

NISSHA CO., LTD. CORPORATE GOVERNANCE POLICY

Section I Basic Views on Corporate Governance

I Introduction

Under its Corporate Governance Policy (hereinafter, the “Policy”), Nissha Co., Ltd. (hereinafter, the “Company”) presents its basic views, framework and operation policy for corporate governance at the Company and its affiliated companies (hereinafter, collectively, the “Group”).

II Basic Views

The Company, since its foundation, has been executing strategies that promptly address external challenges, under committed leadership. The Company believes that strengthening corporate governance along with such leadership will promote agile and decisive decision making, as well as ensuring management transparency and fairness. Based on this recognition, the Company places corporate governance as one of the key management issues, strives to maintain and improve it, and seek out sustainable corporate growth and an increase in corporate value over the medium- to long-term.

Nissha Philosophy (corporate philosophy)

<Mission>

We realize the enrichment of people’s lives by creating technology and developing it into economic and social value through the diverse capabilities, passion, and leadership of the global Nissha Group.

<Brand Statement>

Empowering Your Vision

<Nissha Innovation Way>

We capture market needs accurately and fuse our diverse capabilities and core technologies into innovation that creates new value for our customers.

<Shared Values>

- Customer is Our Priority
 - We are committed to maximizing customer value.
- Diversity and Inclusion
 - We welcome diverse capabilities interacting as equals and enhancing our organizational performance.
- Commitment to Results
 - We work with diligence and deliver results.
- Done is Better than Perfect
 - We take actions first rather than sacrificing time value for perfection.
- Act with Integrity
 - We act with integrity and maintain the trust placed in us.

Section II Securing Rights and Equal Treatment of Shareholders and Dialogue with Shareholders

I Securing Rights and Equal Treatment of Shareholders

1. The Company establishes an environment in which shareholders are able to appropriately exercise their voting rights at general meetings of shareholders.
2. The Board of Directors acts to grasp the results of voting at general meetings of shareholders. When a considerable number of votes have been cast against a proposal by the Company and the proposal has been approved, the Board will analyze the reasons behind opposing votes and will make effective use of analytic findings to facilitate disclosure of information and shareholder dialogue.
3. Fundamentally, the Company will convene a general meeting of shareholders on a schedule that avoids days on which a majority of other companies hold their shareholders meetings, and will issue notice of the convocation of a general meeting of shareholders by no later than three (3) weeks prior to the meeting date in order to ensure that shareholders have sufficient time to consider the agenda. Prior to issuance of the notice, the content of the notice of the convocation shall be disclosed in Japanese and English on the Company's website, securities exchanges and the Electronic Voting Platform.

II Basic Strategy for Capital Policy

1. In an effort to increase sustainable corporate value, the Company's basic strategy for capital policy is to ensure an appropriate balance between the pursuit of capital efficiency and the maintenance and improvement of fiscal soundness. "Return on Equity (ROE)", "Return on Invested Capital (ROIC)" and "Equity Ratio" values will be established and published as management control indexes therefor.
2. Based on the basic strategy for capital policy, fundamentally the Company will continue to provide stable dividends for profit sharing, and will give comprehensive consideration to business performance trends, dividend payout ratios, fiscal soundness and the like in making distributions. In addition, the basic strategy regarding internal reserves is the effective utilization of reserves centering on investment in growth, and research and development to increase corporate value over the medium- to long-term.
3. In the event the Company implements a capital policy which results in a change of control or significant dilution, the Board of Directors will pass a resolution after hearing the objective opinions of experts and otherwise engaging in sufficient deliberation concerning the necessity and rationale thereof from the perspective of increased corporate value, and will provide a sufficient explanation to shareholders and investors.

III Strategic Shareholdings

1. The Company believes that building relationships of trust with a wide range of customers, suppliers, financial institutions, local communities and others is essential, and holds shares of stock of the enterprises determined necessary for the purpose of increasing sustainable corporate value. In addition, a careful examination will be conducted on the profitability of each holding based on the Company's capital costs to validate the significance and rational of each holding from a medium- to long-term perspective. A report on the significance and rational of its holdings will be provided to the Board of Directors annually, and a summary of this report will be released to the public.
2. A standard for the exercising of voting rights will be established from a perspective of increasing the medium- to long-term corporate value of the enterprise and the Company, and a determination on the exercise of voting rights related to strategic shareholdings in favor or against a proposal will be made by the Director of the Board in charge of financial affairs. This may result in a vote against a proposal.

