

The Nikkiso Group's Corporate Governance Basic Policy

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Chapter 1 General Provisions

Article 1 (Business Principle/Business Strategies and Basic Views on Corporate Governance)

1. While holding sound social ethics and values as a member of society, the Company Group shall comply with laws and regulations, the Company's Articles of Incorporation and social norms; build up good relationships with stakeholders of the Company Group (hereinafter referred to as "stakeholders"), including shareholders, customers, employees and their families, business partners, and creditors; and strive to achieve the Company Group's sustainable growth and increased corporate value over the mid- to long-term, setting it as its business principle to make a creative contribution to diversified industries handling fluids including crude oil and natural gas production sectors, and the fundamental fields of life, such as aerospace and dialysis treatment business areas, through providing unique technologies to realize a better quality of life.
2. The Company Group shall ensure transparency and fairness in decision-making as a Company with its Audit & Supervisory Board and simultaneously consider it the essence of corporate governance to be striven for in order to realize the business principle set forth in the preceding paragraph by prompt and decisive decision-making. The Company Group shall also work on building up the best corporate governance that fits in with the Company Group's stage of development in line with the following basic views:
 - (i) Respecting the rights of and securing equal treatment of shareholders;
 - (ii) Respecting interests of stakeholders and appropriate cooperation with such stakeholders;
 - (iii) Ensuring appropriate information disclosure and transparency of the Company Group;

- (iv) In order to promote the effectiveness of separation between oversight and business execution of the management, ensuring effective supervision/audit frameworks of management through tie-ups with independent outside directors, Audit & Supervisory Board Members, internal Audit & Supervisory Board Members and outside accounting auditors, and establishing an environment that supports enhancement of business profitability by business execution departments led by the President; and
- (v) Implementing constructive dialogue with shareholders who have investment policies that accord with mid- to long-term shareholder interests

Article 2 (Positioning of the Basic Policy)

1. The Basic Policy shall be ranked as the top regulation regarding corporate governance within the Company Group that is second to the Companies Act, the related laws and regulations and the Company's Articles of Incorporation.
2. The enactment, abolition and amendments of the Basic Policy shall be subject to the approval of the Board of Directors.

Chapter 2 Securing the Rights and Equal Treatment of Shareholders

Article 3 (Appropriate Cooperation with Shareholders)

1. With the basic recognition that securing rights and equal treatment of shareholders is an important first step in building up appropriate corporate governance, the Company Group shall strive to carry out various measures to secure rights and equal treatment of shareholders toward the realization of sustainable growth.
2. The Board shall analyze the reason for the objection and the cause for a sizable number of objections to the Company's proposal(s) at general shareholder meetings and examine whether or not it is necessary to have dialogue with shareholders or conduct other activities.

Article 4 (General Shareholder Meetings)

1. The Company shall strive to send convening notices for ordinary general shareholder meetings early enough to give its shareholders sufficient time to consider the agenda. Before sending such notices, it shall disclose information included in the convening notice on the Company's website.
2. The Company shall strive to put in place an environment (including appropriate determination of general shareholder meeting-related schedules) where all shareholders including those not attending the general shareholder meeting can exercise their voting rights, allowing the use of the Electronic Voting Platform or exercise of voting right by electronic means.

Article 5 (Capital Policy)

The Company shall make it its basic capital policy to realize the sustainable growth and increased corporate value over the mid- to long-term of the Company Group while pursuing optimal balance among financial soundness, capital efficiency and return to shareholders. With the basic recognition that returning continuous and stable profits to shareholders supporting the Company Group is a key pillar of the Company's capital policy, the Company Group shall formulate medium-term business plan upon accurately identifying the capital cost and facilitate the growth of existing businesses to achieve sustainable development from a longer-term standpoint. In addition, the Company Group simultaneously divert its retained earnings appropriately to reinvestment toward developing new businesses, and enhancing and promoting its productivity.

Article 6 (Policy on Cross-Shareholdings and Standards for Exercising Voting Right)

1. The Company may, when deemed helpful to the Company Group's sustainable growth and increased corporate value over the mid- to long-term when considering building up stable and long-term transactional relationships, business alliances, and the strengthening of ties with business partners, hold shares of such business partners.
2. Cross-shareholdings out of those held based on the preceding paragraph shall be examined on an annual basis with respect to holding effect in terms of the mid- to long-term economic rationale and maintenance/strengthening of the relationship with such business partners, and whether the risks and benefits of holding the shares are commensurate with the capital cost. The outcome thereof shall be reported to the Board of Directors.
3. Concerning exercise of the Company's voting right of cross-shareholdings, the Company shall exercise its voting right to reinforce relationships with business partners except for cases where shareholder value might be largely impaired or there are serious concerns for corporate governance.
4. In the event that a company holding the shares of the Company indicates its intention to sell those shares, the Company shall not engage in any activity that would impede said sale, including any suggestion of a reduction in transactions.
5. The Company shall not engage in any transactions with cross-shareholders that lack economic rationale.

