHITA Kojiro (Representative Director, Chairman & CEO)

1977 Joined the Company  
 2002 Director, Head of Corporate Planning Department  
 2006 Managing Director, Head of Corporate Planning Department  
 2008 Representative Director, President & CEO  
 2021 Representative Director, Chairman & CEO (to the present)

### Reason for appointment

Mr. KINOSHITA served as General Manager of the Business Strategy Department, Chemicals General Headquarters and also as Head of the Corporate Planning Department. In addition, as President & CEO of the Company since June 2008, and as Chairman & CEO since April 2021, he has been promoting strategies to enhance the corporate value of the Company Group. Considering his wide-ranging experience, achievements, and insights, the Company judges that Mr. KINOSHITA is qualified to be a director that performs decision-making on business operations and oversees the execution of duties by directors.



### ② YAGI Shinsuke (Representative Director, President & COO)

1985 Joined the Company  
 2013 Deputy Plant Manager of Onoda Plant  
 2016 Executive Officer, Plant Manager of Sodegaura Plant  
 2018 Managing Executive Officer, Head of Production Technology Department  
 2020 Senior Managing Executive Officer, Head of Production Technology Department  
 Director, Senior Managing Executive Officer, Head of Production Technology Department  
 2021 Representative Director, President & COO (to the present)

### Reason for appointment

Mr. YAGI has been engaged in production technology for many years, and served as the Deputy Plant Manager of the Onoda Plant and the Plant Manager of the Sodegaura Plant. He has been contributing to the improvement of production systems for the Company Group's products and to their stable supply. In addition, as President & COO of the Company since April 2021, he has been promoting strategies to enhance the corporate value of the Company Group. Considering his wide-ranging experience, achievements, and insights, the Company judges that Mr. YAGI is qualified to be a director that performs decision-making on business operations and oversees the execution of duties by directors.



### ③ MIYAZAKI Junichi (Director, Senior Executive Vice President)

1974 Joined the Industrial Bank of Japan, Limited (current Mizuho Bank, Ltd.)  
 2000 General Manager of International Department of The Industrial Bank of Japan, Limited (current Mizuho Bank, Ltd.)  
 2003 Corporate Auditor of Mizuho Corporate Bank, Ltd. (current Mizuho Bank, Ltd.)  
 2005 Managing Executive Officer of Kowa Real Estate Co., Ltd. (current Nippon Steel Kowa Real Estate Co., Ltd.)  
 Managing Director of Kowa Real Estate Co., Ltd. (current Nippon Steel Kowa Real Estate Co., Ltd.)  
 2006 Joined the Company, Advisor  
 Director  
 2007 Director, Head of Corporate Administration Department  
 2008 Managing Director, Head of Corporate Administration Department  
 2011 Senior Managing Director, Head of Finance & Accounting Department  
 2013 Director, Senior Executive Vice President (to the present)

### Reason for appointment

Mr. MIYAZAKI has striven to improve the financial structure of the Company and contributed to the Company Group's growth from a variety of perspectives as the person in charge of Corporate Strategy & Coordination since his assumption of office as director in June 2006, utilizing his wide-ranging knowledge cultivated through his experience in financial institutions. Considering his wide-ranging experience, overseas experience, achievements, and insights, the Company judges that Mr. MIYAZAKI is qualified to be a director that performs decision-making on business operations and oversees the execution of duties by directors.



④ **HONDA Takashi** (Director, Senior Managing Executive Officer)

- 1981 Joined the Company
- 2012 General Manager of Planning & Development Department, Agricultural Chemicals Division
- 2014 Executive Officer, Deputy Head of Agricultural Chemicals Division, General Manager of Planning & Development Department
- 2017 Managing Executive Officer, Head of Agricultural Chemicals Division  
 Director, Managing Executive Officer, Head of Agricultural Chemicals Division
- 2021 Director, Senior Managing Executive Officer, Head of Agricultural Chemicals Division (to the present)

Reason for appointment

Mr. HONDA has been engaged in the agricultural chemicals business focused on development of agricultural chemicals and licensing for many years. As the General Manager of the Planning & Development Department since June 2012, and as Head of the Agricultural Chemicals Division since April 2017, he has been managing the agricultural chemicals business. The Company judges that Mr. HONDA is qualified to be a director that performs decision-making on business operations and oversees the execution of duties by directors.