IV Policy for Constructive Dialogue with Shareholders

The Company strives to contribute to its sustainable growth and increase corporate value over the medium-to long-term through constructive dialogue with shareholders. In addition, as an IR policy, the Company establishes and discloses policies concerning the organizational structures and measures aimed at promoting constructive dialogue with shareholders.

The IR Policy is disclosed at the following website.

<https://www.nissha.com/english/ir/disclosure.html>

Section III Appropriate Cooperation with Stakeholders Other than Shareholders

I Relationship with Stakeholders

The Group recognizes that its sustainable growth and the creation of medium- to long-term corporate value are brought about as the result of cooperation with stakeholders, including customers, shareholders, employees, suppliers and local communities, and the Group endeavors to build a relationship of trust with these stakeholders.

1. Nissha Philosophy (corporate philosophy)

The Group establishes and internally disseminates a Nissha Philosophy set on Mission, as a universal means for demonstrating our mission, standards of thought and rules of conduct.

The details of the Nissha Philosophy are disclosed at the following website.

<https://www.nissha.com/english/company/philosophy.html>

2. Formation of Medium-Term Business Plan

The Group establishes a three-year medium-term business plan and will state its medium-term vision in an effort to further increase corporate value.

The details of the Medium-Term Business Plan are disclosed at the following website.

https://www.nissha.com/english/ir/midterm_plan.html

3. Response to CSR

The Group forms a CSR Committee chaired by the Chairman of the Board, President and CEO and divided into eight subcommittees across the entire group involving Corporate Ethics Compliance, Business Continuity Management (BCM), Labor and Human Rights, Environment Health and Safety, Information Security, Trade Administration and Control, Quality, and Customer Satisfaction, which address social and environmental problems, diversity and other issues.

CSR efforts including social and environmental problems, diversity and other issues are disclosed at the following website.

<https://www.nissha.com/english/csr/index.html>

4. Implementation of Corporate Ethics and Compliance, and Whistleblowing Program
- The Group establishes and publishes a Guideline of the Corporate Ethics and Compliance and a Corporate Ethics & Code of Conduct based on “Nissha Philosophy (corporate philosophy)” . which show group-wide mission and standards of thought to facilitate compliance with legal and social ethics from a global perspective, and makes these widely known in house by distributing booklets to officers and employees. In addition, the Company establishes and operates a point of contact for whistleblowing where employees and others can provide direct information at an outside law firm.

Details on the Corporate Ethics and Compliance and the whistleblowing program are disclosed at the following websites.

- Corporate Ethics and Compliance
<https://www.nissha.com/english/csr/governance/compliance.html>
- Whistleblowing Program (Hotline)
<https://www.nissha.com/english/csr/humanrights.html>

5. Fulfilling the Function as Corporate Pension Asset Owner
- The Company will delegate its corporate pension to a life insurance company, trust bank or other investment manager that is determined to appropriately carry out its responsibilities as a delegatee (including stewardship activities), and will establish a division to oversee the management of this investment manager. This oversight division will receive regular reports from the investment manager, it will confirm whether the investment goals have been adequately attained, whether the composition of assets has been subjected to review as needed, whether conflicts of interest have been properly managed, whether appropriate actions have been taken with regard to the exercise of voting rights, and the like, and will provide a report to the Board of Directors annually.

Section IV Ensuring Appropriate Information Disclosure and Transparency

I Ensuring Appropriate Information Disclosure and Transparency

The Company discloses financial information, and non-financial information on business strategies, business plans, risk, governance and the like in a timely and appropriate manner in compliance with the relevant laws and regulations, and discloses other information considered necessary for stakeholders in a fair, timely and appropriate manner. In addition, a Disclosure Control Committee is established to deliberate the necessity of timely disclosure of information and the details of the disclosure.

Nissha Philosophy (corporate philosophy), Medium-Term Business Plan, integrated report and IR policy are disclosed at the following websites.