Article 7 (Anti-Takeover Measures)

1. The Company shall, in the event that a large acquisition of the Company's shares is made, strive to disclose necessary and sufficient information to shareholders and ensure time to make an appropriate judgment on the large-scale acquisition of the Company's shares and will

simultaneously take appropriate measures to the extent allowed by laws and regulations and the Company's Articles of Incorporation.

2. Measures set forth in the preceding paragraph shall not have any objective associated with entrenchment of the management or the Board of Directors. When taking such measures, the Company will conduct a thorough study of their necessity and reasonableness, ensure appropriate procedures and give sufficient explanation to shareholders.

Article 8 (Related Party Transactions)

The Board of Directors shall, when the Company engages in transactions with related parties, such as its officers or major shareholders, conduct appropriate monitoring including prior approval according to the size of the amount, transaction form and qualitative importance so that such related party transactions do not harm the interests of the Company or the common interests of its shareholders. The scope, specific standards and approval procedures of the related party transactions shall be provided for in the Authority Regulations and other internal regulations.

Chapter 3 Appropriate Cooperation with Stakeholders Other Than Shareholders

Article 9 (Cooperation with Stakeholders)

The Company Group shall strive to carry out various measures for meeting various stakeholders' expectations in order to achieve sustainable growth and increased corporate value over the mid- to long-term.

Article 10 (Code of Conduct)

The Company Group shall, in order to ensure that its directors, executive officers, and employees always behave in an ethical manner, separately provide for a Code of Conduct at a Board of Directors Meeting and put in place a framework where such Code is observed.

Article 11 (Whistleblowing)

1. The Company Group shall, with the aim of conducting transparent and fair group management, put in place both in Japan and abroad a framework for whistleblowing in which employees of the Company Group detecting a fact(s) violating laws and/or regulations within the Company Group, they can report it/them directly, anonymously or not, to specialists including outside attorneys without suffering from disadvantageous treatment for that reason.
2. The Board of Directors shall conduct a regular monitoring of the enforcement of the framework for whistleblowing.

Article 12 (Response to Realizing Sustainable Environment)

The Company Group shall, under the following action guidelines, contribute to realizing a sustainable environment by reducing pressure on the natural environment through continuous technical innovations in each field of diversified industries handling fluids including crude oil and natural gas production sectors, and aerospace and dialysis treatment business areas, etc:

- (i) Development of products taking environmental conservation into consideration by conducting an environmental and safety evaluation at the development and design phases;
- (ii) Minimization and appropriate treatment of waste and pollutants generated at the stages of production, distribution, services and disposal; and saving resources and energy;
- (iii) In addition to compliance with environment-related laws, regulations and agreements, enhancement in the level of environment management by establishing voluntary management targets; and
- (iv) Establishing the importance of making efforts for environment conservation as a company employee or a member of society by providing employees with a thorough environmental education.

Article 13 (Ensuring Diversity, Including Active Participation of Women)

Recognizing that diverse perspectives and values reflecting experiences, skills and characteristics are a strength supporting the achievement of sustainable growth, the Company Group shall also in the further strive to actively develop an environment where diverse human resources can appropriately play an active part, including by promoting the active participation of women.

Article 14 (Fulfilling the function as an Asset Owner of a Corporate Pension Funds)

Based on the fact that management of corporate pension funds affect the stability of employee assets, and also has an effect on the company's financial condition, the Company shall set up the Corporate Pension Funds Management Committee, comprising members including the General Manager of Corporate Division, formulate and review policy-based asset composition ratio, and monitor operation status of corporate pension funds.

Chapter 4 Ensuring Appropriate Information Disclosure and Transparency**Article 15 (Disclosure of the Company's Policy on Risk Management, Internal Control System, etc.)**

1. The Board of Directors shall, based on the Companies Act and other applicable laws and regulations, decide the Company's policies on the Company Group's risk management, internal

control system, and compliance with laws and regulations, and disclose them in a timely and appropriate manner.

2. The Board of Directors shall, pursuant to the Companies Act, the Financial Instruments and Exchange Act, other applicable laws and regulations and applicable rules of financial instruments exchanges, disclose matters concerning finance and businesses in a fair, detailed and transparent manner.
3. Notwithstanding the preceding two paragraphs, the Company shall appropriately work on the disclosure of the matters concerning finance and businesses that it deems are useful to deepen understanding of stakeholders including shareholders who have mid- to long-term investment policy with regard to the Company's management and businesses.

