**[Notes of caution]**
This document is an English translation of the Japanese original. In the event of any differences or inconsistencies between the Japanese and English versions, the Japanese language version shall take precedence.

# CORPORATE GOVERNANCE

NITTO DENKO CORPORATION.

**Last update: Oct 1st, 2020**

**NITTO DENKO CORPORATION**
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Stock code: 6988
https://www.nitto.com/jp/ja/

**The corporate governance of NITTO DENKO CORPORATION. is described below.**

## *I.* Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

### 1. Basic Views

We at the Nitto Group make clear our fundamental values and sense of purpose with respect to performance of business in the form of our “Corporate Philosophy.” We have also established guidelines (the “Nitto Group Business Conduct Guidelines”) for concrete behavior based on this business principle, and spare no effort to make them universally known to our executives and employees.

In order to maximize our corporate value and achieve continuous growth under this “Corporate Philosophy,” we believe that prompt and transparent decision making, as well as bold managerial decisions, are necessary. Fully aware of the importance of establishing corporate governance to achieve such decision-making, we will not only ensure the effectiveness of our corporate governance system, but also further improve the system by establishing these “Corporate Governance Guidelines" [Appendix 1] in accordance with the following basic principles.

1.We ensure the rights and equality of our shareholders.
2.We collaborate with our stakeholders appropriately.
3.We disclose information appropriately to ensure transparency.
4.We aim to realize the management functions expected of us by our stakeholders.
5.We engage in constructive dialogue with our shareholders.

#### [Reason not to Enforce Each Principle of the Corporate Governance Code]

We enforce all of the principles of the Corporate Governance Code.

#### [Disclosure Based on the Principles of the Corporate Governance Code]

【Principle 1.4 Cross-Shareholdings】

The Nitto Group may hold shares of other listed companies as cross-shareholdings only when such holdings are deemed to lead to the enhancement of the Group's corporate value over the long-term. However, the ratio of such shares to total assets is minimal, and with regard to each cross-shareholding, we will continue to examine every year such factors as the status of transactions with such companies and whether the return on such holdings is commensurate with the capital costs deemed appropriate by the Company, and determine whether or not such shares need to be sold.

When exercising voting rights with respect to such cross-shareholdings, we decide the manner in which we vote in a comprehensive manner after taking into consideration such factors as whether each item to be resolved leads to the stable enhancement of the Group's corporate value.

【Principle 1.7 Related Party Transactions】

At Nitto, related party transactions conducted by our Directors or major shareholders and other parties are resolved at Board of Directors meetings in order to verify the rationality (business necessity) of such transactions and the validity of their terms and conditions.

Whether or not any items to be presented at Board of Directors meetings and other important meetings fall under the definition of related party transactions is examined by the Secretariat beforehand in conjunction with the legal department.

The soundness and appropriateness of such transactions are ensured through ex-post-facto checking of their nature, etc. by the internal audit department and through audits by the Board of Corporate Auditors (members).

【Principle 2.6 Roles of Corporate Pension Funds as Asset Owners】

In order for Nitto to perform a function as an asset owner with its enhanced investment expertise, it appoints a CFO, a manager in charge of finance, and a manager in charge of human resources as the pension management director, and in addition, appoints human resources with experience in fund management as an executive director, and supplements professional capacity and knowledge by employing an external advisor, thereby properly operating and managing Nitto's corporate pension.

【Principle 3.1 Full Disclosure】

(i) Corporate Philosophy and Management Plan

Please refer to the Company's website at https://www.nitto.com/jp/en/about_us/.

(ii) Basic Views on Corporate Governance

Please refer to "1. Basic Views" of this Report.

Please refer to [Reference 1] for the "Corporate Governance Guidelines."

(iii) Policy on Remuneration to Directors and Corporate Auditors

・Policy related to remuneration of Directors

At Nitto, Directors (excluding Outside Directors) receive four types of remuneration:

Fixed compensation in cash;

Bonus for Directors based on short-term performance;

Performance-linked share-based remuneration as a form of mid-term performance-linked remuneration (to be provided within the scope of 0% to 150% in accordance with achievement of numerical targets determined by the Company's Board of Directors based on the performance targets laid out in the Mid-Term Management Plan and other indicators); and

Restricted share remuneration as a form of mid- and long-term performance-linked remuneration.

The above types of remuneration are paid for the purpose of motivating Directors to contribute to mid- and long-term performance improvement and continual enhancement of corporate value, and by taking into account the balance between fixed and variable remunerations and between compensation in cash and share remuneration. Each type of remuneration is determined within the range of the total amount (and number of shares issued) that has been approved at a general meeting of shareholders.

