

### **III. Structures and policies of the company**

#### **1. Structures to secure the appropriateness of operations**

Based on the stipulations of items b and c of Article 399-13, Paragraph 1, Item 1 of the Companies Act and the stipulations of Article 110-4 of the Regulation for Enforcement of the Companies Act, the Company has defined basic policies to establish “Structures to secure the appropriateness of operations” and has established, maintained, and operated internal control systems. An overview of these basic policies is as follows.

- (1) Structures concerning storage and management of information regarding execution of duties by Directors  
Information, such as documents, etc. (including electronic records), regarding execution of duties by Directors is stored and managed for required periods based on the Information Management Regulations.
- (2) Regulations regarding management of risk of loss and other structures
  - 1) The “Risk Management Committee” ascertains the Company’s risk, prevents risks from materializing, and conducts risk countermeasures to minimize the effects of risks that have materialized, etc.
  - 2) In the management of individual risks, the Company promotes the creation of manuals that correspond to categories and various types of risk. The Board of Directors comprehensively manages and responds to risks that are considered companywide issues.
  - 3) Risks concerning environmental, safety and sanitation, and product safety, etc., are ascertained by the “Risk Management Committee” and individually and specifically responded to in cooperation between the “RC Promotion Committee” and related segments.
  - 4) Regarding accounting, the Accounting Department will be responsible for companywide accounting and number management, and each segment will confirm the contents of companywide accounting and of other segments.
  - 5) If unexpected events occur, an emergency response headquarters will be established with the Representative Director and President as the general manager for crisis management.
  - 6) The Internal Control & Audit Department will implement periodic audits of the Company’s risk management structures.
- (3) Structures to secure effective execution of duties by Directors
  - 1) A regular Board of Directors meeting will be held once per month, and by also holding meetings as necessary, important matters will be decided while also conducting supervision of the status of business execution by Directors.
  - 2) Meetings of the Management Committee and the CSR Committee will be held as important institutions second to the Board of Directors, attended by Full-time Directors (including Directors serving as the Full-time Audit & Supervisory Committee Members) and Executive Officers. The Management Committee meeting will flexibly deliberate and determine business strategies and corporate policies, etc., of the Company and the Group, to raise management efficiency. The CSR Committee meeting will deliberate and determine matters required to promote business activities such as internal controls, compliance, risk management, responsible care, and respecting human rights, etc., and fulfill the social responsibilities of the Company and the Group.
  - 3) As an advisory body to the Board of Directors, a Governance Committee will be established, composed of a majority of Independent Outside Directors, which will receive consultations from the Board of Directors to consider and report on the appropriateness, etc., of the selection process, disposition, and nomination reasons for the Company’s Directors (excluding Directors serving as the Audit & Supervisory Committee Members) and Directors serving as the Audit & Supervisory Committee Members, standards for determining independence of Independent Outside Directors, effectiveness evaluations of the overall Board of Directors, and officer remuneration structures, etc., in an effort to further enrich corporate governance.
  - 4) Via the Executive Officer System, the duties of Directors who will determine management policies and oversee management will be separated from the duties of Executive Officers who are tasked with business execution, and by clarifying the contents of the duties of each, the Company will work to accelerate management decision-making and promote efficiency in business execution.
  - 5) A three-year medium-term management plan will be formulated as a shared companywide index for business operations, and business results plans and budgets for each fiscal year will be defined as embodiments of said plan. Responsible persons, areas of responsibilities, and execution procedures,

etc., of business executors will be defined in the Operational Division Regulations, Duties and Authority Regulations, and Duties and Authority Standards Statement, etc.

- (4) Structures to ensure that the execution of duties by Directors and employees conform to laws and regulations and the Articles of Incorporation
  - 1) The “Nihon Nohyaku Group Action Charter” and “Nihon Nohyaku and Nihon Nohyaku Group Compliance Regulations” will be defined as the core of the Company’s compliance structure, and continuous emphasis will be placed on the concept that strict compliance with laws and regulations is fundamental to business activities.
  - 2) The “Compliance Committee” will work to emphasize awareness and provide guidance via compliance promotion activities, etc.
  - 3) Regarding internal controls for financial reporting, each segment and branch that has an effect on the financial statements will conduct maintenance and operation on internal controls regarding financial reporting, and the Internal Control & Audit Department will conduct evaluations to work toward achieving the trustworthiness and appropriateness of financial reporting.
  - 4) Compliance activities regarding the manufacture, transport, and disposal, etc., of chemical substances will be emphasized and promoted by the “RC Promotion Committee.”
  - 5) The Company maintains an internal reporting structure in which information is received by managers, the Compliance Committee Chairperson, and outside attorneys, and will appropriately operate this structure to secure compliance.
  - 6) The Company and the Group will clearly state in the “Nihon Nohyaku Group Action Charter” that it will eliminate relationships with anti-social forces and organizations, and never respond to unreasonable requests from such anti-social forces. In line with this view, the Company will work to create a unified purpose regarding the elimination of anti-social forces, respond in an organizational manner with the General Affairs & Legal Department serving as the liaison, and by also deepening cooperation with police-related institutions, etc., have no relationships whatsoever with anti-social forces and organizations.
  - 7) The Internal Control & Audit Department will implement periodic audits regarding the status of the Company’s measures in compliance promotion.
  