Chapter 5 Responsibilities of the Board

Section 1 Responsibilities of the Board as a Supervising Body

Article 16 (Roles and Responsibilities of the Board of Directors)

1. The Board of Directors shall, given its fiduciary responsibility and accountability to shareholders, assume responsibility for sustainably growing the Company Group and maximizing the corporate value over the mid- to long-term through efficient and effective corporate governance.
2. The Board of Directors shall play the following roles in order to fulfill the responsibilities set forth in the preceding paragraph:
 - (i) Set the broad direction of management, including business strategy;
 - (ii) Put in place a company structure that supports prompt and decisive business judgment; and
 - (iii) Ensure the fairness and transparency of management by demonstrating its supervisory function over management as a whole.

Article 17 (Delegation to the Management)

From the viewpoint of facilitating prompt and decisive decision-making by the group management, in order to make separation between management oversight and business execution effective, the Company Group shall delegate authority for execution of individual business to the group management to the extent allowed by the applicable laws and regulations on the premise of establishing and enhancing the oversight structure of exercise of authority regarding the execution of individual business.

Article 18 (Roles and Responsibilities of Audit & Supervisory Board Members and Audit & Supervisory Board)

1. Given the fiduciary responsibility to shareholders, Audit & Supervisory Board Members and the Audit & Supervisory Board, who are independent from directors and the Board of Directors, shall recognize that it is their main responsibility to conduct an audit of directors and the Board of Directors' fulfilling their responsibilities in a lawful and appropriate manner.
2. Audit & Supervisory Board Members and the Audit & Supervisory Board shall, in order to fulfill the responsibilities set forth in the preceding paragraph, proactively utilize functions allowed by laws and regulations as well as closely cooperate with outside directors and accounting auditors from the viewpoint of the Company Group's sustainable growth and increased corporate value over the mid- to long-term. In addition, Audit & Supervisory Board Members and the Audit & Supervisory Board shall express their opinions at the Board of Directors Meeting or to the management without being excessively restrained in performing their own functions to the management.

Article 19 (Roles and Responsibilities of Independent Outside Directors)

Independent outside directors shall, in light of business strategy and business plans decided by the Board of Directors, verify and evaluate results of the Company Group's management and business execution by the management from time to time from objective and expert standpoint independently of business execution, fulfill supervisory functions of management by reflecting the opinions of stakeholders to the Board of Directors in an appropriate manner, and provide proper advice from the viewpoint of promoting the Company's sustainable growth and increasing corporate value over the mid- to long-term based on their own knowledge and experience.

Article 20 (Outside Accounting Auditors)

The Board of Directors shall, in order to ensure high quality accounting audits conducted by outside accounting auditors, strive to ensure adequate time for audits and interviews by outside accounting auditors with the Company's management. In addition, in the case where outside accounting auditors detect any misconduct and request the Company to make a proper response thereto, a director in charge of finance shall report the matter immediately to the President and independent outside officers, simultaneously verify the matter pointed out and disclose results of verification where appropriate in a timely and appropriate manner.

Section 2 Effectiveness of the Board of Directors**Article 21 (Composition of the Board of Directors)**

1. Based on the Company's Article of Incorporation, the number of the Board of Directors Members shall be nine or less, of which two or more shall be independent outside directors.
2. The Board of Directors shall consist of people who share core values regarding the Company Group's business execution with the Company Group and can empathize with the Company Group's business principles due to their superior character, perception, capability and a wealth of experience. In addition, the Board of Directors shall be composed taking diversity into consideration to ensure the effectiveness of its functions.

Article 22 (Chairperson of the Board of Directors)

1. The chairperson of the Board of Directors shall strive to improve the quality of discussions at Board of Directors Meetings and to run the Board of Director Meeting in an effective and efficient manner.
2. To fulfill the responsibilities set forth in the preceding paragraph, the chairperson of the Board of Directors shall ensure that sufficient time is allowed for all agenda items (especially for strategic agenda items) and that each director can receive appropriate information in a timely manner.