In order to enhance the objectivity and transparency of such remuneration, the amount of performance-linked share-based remuneration is calculated by using a prescribed formula. In addition, the amounts of other remunerations for each Director are determined by the Representative Director(s) in accordance with their duties, responsibilities, and performance, after they have received the views of the Management, Nomination and Remuneration Advisory Committee on remuneration of Directors.

Given their roles of overseeing management through important decision-making at the Board of Directors meetings, remuneration to Nitto's Outside Directors does not include any share-based or other performance-linked portions, and instead is comprised solely of fixed compensation in cash.

・Policy related to remuneration of Corporate Auditors

In light of their duties, such as auditing the execution of duties by Directors, Nitto's Corporate Auditors receive compensation in cash (fixed) only, without any elements of equity-related or other performance-based remuneration. Such remuneration is determined within the range of the total amount approved at general meetings of shareholders.

Remuneration of individual Corporate Auditors is determined through consultation among themselves in accordance with the duties and responsibilities of each Corporate Auditor.

(iv) (v) Nomination Policy and Procedures, and Reasons for Individual Nomination of Candidates for Directors and Corporate Auditors

(Appropriate Structure of the Board of Directors and Board of Corporate Auditors)

Given the current scale of business, the need to facilitate substantial discussions at Board of Directors meetings and Board of Corporate Auditors meetings and to ensure an appropriate number of Outside Directors, etc., we believe that the appropriate size of the Board of Directors is not more than ten Directors (two or more

of whom are independent directors). Likewise, the Articles of Incorporation set an upper limit of ten. We also believe that the appropriate size of the Board of Corporate Auditors is not more than five members (half or more of whom are independent auditors), who are individuals having appropriate experience and ability as well as necessary knowledge in finance, accounting, and legal affairs, with at least one (1) Corporate Auditor who has sufficient expertise in finance and accounting. Likewise, the Articles of Incorporation set an upper limit of five.

(Appointment and Dismissal of Directors and Corporate Auditors)
The Officer Appointment Standards and the Officer Dismissal Standards have been established as described below and are applied when appointing or dismissing a Director or Corporate Auditor. In addition, in order to further enhance fairness and transparency in appointment and dismissal of Directors, the Management, Nomination and Remuneration Advisory Committee meets and reports the results of its deliberations to the Board of Directors, and the Board of Directors makes the final decision by taking such report into account.

<Officer Appointment Standards>
In addition to the basic requirement of having profound insights and high levels of expertise acquired from past experience, successful candidates should comprehend and live up to our Corporate Philosophy, deliver results, and continue to take on new challenges.
(At Nitto, those meeting such requirements are called “Nitto Persons.”)

<Officer Dismissal Standards>
1. An act was committed that was contrary to public order and morality;
2. A violation of the laws and ordinances, the Articles of Incorporation, or any other regulations of the Group was committed, and Nitto suffered a substantial loss or hindrance to Group business operations due to such violation;
3. A material inconvenience was caused to the execution of the duties of an Officer; or
4. Any of the quality requirements set forth in the Officer Appointment Standards is no longer satisfied.

(Nomination of Outside Directors and Outside Corporate Auditors)
When nominating Outside Director and Outside Corporate Auditor candidates, individuals who are considered appropriate for such positions must meet the Independent Officer Appointment Standards and the Officer Appointment Standards. Furthermore, in order for Outside Directors and Corporate Auditors to set aside the time and labor necessary to properly fulfill their roles and responsibilities at Nitto, due attention is paid to the statuses of concurrent positions (officers, etc.) that they might hold at other companies to ensure that such statuses are appropriate.

<Criteria for Independent Outside Directors and Outside Corporate Auditors>

The Company, in an effort to ensure the objectivity and transparency of governance, has set forth the criteria for the independence of Outside Directors and Outside Corporate Auditors (hereinafter collectively referred to as “Outside Officer(s)”), as follows.

The Company considers an Outside Officer or a candidate for Outside Officer to have independence, if, after conducting an investigation to the utmost reasonable extent, it is determined that none of the following items are applicable to the Outside Officer or candidate for Outside Officer.