⑤ **SUZUKI Hitoshi** (Director, Managing Executive Officer)

- 1985 Joined the Company
- 2007 General Manager of Semiconductor Materials Department, Electronic Materials Division
- 2010 General Manager of Semiconductor Materials Research Department, Electronic Materials Research Laboratories
- 2012 General Manager of Semiconductor Materials Department, Performance Materials Division
- 2013 Deputy Head of Performance Materials Division  
 Director, Deputy Head of Performance Materials Division
- 2014 Executive Officer, Deputy Head of Performance Materials Division
- 2016 Executive Officer, Head of Materials Research Laboratories
- 2018 Managing Executive Officer, Head of Performance Materials Division  
 Director, Managing Executive Officer, Head of Performance Materials Division
- 2020 Director, Managing Executive Officer, Head of Planning and Development Division (to the present)

Reason for appointment

Mr. SUZUKI has been engaged in research of electronic materials centering on semiconductor materials for many years. He served as the Head of the Materials Research Laboratories and Head of the Performance Materials Division, and he has undertaken tasks related to the creation of new materials and businesses, which is the driving force for the Company Group's growth as Head of Planning and Development Division since April 2020. Therefore, the Company judges that Mr. SUZUKI is qualified to be a director that performs decision-making on business operations and oversees the execution of duties by directors.



⑥ **YOSHIDA Hironori** (Director, Managing Executive Officer) New

- 1985 Joined the Company
- 2011 Deputy Head of Finance & Accounting Department
- 2013 Head of Finance & Accounting Department
- 2015 Executive Officer, Head of Finance & Accounting Department
- 2019 Executive Officer, Head of Personnel Department
- 2020 Managing Executive Officer, Head of Personnel Department
- 2021 Managing Executive Officer, Head of Corporate Planning Department  
 Director, Managing Executive Officer, Head of Corporate Planning Department (to the present)

Reason for appointment

Mr. YOSHIDA has extensive expertise in the Company's operations based on many years of experience in the Corporate Strategy & Coordination. After serving as Head of Finance & Accounting Department and Head of Personnel Department, he has been focusing on understanding the status of the business operations of the entire Company and achieving the goals of the Company Group as a whole as Head of Corporate Planning Department since April 2021. The Company judges that Mr. YOSHIDA is qualified to be a director that performs decision-making on business operations and oversees the execution of duties by directors.

**⑦ OHE Tadashi (Director)****Outside**

- 1969 Qualified for attorney-at-law
- 1989 Instructor for the Legal Training and Research Institute of Japan (court representation in civil proceedings)
- 1994 Outside Corporate Auditor of Canon Inc.
- 2004 Outside Corporate Auditor of Marui Group Co., Ltd.
- 2006 Outside Corporate Auditor of Kao Corporation
- 2011 Outside Director of JECCO Co., Ltd.
- 2015 Outside Director of the Company (to the present)

**Reason for appointment**

We believe that Mr. OHE has reflected his extensive experience, including his experience of outside director at several companies and expertise as attorney-at-law in our corporate management with objective and neutral standing-point, and will continue to fulfill the duties appropriately. In addition, the Company intends for him to contribute to the selection of candidates for the Company's directors and the determination of director compensation, etc., from an independent standpoint as a member of the Nomination and Remuneration Advisory Committee.

**⑧ OBAYASHI Hidehito (Director)****Outside**

- 1969 Joined Hitachi, Ltd.
- 2001 Director of Hitachi High-Technologies Corporation (current Hitachi High-Tech Corporation)
- 2003 Vice President and Executive Officer of Hitachi High-Technologies Corporation
- 2006 Representative Executive Officer, Senior Vice President and Executive Officer of Hitachi High-Technologies Corporation
- 2007 Director, Representative Executive Officer, President and Chief Executive Officer of Hitachi High-Technologies Corporation
- 2011 Chairman of the Board of Hitachi High-Technologies Corporation
- 2013 Consultant of Hitachi High-Technologies Corporation
- 2015 Honorary Consultant of Hitachi High-Technologies Corporation (to the present)
- 2019 Outside Director of the Company (to the present)

**Reason for appointment**

After having served as director of Hitachi High-Tech Corporation, Mr. OBAYASHI serves as Honorary Consultant for the same company. As an executive of a corporate group that develops a variety of businesses globally, we believe that his extensive experience and broad insight can be reflected in our corporate management from an external perspective from an objective and neutral standing-point. In addition, the Company intends for him to contribute to the selection of candidates for the Company's directors and the determination of director compensation, etc., from an independent standpoint as a member of the Nomination and Remuneration Advisory Committee.

