

Principles of Corporate Governance

Introduction

Nippon Sanso Holdings Corporation has adopted these principles following a decision taken at a meeting of the board of directors, with the objective of ensuring sustainable growth and improving the long-term corporate value of the company. A prompt announcement will be made in the event of any change to these principles in the future.

Part 1 General Rules

Article 1 (Basic thinking on corporate governance)

From the perspective of ensuring sustainable growth of the Group and long-term increase of corporate value, taking into account the positions of shareholders, customers, employees, and local communities, we believe that the essence of corporate governance involves ensuring transparency and fairness of decision-making, making effective use of the management resources available, and maximizing the efficiency and strength of management through prompt and decisive decision-making. We will work toward a full implementation of correct corporate governance based on the basic approach below.

- (1) We will respect shareholder rights and ensure equality.
- (2) We will consider the benefits of shareholders and other stakeholders, and work appropriately in partnership with those stakeholders.
- (3) We will ensure transparency by releasing appropriate corporate information at appropriate times.
- (4) By separating supervisory and executive functions, we will improve effectiveness of the board of directors' supervisory function over the company's business executions.
- (5) We will engage in constructive dialogue with shareholders in order to contribute to the sustainable growth of the group and the medium- to long-term improvement of corporate value.

Part 2 Ensuring Shareholder Rights and Equality

Article 2 (Shareholders Meetings)

1. In order to give shareholders sufficient time to consider the agenda and to enable shareholders to properly exercise their voting rights, the company will send by mail a notice of the convocation of each regular general meeting of shareholders approximately three weeks before the meeting is due to be held. We will also post the notice on the company website before the notifications are sent.
2. We will work to put in place an environment in which all shareholders, including those who do not attend the general meeting, are able to exercise their voting rights appropriately, by use of a digital voting platform and other measures.

Article 3 (Ensuring shareholder equality)

The company will treat all shareholders equally according to their equity holdings and will release information in a timely and appropriate manner so that there is no disparity of information among shareholders.

Article 4 (Strategic holdings of stock and basic rules on exercising voting rights in relation to strategic stock holdings)

1. The company will sometimes hold shares in other companies for purposes other than pure investment, such as in order to maintain or strengthen a business relationship, or where it is considered necessary in order to facilitate the financial, general affairs, or accounting business of the group. (Henceforth, stock held for reasons other than pure investment will be referred to as “strategic holdings.”)
2. At a meeting of the board of directors every year, a review will be carried out of each business partners in which the company has strategic holdings, in order to assess the purpose of the strategic holdings, any changes in the value of business with that partner, that partner’s results, the likely future relationship with the business partner, and other elements. If a decision is reached that there is insufficient reason to maintain any particular strategic holdings, considering the capital cost of those holdings, those holdings will be sold.
3. In relation to strategically held stock, comprehensive consideration will be given to any agenda proposals put forward by business partners, to ensure that they are not likely to damage shareholder value. Particular prudence will be exercised with regard to approving business partner agenda proposals in the following cases.

- (1) Where a remarkable deterioration in results has continued for a certain period of time.
- (2) In the case of a major scandal.
- (3) In any other case of an agenda item where there is a risk of damage to shareholder value.

Article 5 (Related party transactions)

1. Permission of the board of directors must be obtained in advance before any company director may take part in any transactions with the company on his or her own behalf or on the behalf of a third party. Additionally, the director in question must report the important matters of the transaction to the board of directors without delay after the transaction is complete. A director must inform the board of directors of any situation in which a possibility of a conflict of interests may arise between the director and the company owing to a close relative (second-degree relative or closer) being involved in transactions with the company.
2. In the case of any transaction with major shareholders (those holding 10% or more of the voting rights in company stock), the company will decide on reasonable contract conditions and prices after considering its other transactions and market prices. Approval of the board of directors must be obtained for any important transactions not included within the regular business that the company carries out with its major shareholders.

Part 3 Consideration of Stakeholder Benefits

Article 6 (Ethical standards)

1. The directors, auditors, executive officers, and employees of the company will carry out their business activities in accordance with the company's law-abiding ethos and in adherence to the ethical standards laid down in the Group's code of conduct.
2. The company will establish contacts both inside and outside the company to which any Group employee can anonymously report any illegal or unethical act relating to the company's business by email or written communication, and will

ensure that all Group employees are made aware of these contacts. The contacts to whom employees may submit such reports will be the Chief Compliance Officer (CCO), the audit & supervisory board, and a law office. All information regarding the person issuing the report will be treated in strict confidentiality and no disadvantage will result to the person issuing the report with regard to promotion, transfer, or other human resource decisions.

3. The CCO will issue a report to the board of directors, generally once in each six-month period, regarding the content of any reports as described in the previous article and the results of any subsequent investigation.

Part 4 Responsibilities of the Board of Directors, etc.