- (5) Structures to secure the appropriateness of operations at the Company and the Group
  - 1) With “Nihon Nohyaku Group Action Charter” as its guiding principles, the Company and the Group will maintain various regulations and systems to create internal control systems.
  - 2) The following structures will be defined for reports made to the Company regarding matters dealing with the execution of duties by Directors, etc., of each company within the Group.
    - a. The Company will receive periodic reports from each company within the Group regarding important management indices, with advance deliberations made for significant projects.
    - b. Through monitoring and audits, etc., of responsible segments, the Company will appropriately manage each company within the Group.
  - 3) To manage risk of loss at each company within the Group, the following structures will be defined based on the “Nihon Nohyaku and Nihon Nohyaku Group Risk Management Regulations.”

The “Group Risk Management Council” will deliberate on risk management issues at each company within the Group, and conduct management via risk management activities for the Group.
  - 4) The following structures will be defined to secure the effectiveness of the execution of duties by Directors, etc., of each company within the Group.

The Company will provide indirect operations as required according to the scale, business content, and business type of each company within the Group, aiming for efficient operations within the Group.
  - 5) The following structures will be defined to secure conformity with laws and regulations and the Articles of Incorporation by Directors, etc., and employees of each company within the Group.

The “Group Compliance Council,” which will be held based on the “Nihon Nohyaku and Nihon Nohyaku Group Compliance Regulations,” will aim to secure the appropriateness of operations within the Group through deliberations on compliance issues at each company within the Group.
  - 6) By evaluating the status of operations of internal control systems regarding financial reporting at each company within the Group, the Internal Control & Audit Department of the Company will aim to respond to internal controls of the Group, seeking to secure the trustworthiness and appropriateness of financial reporting.
  - 7) The Internal Control & Audit Department of the Company will implement periodic audits regarding

- the risk management structures and measures in compliance promotion at each company within the Group.
- (6) Matters regarding Directors and employees to assist the duties of Audit & Supervisory Committee, matters regarding the independence of Directors and employees to assist the duties of Audit & Supervisory Committee from Directors (excluding Directors serving as the Audit & Supervisory Committee Members), and matters regarding securing the effectiveness of instructions given to Directors and employees to assist the duties of Audit & Supervisory Committee
- 1) As a structure to assist the duties of the Audit & Supervisory Committee, the Company has Audit & Supervisory Committee secretariat functions within the Internal Control & Audit Department. To secure independence from Directors (excluding Directors serving as the Audit & Supervisory Committee Members), efforts will be made to ensure that evaluations and transfers, etc., regarding human resources for said employees are prevented from the effect of biased evaluations, etc., via advance consultation between the officer responsible for human resources and a Director serving as the Full-time Audit & Supervisory Committee Member.
  - 2) The Company will be considerate to ensure that independence is not infringed upon via the unfair hindrance of business execution of employees associated with the Internal Control & Audit Department who have received instructions from the Audit & Supervisory Committee.
- (7) Structures to allow reporting to the Audit & Supervisory Committee by Directors (excluding Directors serving as the Audit & Supervisory Committee Members) and employees, other structures for reporting to the Audit & Supervisory Committee, and structures to ensure that audits by the Audit & Supervisory Committee are being conducted effectively
- 1) In addition to matters in laws and regulations, Directors (excluding Directors serving as the Audit & Supervisory Committee Members), Audit & Supervisory Board Members, and employees shall promptly report matters that will have a significant effect on the Company and the Group to the Audit & Supervisory Committee. Additionally, the Audit & Supervisory Committee shall review important documents including *ringi* decision-making sheets and others associated with business execution, and shall seek explanations from Directors (excluding Directors serving as the Audit & Supervisory Committee Members), Audit & Supervisory Board Members, and employees as required.
  - 2) By defining matters regarding internal whistleblowing by employees in the “Nihon Nohyaku and Nihon Nohyaku Group Compliance Regulations,” and ensuring appropriate operation and maintenance, the Company will secure an appropriate structure for reporting by employees to Audit & Supervisory Committee concerning violations of laws and regulations and other compliance issues.
  - 3) The Internal Control & Audit Department will periodically report the results of internal audits to the Audit & Supervisory Committee.
  - 4) The Company will ensure that persons reporting to the Audit & Supervisory Committee are not treated disadvantageously as a result of said report.
  - 5) Full-time Audit & Supervisory Committee Members shall hold meetings to exchange opinions with Directors and the Representative Director and President as required.
- (8) Matters concerning policies regarding processing of expenses, etc., during the execution of duties of Audit & Supervisory Committee Members (limited to execution of duties related to the Audit & Supervisory Committee)
- The Company will bear expenses incurred during the execution of duties of Audit & Supervisory Committee Members, within the scope of the Company’s business expense budget according to predetermined procedures.
- (Note) With the establishment of the CSR Committee on October 20, 2020, the Company has revised certain portions via a resolution of a Board of Directors meeting held on April 20, 2021.