**⑨ KATAOKA Kazunori (Director)****Outside**

- 1979 Assistant Professor of Institute of Biomedical Engineering at Tokyo Women's Medical University
- 1988 Associate Professor of Institute of Biomedical Engineering at Tokyo Women's Medical University
- 1994 Professor of Faculty of Industrial Science and Technology at Tokyo University of Science
- 1998 Professor of Graduate School of Engineering at The University of Tokyo
- 2004 Professor of Graduate School of Medicine at The University of Tokyo
- 2015 Director General of Innovation Center of NanoMedicine, Kawasaki Institute of Industrial Promotion (to the present)
- 2016 Project Professor at The University of Tokyo  
Professor Emeritus at The University of Tokyo (to the present)  
Deputy Chairman of Kawasaki Institute of Industrial Promotion (to the present)
- 2020 Outside Director of the Company (to the present)  
Outside Director of NanoCarrier Co., Ltd. (to the present)

**Reason for appointment**

Mr. KATAOKA has been engaged in research involving the application of nanotechnologies in the fields of biomedical and biomaterial engineering for many years and is currently serving as the Director General of Innovation Center of NanoMedicine, Kawasaki Institute of Industrial Promotion. We believe that his expertise as doctor of engineering, abundant experience, and wide-ranging knowledge can be reflected in our corporate management from an external perspective from an objective and neutral standing-point. In addition, the Company intends for him to contribute to the selection of candidates for the Company's directors and the determination of director compensation, etc., from an independent standpoint as a member of the Nomination and Remuneration Advisory Committee.

**⑩ NAKAGAWA Miyuki (Director)****New Outside**

- 1990 Prosecutor, Tokyo District Public Prosecutors Office
- 2008 Counsellor, Judicial System Department, Minister's Secretariat, Ministry of Justice
- 2011 Counsellor, Cabinet Secretariat, Assistant Chief Cabinet Secretary Office
- 2013 Prosecutor, Tokyo High Public Prosecutors Office  
General Manager of General Administration Department, Saitama District Public Prosecutors Office
- 2015 Specially Appointed Professor and Public Prosecutor, Chuo Law School, Chuo University
- 2019 Retired as Prosecutor  
Qualified for attorney-at-law  
Professor, Chuo Law School, Chuo University (to the present)  
Outside Director of NITTO KOGYO CORPORATION (to the present)
- 2021 Outside Director of the Company (to the present)  
Outside Audit & Supervisory Board Member of FANCL CORPORATION (to the present)

**Reason for appointment**

Ms. NAKAGAWA worked for many years as a prosecutor in the Tokyo District Public Prosecutors Office and the Tokyo High Public Prosecutors Office and she has abundant practical experience in legal circles. We believe that her legal expertise, abundant experience, and wide-ranging knowledge can be reflected in our corporate management from an objective and neutral standing-point. In addition, the Company intends for her to contribute to the selection of candidates for the Company's directors and the determination of director compensation, etc., from an independent standpoint as a member of the Nomination and Remuneration Advisory Committee.



⑪ **SUZUKI Norihiro** (Audit & Supervisory Board Member) **Outside**

- 1983 Joined the Norinchukin Bank
- 2003 General Manager of Naha Branch
- 2008 General Manager of Cooperative Finance & Administration (Kanto Area) Div.
- 2010 Seconded to Eiraku Co., Ltd. as President (current Norinchukin Facilities Co., Ltd.)
- 2012 Managing Director of The Norinchukin Bank
- 2014 Director of Nochu Business Support Co., Ltd., and Director of Nochu Information System Co., Ltd.
- 2016 Outside Audit & Supervisory Board Member of the Company (to the present)

Reason for appointment

Mr. SUZUKI has a wide range of knowledge, including extensive experience and finance expertise those are cultivated through many years of business at financial institutions. We believe that he has reflected his knowledge in our corporate audit with objective and neutral standing-point, and will continue to fulfill the duties appropriately.



⑫ **TAKEMOTO Shuichi** (Audit & Supervisory Board Member) **Outside**

- 1982 Joined the Fuji Bank, Limited (current Mizuho Bank, Ltd.)
- 2002 Deputy General Manager, IT & Systems Control Department of Mizuho Bank, Ltd.
- 2004 General Manager, Human Resources Division of Mizuho Information & Research Institute, Inc. (current Mizuho Research & Technologies, Ltd.)
- 2008 General Manager, Fukuoka Branch of Mizuho Bank, Ltd.
- 2009 General Manager, IT & Systems Planning Department of Mizuho Trust & Banking Co., Ltd.
- 2010 Executive Officer, IT & Systems Planning Department of Mizuho Trust & Banking Co., Ltd.
- 2011 Managing Executive Officer of Mizuho Trust & Banking Co., Ltd.
- 2013 Managing Executive Officer of Mizuho Trust & Banking Co., Ltd., and Managing Executive Officer of Mizuho Financial Group, Inc.
- 2014 Deputy President of Mizuho Private Wealth Management Co., Ltd.
- 2017 Advisor of Mizuho Trust & Banking Co., Ltd.  
 Outside Audit & Supervisory Board Member of the Company (to the present)

Reason for appointment

Mr. TAKEMOTO has a wide range of knowledge, including extensive experience and finance expertise those are cultivated through many years of business at financial institutions. We believe that he has reflected his knowledge in our corporate audit with objective and neutral standing-point, and will continue to fulfill the duties appropriately.