Section 1 Supervisory Responsibilities of the Board of Directors

Article 7 (Role of the board of directors)

1. The board of directors is entrusted by shareholders to carry out efficient and effective corporate governance to maximize the long-term corporate value and thus increase the benefits to all shareholders, and through this is responsible for ensuring the sustainable growth of the Group and maximizing long-term corporate value.
2. The board of directors will take all necessary steps in order to fulfill the responsibilities laid out in the previous clause, in accordance with laws and ordinances, articles of incorporation, these principles, and the board regulations, including the following.
 - (1) Supervising the overall business and its management.
 - (2) Establish and maintain a system of internal control.
 - (3) Choosing, appointing and dismissing the CEO and other management personnel, evaluating them, and deciding their level of remuneration.
 - (4) Deciding business strategy and taking on important executive decisions.
3. The board of directors will make a decision on any executive action where a decision is required of the board of directors by laws and ordinances, articles of incorporation, or regulations governing the board of directors. Decisions on other executive matters will be the responsibility of the President (CEO).

Executive matters requiring a decision of the board of directors include large-value mergers and acquisitions, large-value investment in equipment and facilities, and large-value loans. The standards defining those matters that should be put to the board of directors are laid down in the board regulations.

Article 8 (Chair of the board of directors)

The chair of the board of directors will work to improve the quality of discussions at board meetings and work to allow board meetings to proceed effectively and efficiently. In order to fulfill this responsibility, the chair of the board of directors must ensure that sufficient time is allocated for all the items on the agenda and that each director and auditor is able to obtain the necessary information in a timely manner.

Article 9 (Composition of the board of directors)

1. The company's board of directors shall consist of no fewer than three and no more than fifteen members, of whom at least two shall be independent outside directors to strengthen the supervision to the company's business and its management.
2. Of the outside directors, independent outside directors shall be appointed from individuals to whom none of the following conditions apply.
 - (1) An individual for whom the company is a major business partner or a person with an executive role in the same.
 - (2) An individual who is a major business partner of the company or a person with an executive role in the same.
 - (3) A consultant, accountant, or legal specialist receiving large amounts of money or other assets from the company other than as director's remuneration (or anyone belonging to a corporation, union, or other group receiving such assets).
 - (4) A person to whom any of the following three criteria has applied within a period of three years prior to appointment:
 - (i) A person as described in (1), (2), or (3) above;
 - (ii) An executive or non-executive director of the company's parent company;
 - (iii) A person with an executive role at any of the company's fellow subsidiaries.

(5) A close relative (second-degree or closer) of any person recited in definitions (i) through (v) below (excepting unimportant persons).

- (i) A person as given in (1) through (4) above;
- (ii) A person with an executive role at a subsidiary of the company;
- (iii) An executive or non-executive director of the parent company;
- (iv) A person with an executive role at any of the company's fellow subsidiaries;
- (v) A person to whom category (ii) above has applied at any time within three years prior to the day of the general meeting of shareholders at which he or she is appointed outside director or who has exercised an executive role at the company within that time.

3. In addition to possessing outstanding character, discernment, ability and experience, a company director must have a high sense of ethics.

4. In selecting candidates to become internal directors (all directors other than outside directors), the company will give due consideration to appointing a balanced selection of people with a breadth of experience and expertise in each of the group's areas and regions of business, including manufacturing, development, sales, and management.

5. In selecting candidates for outside directors, the company will consider individuals with experience and expertise in fields such as corporate management, administration, education, and research and development, in the expectation that this will allow them to participate in frank, lively, and constructive discussions at board meetings.

6. In selecting candidates for directors, the company will consider diversity, including gender and international experience.

Article 10 (Composition of the audit board)

The company's auditors must be persons who possess a high ethical sense as well as outstanding character, discernment, ability, and experience. At least one

of the company's auditors must possess appropriate levels of expertise in finance and accounting.

Article 11 (Establishment of a new Advisory Committee on Appointments and Remuneration)

The board of directors will establish an Advisory Committee on Appointments and Remuneration to advise the board. The committee will consist of the Chairman (if appointed), President (CEO), and independent outside directors. The chairman of Advisory Committee on Appointments and Remuneration will be elected by mutual vote from independent outside directors.

Article 12 (Period of appointment of independent outside directors and restrictions on simultaneous appointments)

1. Outside directors and outside auditors for whom more than eight years have passed since they first assumed their positions shall not be considered for a position as independent outside director or independent outside auditor.
2. Independent outside directors and independent outside auditors of the company must not concurrently serve as director or auditor at more than three other listed companies.

Article 13 (Selection of candidates for directors, President (CEO) and executive officers)

1. In selecting candidates for directors, the board of directors will consult with the Advisory Committee on Appointments and Remuneration. The advisory committee will submit a list of candidates to the board of directors. In drawing up the list of candidates, the advisory committee will give due consideration to the composition of the board of directors and the qualities required of directors as defined in Article 9, and the individual's activities and experience as director in the past in the case of reappointment.
2. In choosing, selecting and dismissing President (CEO) and executive officers, the board of directors will consult with the Advisory Committee on Appointments and Remuneration. The advisory committee will submit a list of candidates of President (CEO) and executive officers to the board of directors..

