

Basic Policy for Corporate Governance

Chapter 1 General Provisions

Article 1 (Basic Policy for Corporate Governance)

1. NITTAN Corporation (hereinafter referred to as the “Company”) shall understand the aims and objectives of the corporate governance code, and in addition to striving toward square and fair management that is highly transparent, shall be committed to appropriate cooperation with stakeholders, including shareholders, and achieving medium- to long-term growth with the aim of "sustainable development" in corporate value. In addition to efforts to appropriately provide information, the Company shall strive to actively engage in constructive dialogue with shareholders and investors, and build long-term relationships of trust.

This basic policy shall be shared throughout the Company, and made into reality.

2. The Company, in line with the fundamental concepts of the preceding paragraph, shall work to enhance and strengthen its corporate governance, encompassing the matters set forth in each of the following items.

- (1) To secure the rights and equal treatment of shareholders.
- (2) To cooperate appropriately with stakeholders other than shareholders.
- (3) To ensure appropriate information disclosure and transparency.
- (4) To have the Board of Directors appropriately fulfill its role and responsibilities
- (5) To engage in constructive dialogue with shareholders in order to contribute to sustainable corporate growth and the increase of corporate value over the medium- to long-term.

Chapter 2 Securing the Rights and Equal Treatment of Shareholders

Article 2 (Securing the rights of shareholders)

The Company shall take appropriate measures to fully secure shareholders’ rights including voting rights at the general shareholder meeting.

Article 3 (Exercise of shareholder rights at general shareholder meetings)

1. The Company shall recognize that general shareholder meetings are an opportunity for constructive dialogue with shareholders, and take appropriate measures to ensure the exercise of shareholder rights at such meetings.

2. The Company shall strive to send convening notices for general shareholder meetings earlier than the statutory deadline so that it is possible for shareholders to have sufficient time to consider the agenda while ensuring the accuracy of content. During the period between the board approval of convening the general shareholder meeting and sending the convening notice, information included in the convening notice shall be disclosed by electronic means such as through TDnet or on the Company’s website.

3. The Company, bearing in mind the number of foreign shareholders, shall take steps for the provision of the English translation of the convening notices of general shareholder meeting within a reasonable scope.

Article 4 (Policies for cross-shareholdings)

1. The Company, for the purpose of increasing corporate value by strengthening relationships with business partners, shall hold shares of listed companies; provided, however, that the stocks shall be liquidated when rationality in cross-shareholdings is not recognized.
2. The Company, with the Board of Directors, shall examine if the purposes of cross-shareholdings meet the objectives provided in the preceding paragraph on an annual basis, and shall disclose the contents of the examination.
3. The Company, with respect to the voting rights as to their cross-shareholdings, shall individually scrutinize the aims and contents of the proposals, and shall exercise these voting rights in a direction that will contribute to enhancing corporate value of both the Company and investee companies.
4. When the shareholder of cross-shareholdings announces the intention to sell stocks, the Company shall not obstruct the sales.
5. The Company shall examine economic rationality, in order to judge the implementation and continuance of transactions with the shareholders of cross-shareholdings.

Article 5 (Related party transactions)

Any transactions between the Company and related parties shall have obtained approval beforehand from the Board of Directors or based on the regulation of requesting for an approval of a decision, and shall have reports produced following transactions as required.

Chapter 3 Appropriate Cooperation with Stakeholders other than Shareholders

Article 6 (Business principles and Code of Conduct)

1. The Company shall determine business principles as is outlined below in order to increase corporate value over the medium- to long-term while conducting business that takes the value creation to the various stakeholders into consideration

Business principles

1. To contribute to society through the company growth coexisting with the environment.
 2. To commit thoroughly to prioritize quality to respond to the trust of customers.
 3. To respect humanity and create an inspiring and active workplace.
2. The Company shall draft and implement The NITTAN Group Global Code of Conduct as well as a code of conduct of NITTAN Corporation that directors and company auditors (hereinafter referred to as “Officers”) and employees must follow with respect to appropriate cooperation with stakeholders, respect for their interest and sound and ethical business activities.
 3. The Company and its Officers and employees, shall practice this business principles, acting in accordance with the code under preceding paragraph, aiming to truly become a “Global Excellent Company” able to respond to the demands of society.

Article 7 (Whistleblowing)

The Company shall establish the regulation for group whistleblower system and strive to maintain an appropriate framework for whistleblowing such that employees can report illegal or inappropriate behavior, disclosures, or any other serious concerns without fear of suffering from disadvantageous treatment. Also, the framework should allow for an objective assessment and appropriate response to the reported issues.