⑬ **ONITSUKA Hiroshi** (Audit & Supervisory Board Member)

- 1981 Joined the Company
- 2001 General Manager of Toxicology & Environmental Science Department, Biological Research Laboratories
- 2007 General Manager of Analysis Research Department, Chemical Research Laboratories
- 2011 Head of Biological Research Laboratories
- 2013 Director, Head of Biological Research Laboratories
- 2014 Director, Executive Officer, Head of Research Planning Department  
 Executive Officer, Head of Research Planning Department
- 2016 Executive Officer, Head of Chemical Research Laboratories
- 2019 Audit & Supervisory Board Member (to the present)

Reason for appointment

Mr. ONITSUKA has been engaged in research centering on agricultural chemicals for many years. From June 2011, he served as Head of Biological Research Laboratories and Head of Chemical Research Laboratories from April 2016. In those roles, he contributed to the continued growth of the Nissan Chemical Group, particularly in Life Sciences. Considering his wide-ranging experience and professional-level insights, the Company judges that Mr. ONITSUKA is qualified to be an Audit & Supervisory Board member that oversees the proper execution of duties by directors.



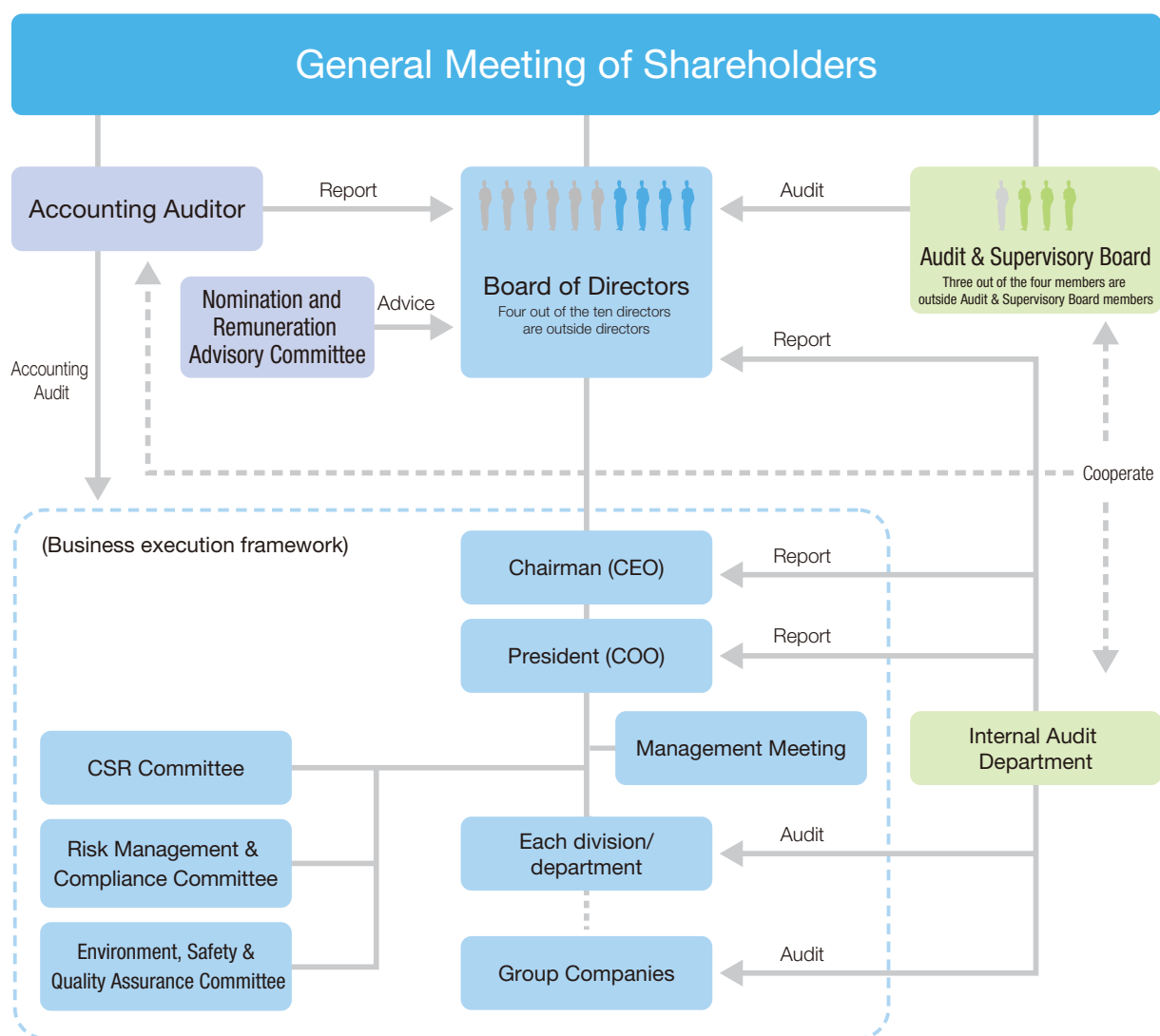
⑭ **KATAYAMA Noriyuki** (Audit & Supervisory Board Member) **Outside**