- Nissha Philosophy
<https://www.nissha.com/english/company/philosophy.html>
- Medium-Term Business Plan
https://www.nissha.com/english/ir/midterm_plan.html
- Integrated Report
<https://www.nissha.com/english/ir/library/nisshareport.html>
- IR Policy
<https://www.nissha.com/english/ir/disclosure.html>

Section V Responsibilities of the Board of Directors

Sub-Section I Overview of Corporate Governance Structure

I Overview of Corporate Governance Structure

1. The Company makes major business judgments and oversee the execution of the business of the Directors of the Board in meetings of the Board of Directors, and as a company with an Audit & Supervisory Board, strives to maintain and improve the oversight and checking functions by Audit & Supervisory Board Members and the Audit & Supervisory Board which are independent from the Board of Directors.
2. The Company adopts a corporate officer system in an effort to clarify the powers and authority in speedy decision making and the implementation of decisions, under which the Board of Directors is in charge of the formulation of strategies and business oversight, and the Corporate Officers is in charge of the execution of business.
3. The Company establishes a Nomination and Remuneration Committee as an advisory panel for the Board of Directors in order to ensure the objectiveness and fairness of the appointment/dismissal of Directors of the Board and the appointment of Audit & Supervisory Board Members, as well as the remuneration of the Directors of the Board.

Sub-Section II Directors of the Board and the Board of Directors

I Roles and Responsibilities of Directors of the Board and the Board of Directors

1. The Company will build a system which will enable the Board of Directors to make decisions regarding the distribution of surpluses, the acquisition of treasury stock and other matters to be decided by general meetings of shareholders in order to ensure maneuverability and expertise in business judgment.
2. The Board of Directors will make decisions on the important matters prescribed by laws and regulations, articles of incorporation, and the Regulations of the Board of Directors, and will oversee the execution of business by the Directors of the Board and Corporate Officers.
3. In an effort to hasten and strengthen the business execution function, the Board of Directors is entitled to delegate decision making on the execution of business with the Directors of the Board or Corporate Officers in accordance with laws and regulations, articles of incorporation, and the Regulations of the Board of Directors. The scope and content of the matters delegated to the Directors of the Board or Corporate Officers will be specified by resolution of the Board of Directors.
4. With due attention to their fiduciary responsibilities to shareholders, the Directors of the Board seek out sustainable corporate growth and an increase in corporate value over the medium- to long-term.
5. Independent Outside Directors of the Board utilize their extensive knowledge and experience to provide expert and objective advice on the Company's business from an independent position, and monitor management by making of important decisions on the Board of Directors. In addition, Independent Outside Directors of the Board monitor conflicts of interest between the Company and the Directors of the Board from an independent position, and see that the opinions of stakeholders are appropriately reflected in the Board of Directors.

II Policy on Composition of the Board of Directors and Appointment/Dismissal of Directors of the Board

1. Composition
 - The Company will have an appropriate number of the Directors of the Board which not exceeding 12 persons.
 - The Board of Directors will take into consideration the balance between the knowledge, experience, skills of the Directors of the Board as well as its diversity in order to perform its role for important business judgements and the oversight of business execution of the Directors of the Board and Corporate Officers.

- The Company will have multiple Independent Outside Directors of the Board who are not only satisfy the requirements of independent outside director of the board prescribed in the Companies Act but also the Standards for Independence of Independent Officers prescribed by the Board of Directors.
2. Appointment and Dismissal
 - The Board of Directors will make decisions on proposals for the appointment/dismissal of the Directors of the Board deliberated at general meeting of shareholders, based on the reports of the Nomination and Remuneration Committee.
 - In the appointment/dismissal of the Directors of the Board, a candidate's career history, status of major concurrent service, reasons for appointment/dismissal and the like will be stated in the notice of the convocation of a general meeting of shareholders.

III Efforts to Improve Effectiveness of the Board of Directors

1. System for Provision of Information and Coordination
 - With the aim of qualitatively improving the deliberations of the Board of Directors, the Company will deliver in advance to the Directors of the Board and Audit & Supervisory Board Members a meeting agenda and materials related to the proposals before the Board of Directors, and will provide the Independent Outside Directors of the Board and Independent Audit & Supervisory Board Members with an advance explanation concerning proposals centering on important issues.
 - The Company regularly conducts meetings between the Chairman of the Board, President and CEO and the Independent Outside Directors of the Board, and when needed, will establish meetings comprised of the Independent Outside Directors of the Board and Independent Audit & Supervisory Board Members in an effort to exchange information and share awareness.
 - The secretariat of the Board of Directors will annually provide the Directors of the Board and Audit & Supervisory Board Members with notice establishing the scheduled meeting dates for the Board of Directors over the next 12 months in September.
2. Evaluation of Effectiveness of the Board of Directors

Each year, the Board of Directors will analyze and evaluate the composition, operation, effectiveness and the like of the Board of Directors, and will disclose a summary of the results thereof.