Article 23 (Qualification of Directors, etc. and Procedures for Nomination/Dismissal)

1. For directors, people who can overview the business environment surrounding the Company Group, work on important business issues in a prompt and decisive manner, have the capability to get results as well as build up a corporate governance system that supports the realization of the business principles by transparent, fair, prompt and decisive decision-making shall be nominated.
2. For outside directors, people who do not have any personal relationship, capital relationship, transactional relationship or any other interest other than the relationship as an outside officer with the Company; play their full part to supervise decision-making and execution of duty by directors from an objective and expert standpoint independently of the Company's business execution as those who have no conflicts of interest with general shareholders; and can be expected to provide proper advice from the viewpoint of promoting the Company's sustainable growth and increasing corporate value over the mid- to long-term based on their own knowledge and experience shall be nominated.
3. For executive officers, people who can understand the Company Group's business strategy, have the capability to develop it into activities as a strategy of each business and to put in place and control organizations that will execute business strategies; and have the counting capability to manage business execution in a quantitative way, as well as a high sense of responsibility toward achieving business goals shall be appointed.

4. Regarding the nomination of candidates for directors and appointment of the President, Vice-president and other senior management, the draft shall be explained to independent officers in advance and be submitted to the Board of Directors after receiving their advice.
5. The reason for nominating each candidate for directors shall be disclosed by stating it on a convocation notice for a general shareholder meeting.
6. In the event that any of the Company's directors becomes unable to supervise and execute Company's management by deception or other wrongful acts, the Board of Directors discuss the policy of dismissal of him/her, and depending on the result of discussion, the director may be subject to dismissal by a resolution at the general shareholders meeting.

Article 24 (Qualification of Audit & Supervisory Board Members and Procedures for Nomination/Dismissal)

1. For Audit & Supervisory Board Members, people who play roles of business and accounting audits as well as those who are able to proactively exercise authority to express their opinions at the Board of Directors Meeting shall be nominated. At least one of the Audit & Supervisory Board Members shall have appropriate knowledge and experience with regard to finance and accounting.
2. For outside Audit & Supervisory Board Members, people who do not have any personal relationship, capital relationship, transactional relationship or any other interest other than the relationship as an outside officer with the Company; play their full part to audit decision-making and execution of duty by directors from an objective and expert standpoint independently of the Company's business execution as those who have no conflicts of interest with general shareholders; and can be expected to identify risks associated with the business strategy and provide advice based on their broad knowledge and experience shall be nominated.
3. When nominating candidates for Audit & Supervisory Board Members, diversity shall be taken into consideration from the viewpoint of ensuring effective audit of management.
4. Regarding the nomination of candidates for Audit & Supervisory Board Members, a draft shall be explained to independent outside officers in advance and be submitted to the Board of Directors after receiving their advice and consent of the Audit & Supervisory Board.
5. The reason for nominating each candidate for Audit & Supervisory Board Members shall be disclosed by stating it on a convocation notice for a general shareholder meeting.
6. In the event that any of the Audit & Supervisory Board Members becomes unable to audit and execute Company's management by deception or other wrongful acts, the Board of Directors discuss the policy of dismissal of him/her, and depending on the result of discussion, the director may be subject to dismissal by a resolution at the general shareholders meeting.

Article 25 (Independence Standards, Qualification and Limitation on Double Hatting for Independent Outside Directors)

1. The Company shall adopt the independence standards for independent outside directors provided for by the Tokyo Stock Exchange. When interpreting and applying the standards, to enable independent outside directors to play a full part to supervise decision-making and execution of duty by directors from an objective and expert standpoint independently of the Company's business execution, the Company shall substantively make a judgment as to whether they have any personal relationship, capital relationship or transactional relationship other than the relationship as outside directors with the Company and whether nominating such directors could produce any conflict of interests with shareholders.
2. The Company's independent outside directors and independent outside Audit & Supervisory Board Members shall not in principle hold a concurrent post of directors or Audit & Supervisory Board Members at more than three listed companies other than the Company. Such status of concurrent post of directors or Audit & Supervisory Board Members shall be disclosed by stating it on a convocation notice for a general shareholder meeting.

Article 26 (Succession Plan)

The Board of Directors shall appropriately supervise a succession plan for the President. The said succession plan shall include views on the qualification, experience and nature of the President based on the Company's business strategy.

Article 27 (Studies and Trainings of Directors and Audit & Supervisory Board Members)

1. Newly appointed directors (including outside directors) shall from time to time participate in the training program prescribed by the Company at the Company's expense in order to acquire and update their knowledge about the duty of directors.
2. Directors and Audit & Supervisory Board Members shall, in order to fulfill their roles, devote themselves to their studies by always proactively gathering information about the Company's financial condition; complying with laws and regulations, corporate governance and other matters; and participating every year in the training program prescribed by the Company with regard to business strategy, finance, accounting, personnel affairs, and organizations.

Article 28 (Setting Agenda of the Board of Directors Meeting, etc.)