- 1990 Qualified for attorney-at-law, Joined Nagashima & Ohno (current Nagashima Ohno & Tsunematsu)
- 1996 Qualified for attorney-at-law in New York State, USA  
 Joined Tokyo City Law & Tax Partners
- 2003 Joined City-Yuwa Partners (to the present)
- 2004 Statutory Auditor of Deutsche Asset Management (Japan) Limited (to the present)
- 2014 Outside Audit & Supervisory Board Member of the Company (to the present)
- 2017 Supervisory Director of HEWA REAL ESTATE REIT, Inc. (to the present)
- 2018 Outside Director of Nippon Denka, Ltd. (to the present)
- 2019 Outside Corporate Auditor of Livesense Inc. (to the present)
- 2021 Outside Statutory Auditor of Aida Engineering, Ltd. (to the present)

Reason for appointment

Mr. KATAYAMA has an extensive experience including the experience of outside director/auditor at several companies and expertise as attorney-at-law. We believe that he has reflected his knowledge in our corporate audit and will continue to fulfill the duties appropriately.

## Corporate Governance System



\* Numbers pertain to officers appointed during the 151st General Meeting of Shareholders held on June 25, 2021.

### 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 of Directors

Our Board of Directors members meet monthly 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 of Directors 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 of Directors meetings, etc. are reported to the Board of Directors to enhance the supervising function of the Board of Directors meeting. We further strive to ensure and improve effectiveness in execution of roles and responsibilities of the Board of Directors by conducting the effectiveness evaluation on the overall Board of Directors every year.

### Audit & Supervisory Board

We have established the Audit & Supervisory Board. In accordance with auditing plans formulated by the Audit & Supervisory Board with a majority that consists of independent outside members, the Audit & Supervisory Board members audit the execution of directors' operation by participating in the Board of Directors meetings and other important meetings, and by regularly visiting each division/department of the Head Office and plant/laboratory to exchange opinions.

### Nomination and Remuneration Advisory Committee

We established under the Board of Directors a Nomination and Remuneration Advisory Committee mostly consisting of independent outside directors for the purpose of strengthening the Board of Directors' independence, objectivity, and accountability in relation to matters such as the nomination and remuneration of directors and further strengthening corporate governance. The Nomination and Remuneration Advisory Committee convened four times in FY2020. It deliberated matters, such as appointment of candidates as directors and Audit & Supervisory Board members and management executives, succession plans for management executives, and remuneration for directors in response to consultation from the Board of Directors, and reported the content of their deliberations to the Board of Directors.

### Accounting Audit

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

### Internal Audit

We have the Internal Audit Department, which conducts fair and independent internal audits of our Group. The results of internal audits are reported to the Representative Director, President & COO, managing executive officers, and the Board of Directors. In addition, the department shares information with the accounting auditors and Audit & Supervisory Board, and collaborates with them by mainly exchanging opinions.

### Support for Outside Directors and Outside Audit & Supervisory Board Members

The Corporate Planning Department supports outside directors by providing them with explanations of the contents of the agenda and other matters to be discussed at the Board of Directors meetings in advance and also provides management information necessary for growth strategies, enhancement of governance, etc. For outside Audit & Supervisory Board members, we have appointed audit assistants from our employees to respond to the requests from them. To enable Audit & Supervisory Board to fulfill their duties efficiently and smoothly, the audit assistants serve as coordinators for holding hearings pertaining to divisions, etc., Audit & Supervisory Board meetings and other meetings, help conduct audits, and collect information.