IV Ban on Transactions against the Interests of Shareholders

The Company will confirm an investigation into the existence of any transactions between the Company and related parties such as the Directors of the Board and Audit & Supervisory Board Members, Corporate Officers, and their relatives, and if any material facts exist, they will be resolved by the Board of Directors, which will make a decision after duly deliberating the reasonableness of the transaction. In addition, the Company must obtain the approval of the Board of Directors when engaging in conflict of interest transactions as prescribed by laws and regulations with the Directors of the Board.

Sub-Section III Roles and Responsibilities of Audit & Supervisory Board Members and the Audit & Supervisory Board

I Roles and Responsibilities of Audit & Supervisory Board Members and the Audit & Supervisory Board

1. The Audit & Supervisory Board Members and Audit & Supervisory Board will bear in mind their fiduciary responsibilities to shareholders, and will make appropriate judgments from independent and objective standpoints when auditing the execution of business by the Directors of the Board and Corporate Officers, and when exercising authority related to the appointment and dismissal of the Accounting Auditor, and to the determination of the Accounting Auditor's remuneration.
2. The Audit & Supervisory Board, in coordination with the Accounting Auditor, will engage in the following in order to secure a system where full and appropriate audits are performed:

- The Audit & Supervisory Board will establish standards for the evaluation of the Accounting Auditor;
- The Audit & Supervisory Board will request reports on the independence, expertise and quality control system of the Accounting Auditor;
- The Audit & Supervisory Board will confirm the accuracy of an audit through regular communications with the Accounting Auditor;
- The Audit & Supervisory Board will receive reports on the Accounting Auditor's remuneration and the like from the competent internal division, and confirm the validity of its amounts.

II Policy on Composition of the Audit & Supervisory Board and Appointment of Audit & Supervisory Board Members

1. Composition

- The Audit & Supervisory Board will appropriately consist of no more than 4 persons in terms of their knowledge and the like related to financial matters, accounting, legal issues and the like.
- Independent Audit & Supervisory Board Members will make up at least half of the Audit & Supervisory Board, and will be persons who not only satisfy the requirements of the Independent Audit & Supervisory Board Members prescribed in the Companies Act but also the Standards for the Independence of Independent Officers prescribed by the Board of Directors.

2. Appointment

- The Board of Directors will make decisions on proposals for the appointment of the Audit & Supervisory Board Members deliberated at general meetings of shareholders, based on the reports of the Nomination and Remuneration Committee, and with the prior approval of the Audit & Supervisory Board.
- In the appointment of Audit & Supervisory Board Members, a candidate's career history, status of major concurrent service, reasons for appointment and the like will be stated in the notice of the convocation of a general meeting of shareholders.

Sub-Section IV Nomination and Remuneration Committee

I Composition

1. The Company establishes a Nomination and Remuneration Committee as an advisory panel for the Board of Directors in order to ensure the objectiveness and fairness of the appointment/dismissal of Directors of the Board and the appointment of Audit & Supervisory Board Members, as well as the remuneration of the Directors of the Board.
2. A majority of the Nomination and Remuneration Committee will be comprised of Independent Outside Directors of the Board, and the chairman will be selected from among the Independent Outside Directors of the Board.

II Role

1. The Nomination and Remuneration Committee will receive inquiries from the Board of Directors, and will deliberate and provide responses to the Board of Directors concerning the appointment/dismissal standards for Directors of the Board and the appointment standards for Audit & Supervisory Board Members, as well as the basic policy for director remuneration.
2. The Nomination and Remuneration Committee will receive inquiries from the Board of Directors, and will deliberate and provide responses to the Board of Directors concerning candidates for Directors of the Board and Audit & Supervisory Board Members, proposals for the dismissal of Directors of the Board as well as director remuneration.

Section VI Officer Remuneration

I Policy and Procedures for Determination of Remuneration

1. The basic view is that officer remuneration (remuneration for Directors of the Board engaged in the execution of business and Corporate Officers) is system which contributes to the improvement of business performance and corporate value.
2. Remuneration consists of base remuneration, bonuses and stock remuneration. Base remuneration will be established as a base amount based on scale of an individual's role and their position, and will reflect the degree of one's contributions and performance evaluations. Bonuses and stock remuneration will be granted as incentives for medium- to long-term business improvements, and linked to performance by taking into consideration the achievement of each officer's annual goals under the medium-term business plan.
3. The Board of Directors will make inquiries to the Nomination and Remuneration Committee regarding the basic policy on Directors' remuneration and the remuneration of Directors of the Board, and will enlist the appropriate involvement and advice of Independent Outside Directors of the Board in conducting an examination of the remuneration.