Article 8 (Responses to issues related to sustainability)

1. The Company shall respond appropriately to issues related to sustainability, such as social and environmental problems, to contribute to the development of sustainable society through every business activity.
2. With respect the issues, the Company, having taken into account its management environment and business expansion, shall examine concrete measures, to develop positively the activities facilitating to realize sustainability.

Article 9 (Ensuring diversity)

The Company shall aim for “respecting humanity to create an inspiring and active workplace” as a management philosophy, provide the environment and system where diverse human resources can perform brilliantly, regardless of gender, nationality, age, professional experience and others, and promote recruitment and appointment which value diversity.

Article 10 (Corporate pension fund management)

The Company, for the purpose of secure payment of corporate pension benefits in future, shall focus on deployment and cultivation of personnel with appropriate skills to manage pension fund reserves, as well as develop supervisory system for fund management.

Chapter 4 Ensuring Appropriate Information Disclosure and Transparency

Article 11 (Full disclosure)

With respect to financial information of business performance and financial status, medium-term management plan, as well as non-financial information pertaining to risk, environment, society, and governance, the Company, in addition to making information disclosure in compliance with relevant laws and regulations, as well as rules of the Tokyo Stock Exchange, even for disclosures not being subject to these laws, shall disclose and provide the information in order to enhance transparency and fairness in decision-making and ensure effective corporate governance.

Article 12 (External accounting auditors)

1. The Board of Company Auditors shall establish standards for the appropriate selection of external accounting auditor candidates and proper evaluation of external accounting auditors and take appropriate steps to secure the proper execution of audits by verifying whether external accounting auditors possess necessary independence and expertise to fulfill their responsibilities.

2. The Board of Directors and the Board of Company Auditors shall strive to give adequate time to ensure high quality audits, ensure that external accounting auditors have access to the President and other Officers, ensure adequate cooperation between external accounting auditors and company auditors, Corporate Governance Department and outside directors, and ensure that the Company is constituted in the way that it can adequately respond to any misconduct, inadequacies or concerns identified by the external accounting auditors.

Chapter 5 Responsibilities of the Board of Directors

Article 13 (Responsibilities of the Board of Directors)

1. The Board of Directors, giving fiduciary responsibility and accountability to shareholders, shall formulate the corporate strategy and others and ensure the fairness and transparency of management in order to promote sustainable corporate growth and the increase of corporate value over the medium- to long-term and enhance earnings power and capital efficiency by demonstrating supervisory ability over the overall management as well as shall appropriately fulfill those roles and responsibilities through nomination of the President and other Officers, evaluation and determination of their remuneration, formulate evaluation and countermeasures against serious risks the Company faces and decisions over the execution of the Company's essential duties.

2. The Board of Directors, in accordance with the regulation of requesting for an approval of a decision, shall delegate to directors, corporate officers or general managers any items not provided as the resolutions for the Board of Directors by laws and regulations, articles of incorporation and the regulation of the Board of Directors.

3. The Board of Directors shall be involved substantively in formulation and management of succession planning for the President, as well as shall carry out supervision over training of succession candidates.

Article 14 (Independence standards for independent Officers)

The Board of Directors, when selecting candidates for independent Officers, shall select those recognized to be counted upon to fulfill the roles and responsibilities from an independent and objective standpoint, in addition to meeting the independence criteria set by security exchanges, in view of the candidate's personality, insight, ability, and any other circumstances in relation to the Company.

Article 15 (Composition of the Board of Directors)

1. The number of directors shall be 15 people or less.

2. The Board of Directors shall take into account diversity of gender, age, background, skills, internationality and other composition of the Board of Directors, in order to possess a good balance of knowledge, experience, and capabilities as a whole which ensure effective fulfillment of its roles and responsibilities.

Article 16 (Policies and procedures in determining the remuneration of directors)

1. The Company shall provide the basic policy of directors' remuneration system as follows, based on the basic concept related to corporate governance prescribed by Article 1 of this Basic Policy:

- (1) To make the system promote improvement in motivation for business objectives by clarifying each director's goals and performance targets to be emphasized.
- (2) To facilitate persistent growth in medium-to long-term, and seek to share interests with shareholders, by granting to directors the share-based compensation linked to share price.
- (3) To seek to reflect appropriately each director's role and contribution degree to performance.
- (4) To enable the remuneration level to ensure and maintain excellent human resources, in starting fixedly at diversified business development in future.
- (5) With respect to the remuneration system and level, the remuneration advisory committee shall verify the validity, and they shall be determined with objectivity and transparency.

2. Remuneration of directors, based on the policy in the preceding paragraph, shall be determined by the President, who, after the deliberation at the Compensation Advisory Committee meeting, by also calling on the opinion of independent outside director, formulates a draft proposal within the scope that is determined by the general shareholder meeting.