In drawing up the list of candidates, the advisory committee will give due consideration to the qualities required of President (CEO) and executive officers and to the previous experience and activities as President (CEO) and executive officer in the case of reappointment.

Article 14 (Selection of candidates for auditor)

In selecting candidates for auditors, the board of directors will consult with the Advisory Committee on Appointments and Remuneration. The advisory committee, having obtained the agreement of the audit & supervisory board, will submit the list of candidates to the board of directors. The advisory committee will draw up the list of candidates for auditors giving due consideration to the composition of the audit and supervisory board and the qualities required in auditors as described in Article 10.

Article 15 (Succession plan for President (CEO))

1. The President (CEO) will take care to ensure that several potential candidates to succeed as President (CEO) are able to develop the necessary knowledge, experience, and abilities through their experiences and achievements as executive officers or division managers or in other responsible positions.
2. The board of directors will carry out supervision to ascertain that due steps are being taken to allow the development of persons possessing the necessary knowledge, experience, and abilities to be candidates to succeed as CEO.
3. When the President (CEO) retires or resigns from the position, the board of directors will consult with the Advisory Committee on Appointments and Remuneration to select a candidate for successor. The advisory board will submit the name of the successor to the board of directors.
4. The Advisory Committee on Appointments and Remuneration will continuously deliberate the development plan of the next generation managements, and the standard and process to elect the candidate of President (CEO).

Article 16 (Duties of directors)

1. Company directors are responsible for acquiring the information they need to carry out their professional duties and must be proactive in expressing their opinions and engaging in discussions.
2. Company directors must exercise the abilities expected of them and devote sufficient time to the company to carry out their duties as directors.
3. On assuming a position as director, company directors must have a full understanding of all relevant laws and ordinances, the company's articles of incorporation, board regulations, and all other internal company rules, and have a proper understanding of the duties required of a director.

Article 17 (Education and training of directors and auditors)

1. In order to gain a proper understanding of the role and duties (including legal responsibilities) of a director/auditor, all newly appointed directors and auditors (including independent outside directors, but excluding those with previous professional experience as lawyers or in other positions requiring legal knowledge) must participate within three months of their assuming their position in a training program conducted by either a company director responsible for legal affairs and compliance or an outside lawyer.
2. Newly appointed outside directors and outside auditors shall receive a briefing from the President (CEO) or an executive officer or other employee designated by him regarding the business strategy, financial situation, organization, and other important matters relating to the Group.
3. In order to fulfill their roles, company directors and auditors must work actively to inform themselves and acquire the necessary training regarding the financial situation, compliance, corporate governance, and other relevant matters of the Group. To enable directors and auditors to achieve these objectives, the company will organize training or introduce and pay for training carried out by third-party entities as necessary.

Article 18 (Setting the agenda for board meetings, etc.)

1. The Chairman, taking into consideration the proposals and opinions put forward by other directors, will decide at a board meeting held at an appropriate time the important matters regarding the company's business strategy, risk management, and internal control to be discussed at subsequent board meetings during the following one year in accordance with board regulations.
2. To facilitate a sufficient discussion at board meetings, materials relating to items on the agenda and items proposed for discussion must be distributed to all directors including outside directors well in advance of the day of the board meeting. (An exception may be made in the case of highly confidential matters.)

Article 19 (Access to internal company information by independent outside directors and auditors)

1. When they deem it necessary or appropriate, the company's independent outside directors and auditors may demand an explanation or report from internal directors, executive officers, or employees, or may demand the submission of internal company materials.
2. Meetings will be held of the company's auditors, Chairman (if appointed), and President (CEO), to discuss matters concerning the Group's business, internal control, and corporate governance.
3. To allow independent outside directors and auditors to contribute actively to discussions at board meetings, meetings will be held to allow for exchange of information and shared awareness on matters relating to the Group's business, internal control, and corporate governance.

Article 20 (Evaluation of the board of directors)

Directors will carry out a self-evaluation each year on the effectiveness of the board of directors, to be submitted to the board of directors. The board will carry out an annual analysis and evaluation of the overall effectiveness of the board based on these evaluations, and will make a summary of the results public in a timely and appropriate manner.

Article 21 (Directors' compensation)

1. Directors' compensation will be decided by the President (CEO) according to the internal regulations decided at a meeting of the board of directors. Before making any change to these internal regulations, the board of directors will consult with the Advisory Committee on Appointments and Remuneration. The advisory board will submit a proposed draft of changes to the board of directors. A summary of the internal regulations will be disclosed in a timely and appropriate manner.
2. Compensation for independent outside directors must reflect the time commitment and responsibilities of each director related to the company's business, and must not include stock-related compensation or other elements whose value may change according to the company's performance.

Article 22 (Dialogue with shareholders)

The company will establish and publish separately a basic policy on establishing a framework and undertakings to encourage constructive dialogue with shareholders.

Supplementary provision

These principles apply from October 1, 2020

Board of Directors
Nippon Sanso Holdings Corporation

History of Revision

21 June 2016

20 June 2018

11 October 2018

1 October 2020