### Governance Structure\*

Indicator	Scope of reporting	Unit	FY2017	FY2018	FY2019	FY2020
Directors	Inside directors	People	7	6	6	6
	Outside directors (Independent)	People	2 (2)	2 (2)	3 (3)	3 (3)
	Total	People	9	8	9	9
Ratio of independent outside directors (Actual)		%	22	25	33	33
Ratio of independent outside directors (Target)		%	—	33	33	33
Ratio of female directors		%	0	0	0	0
Number of executive directors		People	7	6	6	6
Average terms of positions held		Years	5.1	6.5	6.7	5.2
Board of Directors meetings		Times	12	12	12	11
Attendance of directors at Board of Directors meetings		%	99.1	100	99.0	96.0
Attendance of Audit & Supervisory Board members at Board of Directors meetings		%	100	97.9	100	100

\* Data is as of after the General Meeting of Shareholders held in June of each year.

## Policy and Procedures in the Nomination of Officer Candidates

Proposal of nomination of director and Audit & Supervisory Board member candidates are explained in advance to independent outside directors. After receiving proper guidance from them, the proposal is finalized by the Board of Directors through deliberation/reporting by the Nomination and Remuneration Advisory Committee and submit to the General Meeting of Shareholders. In addition, nominations of Audit & Supervisory Board member candidates are approved by the Audit & Supervisory Board in advance.

### Nominate Policy

	Policy
Directors	<p>We operate business activities globally in diverse fields, including chemicals, performance materials, agricultural chemicals, and pharmaceuticals. 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 business activities in diverse fields, and supervise the execution of operations in an appropriate and flexible manner. The candidates to be nominated shall also be physically and mentally healthy, have excellent personalities and aspirations, and have a high level of insight and ethics.</p> <p>&lt;Inside 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>
Audit & Supervisory Board Members	Human resources with experience and knowledge in a wide range of fields including finance, accounting, and law who are capable of giving opinions and advice to the management from a fair and neutral standing-point, in addition to auditing the execution of operations.

## Officers' Remuneration

The fundamental principle in directors' remuneration is to maintain its system that is in line with management policy by ensuring that directors 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 (Policies on determining remuneration of Directors) 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 remuneration system for directors consists of

monetary remuneration and performance-linked stock compensation, of which monetary remuneration is divided into base remuneration and performance remuneration that is determined taking into account the fluctuation of employee bonuses, etc. Outside directors are not eligible for performance-linked stock compensation and their monetary remuneration consists only of base remuneration for perspective of their roles and independence.

Regarding performance-linked stock compensation, we have adopted in FY2019, with the aim of increasing awareness about improving earning over the mid- to long-term and contributing to enhancing corporate value by clarifying the link between the Company's performance and its stock price, and by having directors share with the shareholders not only the benefits of increases in the stock price, but also the risk of decreases in the stock price.

Excluding performance-linked stock compensation, the remunerations of individual directors are determined at the Board of Directors meeting after deliberations of the Nomination and Remuneration Advisory Committee mostly consisting of independent outside directors as well as within the total amount determined by resolution of the General Meeting of Shareholders. The remunerations of individual Audit & Supervisory Board members are determined through discussions among Audit & Supervisory Board members.

### Overview of Performance-linked Stock Compensation Plan

The Company grants its directors points based on its net income attributable to owners of the parent (year-on-year rate of change and average rate of change over the last three years), EBITDA (year-on-year rate of change), ROE (actual results for the current fiscal year), and comparison of rates of year-on-year volatility with respect to the Company's stock price and TOPIX. Each fiscal year, the Company determines whether the points are to be granted or not and the number of points to be granted. Upon their retirement, directors are to be paid performance-linked stock compensation equivalent to their accumulated points. (For details on how to calculate performance-linked stock compensation plan amounts, etc., please refer to P43 "Compensation, etc. for Officers" of the 151st Securities Report.)

### Performance Evaluation Coefficient

$$\begin{aligned}
 & (\text{Short-term net income attributable to owners of the parent coefficient} \times 10\%) \\
 & + (\text{Mid-to-long term net income attributable to owners of the parent coefficient} \times 20\%) \\
 & + (\text{EBITDA coefficient} \times 30\%) + (\text{ROE coefficient} \times 30\%) \\
 & + (\text{the Company stock price and TOPIX year-on-year volatility comparison coefficient} \times 10\%)
 \end{aligned}$$

If a director subject to performance-linked remuneration is dismissed through the General Meeting of Shareholders or Board of Directors meeting during the period until retirement (excluding dismissal when the director concerned is appointed as an Audit & Supervisory Board member), commits any illegal act during tenure and retires, commits any inappropriate act that causes damage to the Company during tenure, or if the director is found to have violated laws, regulations, articles of incorporation, or internal rules, etc., the director will be unable to acquire the right to

receive performance-linked stock compensation.