Article 17 (Policies and procedures for carrying out the nomination of the directors)

1. When carrying out nominations for directors, the President shall formulate a draft proposal with those candidates who have a high sense of ethics, in addition to a great personality, insight, ability and a wealth of experience, after the deliberation at the Nomination Advisory Committee meeting, with final decisions made by the Board of Directors.

2. Directors shall be nominated after the skills to be acquired by the Board of Directors being identified, in order to achieve the medium-term management plan and the medium- to long-term policy, and the matrix which lists the combination of candidates' skills and others shall be disclosed in the notice of calling of Shareholders' meetings and others.

3. With respect to dismissal of the director, when the director falls under any of the items of reasons of ineligibility provided by the Rules for Directors, the Board of Directors shall propose a dismissal and pass a resolution of dismissal at the shareholders' meeting.

Article 18 (Policies and procedures of carrying out nominations for company auditor candidates)

1. When carrying out nominations for company auditors, the President shall formulate a draft proposal with those candidates who have a high sense of ethics, in addition to a great personality, insight, ability and a wealth of experience, and with the consent of the Board of Company Auditors shall have final determination of candidates made by the Board of Directors.

2. As a rule, at least one person out of the company auditors shall be a person who has sufficient expertise on finance and accounting.

Article 19 (Analysis and evaluation of the overall effectiveness of the Board of Directors)

The Board of Directors, each year, shall analyze and evaluate its effectiveness as a whole, taking into consideration of the relevant matter including self-evaluation of each director, and discloses a summary of the results.

Article 20 (Responsibilities of directors)

1. Directors shall endeavor to actively express their opinions and engage in thorough discussion, as well as to collect sufficient information to execute their role, at the Board of Directors.
2. Directors shall demonstrate the abilities expected of them, and dedicate sufficient time toward the Company, performing the role of a director.
3. Directors, upon taking office, shall understand the relevant laws and regulations, the Company's articles of incorporation, the regulation of the Board of Directors, any other internal rules of the Company, as well as the Company's business strategy, financial state, offices, and plants and other important matters with the responsibilities these entail to also be fully understood.

Article 21 (Training of directors and company auditors)

The Company shall conduct training for directors and company auditors related to duties such as briefings by the business unit leaders for each business, and visits to workplaces and facilities, as well as having training conducted by external instructors or departments in order for them to acquire the required knowledge relating to the duties and responsibilities of directors and company auditors.

Article 22 (Access to the Company's information by directors and company auditors)

Directors and company auditors, whenever they find it to be appropriate or necessary, shall seek briefings or reports from the other directors and employees, or otherwise may request the submission of company data.

Chapter 6 Dialogue with Shareholders

Article 23 (Dialogue with shareholders)

1. The Company, in order to contribute to sustainable growth and the increase of corporate value over the medium- to long-term, shall engage in constructive dialogue with shareholders, even outside the general shareholder meetings.
2. The Company defines policies concerning the organizational structures and efforts aiming at promoting constructive dialogue with shareholders as outlined below.

Policy to promote constructive dialogue with shareholders

- (1) Taking the requests and interests of shareholders into consideration, to the extent reasonable, the President or the Director in charge of Administration shall engage in dialogue with shareholders in principle.

- (2) The Director in charge of Administration shall be responsible for overseeing an overall view of the dialogue with shareholders, and ensuring that constructive dialogue takes place.
- (3) Taking the requests and interests of shareholders into consideration, the Independent Outside Director and the Company Auditor shall engage in dialogue with shareholders, in cases where reasonable necessity is recognized.
- (4) The Administration Department, Business Planning Department, Accounting Department and Corporate Governance Department, on a daily basis, shall exchange information on matters related to constructive dialogue with shareholders, and carry out the construction of an organic system of cooperation aimed at promoting dialogue.
- (5) Institutional investors' briefings shall be held when suitable.
- (6) The opinions and concerns of shareholders ascertained from the dialogue shall be appropriately shared with the Board of Directors and each relevant department in (4) above.
- (7) During the dialogue, there shall be strict compliance with insider trading regulations stipulated in the Financial Instruments and Exchange Act.
- (8) Where necessary, the understanding of the ownership structure shall be engaged in.

Supplementary Provisions

1. This Basic Policy shall come into effect as from November 1, 2015.
This Basic Policy shall be revised and come into effect as from June 22, 2018.
This Basic Policy shall be revised and come into effect as from December 1, 2018.
This Basic Policy shall be revised and come into effect as from June 24, 2020.
This Basic Policy shall be revised and come into effect as from December 1, 2021.
2. The department under jurisdiction of this Basic Policy shall be the Administration Department.
3. Amendment of this Basic Policy shall be approved by the Board of Directors.