## **2. Operational status of structures to secure the appropriateness of operations**

An overview of the operational status of structures to secure the appropriateness of operations as described in “Structures to secure the appropriateness of operations” above is as follows.

### **(1) Execution of business by Directors**

The Board of Directors meeting was held 18 times. In addition to determining important matters regarding management such as matters defined by laws and regulations and the Articles of Incorporation, management policies, and formulation of budgets, etc., a monthly analysis and evaluation of business results was conducted, with deliberations from the viewpoint of conformity with laws and regulations and the Articles of Incorporation, and the appropriateness of business.

### **(2) Corporate management of group companies**

At the Company, departments responsible for corporate management of each company within the Group received periodic reports on the status of management, etc., at each company within the Group, and important projects were confirmed and deliberated in advance with each company within the Group.

### **(3) Execution of business by Audit & Supervisory Committee Members**

In addition to implementing audits based on the audit plans defined by the Audit & Supervisory Committee, Audit & Supervisory Committee Members attended important internal meetings such as Board of Directors meetings and periodically exchanged information with the Representative Director, Accounting Auditor, the audit segment, etc., and by also implementing visits and investigations for each company within the Group as required, confirmed that the execution of duties by Directors and the maintenance and operation of internal controls were legal and appropriate.

### **(4) Securing appropriateness and trustworthiness of financial reporting**

To secure the appropriateness and trustworthiness of financial reporting, segments responsible for internal control evaluations determined annual plans for the maintenance, operation, and evaluation of internal controls while implementing evaluations regarding the effectiveness of internal controls within the Group, and received approval from the Management Committee for its results while also reporting to the Board of Directors.

### **(5) Compliance with laws and regulations and risk management**

Regarding the status of compliance with laws and regulations and various internal regulations, the Compliance Committee received reports regarding the Company’s compliance projects while working for thorough awareness and instruction on compliance with laws and regulations.

Additionally, regarding the Company’s risks, the Risk Management Committee extracted significant risks and formulated and executed preventative measures and countermeasures against occurrence, while conducting monitoring and instruction for individual risk.

Furthermore, each committee reported to the CSR Committee and Board of Directors regarding the content, etc., of implementations.

## **3. Basic policy on the desired state of parties to control decisions on the company’s financial and business policy**

Although the Company has not specifically defined a basic policy on the desired state of parties to control decisions on the company’s financial and business policy, the Company is engaged in the “Ensuring Growing Global 2 (EGG2)” medium-term management plan under the “Nichino Group—Growing Global” Group Vision, and is working to secure and improve the Company’s corporate value and shared interests with shareholders. Additionally, regarding parties that would attempt a large-scale purchase of the Company’s share certificates, etc., the Company will seek the provision of required and adequate information to ensure that shareholders may make appropriate decisions on the validity of the large-scale purchase while also disclosing the opinions, etc., of the Board of Directors of the Company and work to secure time for shareholders to consider the purchase, etc., implementing appropriate measures based on the Financial Instruments and Exchange Act, Companies Act, and other relevant laws and regulations.

## **IV. Other significant matters regarding the current status of the corporate group**

Not applicable.