## Effectiveness Evaluation of Boards

Nissan Chemical believes that the primary roles and responsibilities of the Company's Board of Directors are defined as: (1) establishing a strategy for achieving sustainable growth and increase in corporate value over the mid- to long-term, and facilitating the execution of the foregoing; (2) establishing an environment that supports risk-taking by the management, including the internal control system and the risk management system; (3) strengthening the swift management decision-making, and oversight function and the execution function through clarification of both functions; and (4) further enhancing management transparency, soundness and objectivity through, among other efforts, appointment of outside officers who monitor and oversee the management from external viewpoints, and the Company performs analysis and evaluation (the "Effectiveness Evaluation") every year to see if the Board of Directors has fulfilled these roles and responsibilities. The Company started performing the Effectiveness Evaluation in FY2015, and carries out a third-party evaluation every several years using an external organization that holds no relationships of interest with the Company in order to ensure neutrality and objectivity. The Effectiveness Evaluation in FY2019 was conducted in the form of a self-evaluation by the Company's Board of Directors, and the third-party evaluation was carried out in FY2020.

### Evaluation Procedure

The Board of Directors conducts the evaluation in the form of a self-evaluation. The evaluation procedure is in the form of a questionnaire answered by all directors and Audit & Supervisory Board members to grasp the current status and identify issues from two perspectives, quantitative evaluation and qualitative evaluation, through a combination of five-grade evaluation and free writing. An external organization is contracted to collect the responses and collate the data in order to ensure anonymity, which enhances the self-evaluation.

During the third-party evaluation conducted in FY2020, based on the results of the questionnaire responses, an opinion-exchange meeting was held in April 2021 (with all independent Officers (3 outside directors and 3 outside Audit & Supervisory Board members (including 2 full-time Audit & Supervisory Board members)), the Chairman, President, and Senior Executive Vice President) to discuss issues and responses and conduct analysis and evaluation. The results of the analysis and the evaluation were discussed and confirmed at the Board of Directors meeting held in May 2021.

### Issues Identified in the Effectiveness Evaluation for FY2019

- 1) Enriching information sharing with the Board of Directors on deliberations at the Nomination and Remuneration Advisory Committee to enhance the Board of Directors' oversight function with regard to the remuneration for and appointment of the senior management and their succession plans.
- 2) Deepening discussions among all directors in the

Board of Directors with regard to diversity of members of the Board of Directors (particularly viewpoint of gender).

- 3) Ensuring the effectiveness of the decision-making process by further devising ways to boost quality, quantity, and clarity of information (matters to be discussed at the Board of Directors) to be shared with the directors (particularly outside directors) and Audit & Supervisory Board members.

### Effectiveness Evaluation Result for FY2020

As a result of the Effectiveness Evaluation for FY2020, it was concluded that the Company's Board of Directors was generally operating appropriately overall from the perspective of carrying out its principle roles and responsibilities, and that the effectiveness of the Board of Directors was ensured as improvement measures were taken with regard to issues identified in the Effectiveness Evaluation for FY2019.

### Points of Future Improvement

Through the discussion that was conducted this time, we recognized the following issues to address for further enhancing the effectiveness of the Board of Directors and determined to work on improvements.

- 1) To promote deeper discussions at the Board of Directors with regard to the Company's directions, strategies, business portfolio, development of new business fields, and risks. When discussing on the mid- and long-term directions, the Board of Directors provides its members with a forum for "free discussion" to exchange their opinions from various viewpoints.
- 2) When discussing on mid- to long-term issues, the Board of Directors facilitates a debate about the Company's sustainability, relating to its management strategies and from the viewpoints of risks and opportunities.
- 3) To consider how to set appropriate agenda to enable the Board of Directors to focus on the discussion on material matters over the mid- to long-term. During setting the agenda, the Corporate Planning Department actively plays its role as the secretariat for the Board of Directors.
- 4) To make further efforts to deepen outside directors' understandings of the Company business and management strategies and to use opportunities for briefings and discussions other than the Board of Directors.
- 5) To discuss at the Nomination and Remuneration Advisory Committee about the Board of Directors itself.
- 6) To discuss at the Nomination and Remuneration Advisory Committee how to share the information with the Board of Directors.