Section VII Training

I Policy for Training of Officers

The Company establishes the following opportunities as needed to facilitate the appropriate performance of the roles and responsibilities required for each Director of the Board and Audit & Supervisory Board Member:

1. Provide training opportunities suitable to each Director of the Board and Audit & Supervisory Board Member, and bear the associated expenses;
2. Upon new appointment, provide Directors of the Board and Audit & Supervisory Board Members with the training and information to learn the knowledge required to perform their duties. Even after one's appointment, provide training as needed concerning revised laws and business issues;
3. Inspection of key locations and the like when Independent Outside Directors of the Board and Independent Audit & Supervisory Board Members are newly appointed;
4. Provide Directors of the Board and Audit & Supervisory Board Members with regular explanations of the Group's business, financial and organizational status.

Supplementary Rules

Article 1 This Policy will be enacted, revised and abolished by resolution of the Board of Directors.

Article 2 This Policy will take force from October 30, 2015.

Article 3 This Policy will be revised on and take force from April 17, 2017.

Article 4 This Policy will be revised on October 19, 2018, and it will take force from October 31, 2018.

Appendix 1

[Standards for Independence of Independent Officers]

Nissha Co., Ltd. (hereinafter, the “Company”) will determine that its Independent Outside Directors of the Board and Independent Audit & Supervisory Board Members (hereinafter, collectively, “Independent Officers”) or candidates for Independent Officers are fully independent from the Company when they do not correspond to any of the criteria prescribed hereunder.

1. Persons who are or were executive persons (*) of the Company and its affiliated companies (hereinafter, collectively, the “Group”). In addition, with Independent Audit & Supervisory Board Members, persons who were directors that did not conduct Group business.
(*) An executive person means the executive person prescribed in Article 2, Paragraph 3 (6) of the Companies Act Enforcement Regulations, and includes not only executive directors but also employees, and does not include audit & supervisory board members.
2. Persons who are counterparties which have transactions principally with the Group, or are their executive persons. In addition, principal counterparties of the Group, or their executive persons.
(*) A principal counterparty means a company or person whose payments or receipts for transactions with the Group in the current or any of the past three fiscal years represents 2% or more of the annual consolidated gross sales of the Group or the counterparty.
3. Principal shareholder (*) of the Group or their executive persons. In addition, executive persons of companies in which the Group is a principal shareholder.
(*) A principal shareholder means a shareholder that holds votes representing 10% or more of total voting rights.
4. Attorneys, certified public accountants, consultants or the like who receive large amounts of cash or other assets (*) other than officer remuneration from the Group (if the entity receiving the assets is a corporation, partnership or other group, then persons belonging to that group).
(*) A large amount of cash or other assets means the earning of cash or other property benefits in excess of JPY 10 million per year as an average of the past three fiscal years. In the case of a group, it means the payment of 2% or more of annual consolidated gross sales in each of the preceding three fiscal years inclusive of the most recent fiscal year.
5. Persons receiving large donations (*) from the Group (if the entity receiving the property is a corporation, partnership or other group, the executive persons of that group).
(*) A large donation means an annual donation of more than JPY 10 million in each of the preceding three fiscal years inclusive of the most recent fiscal year.
6. Executive persons of another company having mutual appointment of Independent Officer (*) relationships with the Group.
(*) A mutual appointment of Independent Officers means the Company’s welcoming of Independent Officers from another company that have received Independent Officers, who are/were executive persons of the Group within the past 10 years, or from its parent or subsidiary companies.
7. Persons belonging to the auditing firm serving as the Group’s Accounting Auditor.
8. Persons who have corresponded to items 2 through 7 above within the past three years.
9. Spouses or relatives within two degrees of kinship of persons (limited to key personnel (*)) corresponding to any of items 1 through 8 above.
(*) Key personnel means (1) directors(excluding Independent Outside Directors of the Board), corporate officers and employees holding a high ranking of management position of senior director or higher, (2) certified public accountants belonging to an auditing firm who are partners, and

attorneys belonging to a law office, and (3) persons affiliated with incorporated foundations, incorporated associations, incorporated educational institutions and other corporations who are objectively and reasonably determined to be councilors, directors, auditors or other officers, or persons having equal importance.

10. Persons in circumstances which are otherwise objectively and reasonably found unsuitable for the duties of an Independent Officer.

Enacted on October 30, 2015
Revised on February 14, 2018

End