1. The Board of Director Meeting shall be in principle held immediately after the ordinary general shareholder meeting and once each month on the predetermined day, and additionally, on a temporary basis where appropriate. At the Board of Directors Meeting, matters stipulated by laws and regulations and other important business issues shall be deliberated and risk

management, internal control and other key matters provided for in the Basic Policy shall be reported to the Meeting. At the Board of Directors Meeting, the main resolution matters to be discussed at the Board of Directors Meetings of each business year and the deliberation schedule of reporting matters shall be determined in advance.

2. Materials concerning the agenda and proposals (especially on strategic matters) to be discussed at a Board of Directors Meeting shall be distributed to each director and Audit & Supervisory Board Member including outside officer well ahead of the date when the relevant Board of Directors Meeting is held so that productive discussions may be made at each Board of Directors Meeting; provided, however, that this shall not apply to highly confidential matters in particular.

Article 29 (Access by Independent Outside Directors and Audit & Supervisory Board Members to Internal Information)

1. Independent outside directors and Audit & Supervisory Board Members may from time to time request inside directors, executive officers and employees to provide explanations or reports, or to submit company data.
2. The Company shall, at the request of independent outside directors, install staffers who support independent outside directors' business to which appropriate personnel and budget are allocated, so that they can perform their job duties in an appropriate manner.
3. The Company shall, at the request of Audit & Supervisory Board Members, install staffers who support the Audit & Supervisory Board Members' business to which appropriate personnel and budget are allocated, so that the Audit & Supervisory Board and each Audit & Supervisory Board Member can perform their job duty in an appropriate manner.

Article 30 (Independent Outside Officers' Liaison Meeting)

1. Independent outside officers shall hold an Independent Outside Officers' Liaison Meeting which shall be attended by independent outside officers only from the viewpoint of proactively contributing to discussions at Board of Directors Meetings, and exchange information and share recognition based on independent and objective standpoints.
2. The Company shall support activities of the Independent Outside Officers' Liaison Meeting set forth in the preceding paragraph and simultaneously utilize it as a place receiving recommendations with regard to matters concerning corporate governance, such as the Company Group's businesses, nomination and remuneration of directors, a succession plan, etc.

Article 31 (Analysis and Evaluation of Effectiveness of the Board of Directors)

1. Each year directors shall make self-evaluations on the effectiveness of the Board of Directors,

performance as a director, etc., and submit outcome thereof to the Board of Directors.

2. Each year the Board of Directors shall analyze and evaluate its effectiveness as a whole based on each director's self-evaluation as set forth in the preceding paragraph.

Section 3 Remuneration System

Article 32 (Remunerations, etc. of Directors)

1. The Board of Directors shall provide for the proper proportion of fixed remuneration, short-term performance-based compensation and mid- to long-term performance-based compensation so that remuneration of executive directors may serve as a sound incentive for sustainable growth.
2. Concerning remuneration of directors, a draft shall be explained to independent outside officers in advance and be submitted to the Board of Directors after receiving their advice.

Chapter 6 Dialogue with Shareholders

Article 33 (Policy Concerning Constructive Dialogue with Shareholders, etc.)

1. The Company shall, in order to contribute to the Company Group's sustainable growth and increased corporate value over the mid- to long-term, have constructive dialogues with shareholders and investors.
2. To realize constructive dialogues as set forth in the preceding paragraph, the Company shall make a positive response to applications for dialogues from shareholders and investors within a reasonable scope. In addition, the Board of Directors shall, to promote constructive dialogues with shareholders and investors, nominate a director or executive officer in charge of IR responsible for dialogue with shareholders as a whole, and carry out the following matters:
 - (i) Hold regular briefings for analysts and institutional investors (approximately twice a year) as well as handle appropriately day-to-day interviews and telephone interviews, and plain explanations in response to inquiries made by retail investors;
 - (ii) Provide timely and appropriate information in close cooperation between the department in charge of IR that possesses necessary and useful information for constructive dialogues (Corporate Planning Department) and General Affairs Department, Accounting & Finance Department, Legal Department and Human Resources Department belong;
 - (iii) Report useful information, opinions and advice gained from dialogues with shareholders to the Board of Directors and the management on a regular basis; and
 - (iv) To prevent insider information from unintended leaks on the occasion of dialogues with

shareholders, centralize registration and management of insider information at Corporate Planning Department under the “Insider Information Management Regulations” of the Company as well as setting a “Quiet Period” where no dialogues on financial closing information shall take place from the day following the date of quarterly settlement until the date of announcement of financial results.

Supplementary Provision

The Basic Policy shall be put into effect on October 20, 2015.

Established and put into effect on October 20, 2015.

Amended on February 22, 2019.