By enabling deeper discussion in the Board of Directors based on the recent evaluation result and continuing to implement measures to improve the effectiveness of the Board of Directors, the Company will ascertain the status of improvement on a regular basis through the Effectiveness Evaluation and further enhance the effectiveness of the Board of Directors in an effort to achieve sustainable growth and increase in corporate value.



## Messages from Outside Officers



**OHE Tadashi**  
Outside Director

### Foundation of corporate governance

We think of corporate governance as a mechanism that ensures sound, efficient management to provide stakeholders with sustainable, mid- to long-term profits. As a chemical company dealing with chemicals, performance materials, agricultural chemicals, pharmaceuticals, etc., we are always at risk of accidents occurring at our plants and laboratories. Once a major accident occurs, it could shake the very foundations of our business. In order to prevent such accidents from occurring, there are laws and regulations established in detail covering technical aspects. For the Company, it is of course important to comply with the laws and regulations on a daily basis. This is one of the important foundations for sound and efficient management, especially in the case of chemical companies.

We are fortunate that we have been able to continue to grow through solid business performance. The management of our company is fully aware of the importance of legal compliance, which underpins the Company's growth and provides directions for relevant departments. As a member of the outside directors, I will continue to pay attention to this issue for the benefit of our stakeholders.



**OBAYASHI Hidehito**  
Outside Director

### Speedy management with thorough adherence to manufacturing ethics

In FY2020, management and all our employees struggled to cope with the completely new situation that arose daily during the spread of COVID-19 infections. Despite these circumstances, one of the reasons why we were able to finish the year with record profits was the promotion of digital transformation (DX) of management. It is a great achievement which shows the measures we have been working on since FY2019 were quickly accelerated and implemented during the spread of COVID-19 infections.

As a chemical company, we recognize that there is room for improvement in terms of fulfilling our social responsibilities. There has been no end to the number of accidents caused by faulty equipment and loose sense of manufacturing ethics among employees at our plants. Although their brains are functioning well, it seems that their attention is not paid to their peripheral nerves. In my experience, once a major accident occurs, it will not only have a direct impact on the neighboring society and customers, but in the worst case, it will lead to a crisis of corporate survival. Based on a clear understanding of this, drastic and continuous reforms are needed to ensure thorough education and basic operations. From the standpoint of speedy management, we need to further raise the level of awareness from research to manufacturing, and sales. In addition to financial management, I would like to see us continue to move forward together with our stakeholders in the midst of a turbulent society by accelerating and reducing basic daily activity time. From time to time, I would like to contribute to such efforts.



**KATAOKA Kazunori**  
Outside Director

## Technology and management capable of foreseeing the future

The header section of the Company's website contains the words "Where it all begins". I am aware that, as an outside director, I am expected to provide opinions and advice on technical issues and the way of mid- to long-term research and development to create innovative "first-of-a-kind" products from the viewpoint of ESG and SDGs while utilizing my own background and experience. After being appointed to my position, I received detailed explanations regarding business units and took part in relevant in-depth discussions at R&D meetings. From this, I have come to realize the strength of the system that mutually and organically links the four business divisions (Chemicals, Performance Materials, Agricultural Chemicals, and Pharmaceuticals), as well as the Planning and Development Division, which is developing new business areas with an eye on the future of society.

Meanwhile, the globalization of products and technologies is rapidly progressing, along with the expansion of the horizontal division of labor. As a result, the flow of open innovation from an international perspective will continue unabated. I feel that it will become more and more important to build a flexible and diverse structure that can accurately accept new trends while utilizing the strengths of our existing internal structure. In addition to those efforts, I would like to continue to offer my opinions and advice on how to achieve sustainable growth and enhance corporate value.



**KATAYAMA Noriyuki**  
Outside Audit & Supervisory  
Board Member

## An outside officer's eye for governance

It has been seven years since I first became an outside Audit & Supervisory Board member, and during this time, there have been some changes in the rules of corporate governance. The stock exchanges have required the establishment of outside directors and independent directors, and we already have several outside directors. In addition, the revised Companies Act, which came into effect this year, requires establishment of outside directors within a certain range. This is proof that the eyes of outside directors are expected to be utilized in governance.

Whether or not the eyes of outside directors can be utilized depends largely on the corporate culture and climate. In particular, I believe that the key is the openness of communication between internal and external parties. Smooth "internal" communication will ensure opportunities for "awareness" and will lead to a sufficient grasp of the risks inherent in each department and the status of compliance, as well as appropriate responses to these risks and compliance. On the other hand, "external" communication, mainly through IR activities, will lead to investors and stakeholders fully evaluating our governance system. I expect the Company to build a system that considers the importance of communication.