## Consolidated Statement of Changes in Equity

(April 1, 2021 - March 31, 2022)

(Millions of yen)

|  | Shareholders' equity |                 |                   |                 |                            |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|
|  | Share capital        | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance as of April 1, 2021                          | 14,939               | 15,071          | 34,992            | (1,801)         | 63,201                     |
| Changes during period                                |                      |                 |                   |                 |                            |
| Dividends of surplus                                 |                      |                 | (1,181)           |                 | (1,181)                    |
| Profit attributable to owners of parent              |                      |                 | 4,502             |                 | 4,502                      |
| Disposal of treasury shares                          |                      |                 |                   | 5               | 5                          |
| Purchase of treasury shares                          |                      |                 |                   | (110)           | (110)                      |
| Change in scope of equity method                     |                      |                 | 849               |                 | 849                        |
| Net changes in items other than shareholders' equity |                      |                 |                   |                 |                            |
| Total changes during period                          | —                    | —               | 4,170             | (104)           | 4,065                      |
| Balance as of March 31, 2022                         | 14,939               | 15,071          | 39,162            | (1,906)         | 67,266                     |

|  | Accumulated other comprehensive income                |   |   |  | Non-controlling interests | Total net assets |
|--|---|---|---|--|---------------------------|------------------|
|  | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Remeasurements of defined benefit plans | Total accumulated other comprehensive income |                           |                  |
| Balance as of April 1, 2021                          | 893   | (4,253)                                 | 1,083                                   | (2,276)                                      | 1,146                     | 62,071           |
| Changes during period                                |   |   |   |  |                           |                  |
| Dividends of surplus                                 |   |   |   |  |                           | (1,181)          |
| Profit attributable to owners of parent              |   |   |   |  |                           | 4,502            |
| Disposal of treasury shares                          |   |   |   |  |                           | 5                |
| Purchase of treasury shares                          |   |   |   |  |                           | (110)            |
| Change in scope of equity method                     |   |   |   |  |                           | 849              |
| Net changes in items other than shareholders' equity | (47)  | 1,051                                   | (401)                                   | 603  | 216                       | 819              |
| Total changes during period                          | (47)  | 1,051                                   | (401)                                   | 603  | 216                       | 4,884            |
| Balance as of March 31, 2022                         | 846   | (3,201)                                 | 682                                     | (1,673)                                      | 1,363                     | 66,956           |

(Note) Figures presented in the financial statements are rounded down to the nearest million yen.

## Non-Consolidated Statement of Changes in Equity

(April 1, 2021 - March 31, 2022)

(Millions of yen)

|  | Shareholders' equity |                       |                       |                       |                         |                                   |         |                         |
|--|----------------------|-----------------------|-----------------------|-----------------------|-------------------------|-----------------------------------|---------|-------------------------|
|  | Share capital        | Capital surplus       |                       |                       | Retained earnings       |                                   |         |                         |
|  |                      | Legal capital surplus | Other capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings           |         | Total retained earnings |
|  |                      |                       |                       |                       | General reserve         | Retained earnings brought forward |         |                         |
| Balance as of April 1, 2021                          | 14,939               | 12,235                | 5,000                 | 17,235                | 1,574                   | 3,145                             | 25,106  | 29,826                  |
| Changes during period                                |                      |                       |                       |                       |                         |                                   |         |                         |
| Dividends of surplus                                 |                      |                       |                       |                       |                         |                                   | (1,181) | (1,181)                 |
| Profit   |                      |                       |                       |                       |                         |                                   | 3,557   | 3,557                   |
| Disposal of treasury shares                          |                      |                       |                       |                       |                         |                                   |         |                         |
| Purchase of treasury shares                          |                      |                       |                       |                       |                         |                                   |         |                         |
| Net changes in items other than shareholders' equity |                      |                       |                       |                       |                         |                                   |         |                         |
| Total changes during period                          | —                    | —                     | —                     | —                     | —                       | —                                 | 2,376   | 2,376                   |
| Balance as of March 31, 2022                         | 14,939               | 12,235                | 5,000                 | 17,235                | 1,574                   | 3,145                             | 27,482  | 32,202                  |

|  | Shareholders' equity |                            | Valuation and translation adjustments                 |   | Total net assets |
|--|----------------------|----------------------------|---|---|------------------|
|  | Treasury shares      | Total shareholders' equity | Valuation difference on available-for-sale securities | Total valuation and translation adjustments |                  |
| Balance as of April 1, 2021                          | (1,801)              | 60,199                     | 893   | 893   | 61,093           |
| Changes during period                                |                      |                            |   |   |                  |
| Dividends of surplus                                 |                      | (1,181)                    |   |   | (1,181)          |
| Profit   |                      | 3,557                      |   |   | 3,557            |
| Disposal of treasury shares                          | 5                    | 5                          |   |   | 5                |
| Purchase of treasury shares                          | (110)                | (110)                      |   |   | (110)            |
| Net changes in items other than shareholders' equity |                      |                            | (47)  | (47)  | (47)             |
| Total changes during period                          | (104)                | 2,271                      | (47)  | (47)  | 2,224            |
| Balance as of March 31, 2022                         | (1,906)              | 62,471                     | 846   | 846   | 63,317           |

(Note) Figures presented in the financial statements are rounded down to the nearest million yen.