1. A person who is or has been in the past ten years an executing person (Director, Corporate Auditor, Vice President, or any other employee) of the Company or the Group (hereinafter collectively referred to as the “Group”);
2. A person who is an important executing person (Director, Corporate Auditor, Accounting Advisor, Executive Officer, Executive Director, or any other important employee; hereinafter the same shall apply) of a major shareholder of the Company (a shareholder holding 10% or more of the voting rights of the Company; hereinafter the same shall apply);
3. A person who is an important executing person of a company of which the Company is a major shareholder;
4. A person who is an important executing person of a major counterparty of the Company (a counterparty for which the amount of payment or receipt for transactions with the Company for the latest fiscal year exceeds 2% of consolidated gross sales);
5. A person who is an important executing person of a major lender of the Company (a lender to which the Group’s aggregate amount of loans payable at the latest fiscal year-end exceeds 2% of consolidated total assets);
6. A person who is a legal professional, accounting and tax professional, consultant, or research and education specialist who receives a large amount of compensation or donation (for the latest fiscal year, 10 million yen or more in the case of an individual and more than 2% of consolidated gross sales in the case of a corporation or an organization) from the Company;
7. A person who has kinship status (being a relative within the third degree of kinship or a relative living together) with an executing person of the Company or the Group;
8. A person to whom any of the items 2. through 7. above has been applicable within the past five years; and
9. In addition to the above, a person who has an interest that is reasonably considered to give rise to doubts about his or her independence as an Independent Outside Director or Independent Outside Corporate Auditor, or to give rise to a conflict of interest with shareholders of the Company.

<Criteria for “Important Concurrent Positions”>
Concurrent positions are deemed “important” if:
1. The director (candidate) in question concurrently holds a position as Director, etc. at listed companies or equivalent public companies;

2. The director (candidate) is a representative of corporations other than those stipulated in the preceding item and does not have the time, etc. necessary to fulfill his/her duties at the Company;
3. The director (candidate) has a specialist job (as a professor, lawyer, accountant, etc.) and his/her related duties can affect the allocation of time, etc. necessary to fulfill his/her duties at the Company;
4. The place of employment of the director (candidate) affects his/her independence in light of the Criteria for Election of Independent Outside Directors and Outside Corporate Auditors of the Company; and/or
5. The place of employment of the director (candidate) affects the allocation of time, etc. necessary to fulfill his/her duties at the Company.

(Profiles of Director and Corporate Auditor Candidates)
Please refer to the reference materials for the general meeting of shareholders of Nitto's "Notice." The "Notice" is available on its website: https://www.nitto.com/jp/en/ir/.

【Supplementary Principle 4.1.1 Brief Summary of the Scope and Nature of Matters Delegated to the Board of Directors】
At Nitto, decisions are made at different levels: the Board of Directors serves as an organization for making management decisions and conducting oversight; the Corporate Strategy Committee undertakes business affairs based on decisions made by the Board of Directors; each business division (including corporate departments) has its own meeting structure(s); and heads of each department make decisions (see Nitto's website(https://www.nitto.com/jp/ja/ir/) for information on the Corporate Governance System).
The scope and content of decisions to be made at each level are regulated through the Group's decision-making regulations and standards that are specifically segmented based on the nature of such decisions, amounts to be approved, and other factors. Management decision-making at the Board of Directors meetings and execution of operations are thus separated from each other, and the effectiveness of discussions at the Board of Directors meetings is ensured.

【Supplementary Principle 4.1.3 CEO's Successor Plan】
Pursuant to the succession plan for the president (Chief Executive Officer), the Board of Directors appropriately exercises supervision to ensure that an individual with the necessary knowledge, experience, and ability to be a candidate for the successor is fostered systematically, with sufficient time and resources devoted thereto.

【Supplementary Principle 4.9 Criteria for Independence of Outside Officers】
Please refer to "(iv) (v) Nomination Policy and Procedures, and Reasons for Individual Nomination of Candidates for Directors and Corporate Auditors (Nomination of Outside Directors and Outside Corporate Auditors) of 【Principle 3.1 Full Disclosure】 of this Report.

【Supplementary Principle 4.11.1 Views on the Scale, etc. at the Board of Directors and the Board of Corporate

Auditors】

Please refer to “(iv) (v) Nomination Policy and Procedures, and Reasons for Individual Nomination of Candidates for Directors and Corporate Auditors (Appropriate Structure of the Board of Directors and Board of Corporate Auditors) of 【Principle 3.1 Full Disclosure】 of this Report.

【Supplementary Principle 4.11.2 Concurrent Positions of Directors and Corporate Auditors】

Please refer to the reference materials for the general meeting of shareholders of Nitto’s “Notice.” The “Notice” is available on its website: https://www.nitto.com/jp/en/ir/.

【Supplementary Principle 4.11.3 Analysis, Evaluation, and Disclosure of the Effectiveness of the Entire Board of Directors】

Nitto conducts questionnaires targeting Directors and Corporate Auditors and analyzes and evaluates the effectiveness of the Board of Directors.

Please refer to [Reference 2] for the summary of the results of the previous year’s effectiveness evaluation. (“Findings of the Nitto Board Effectiveness Evaluation”).

【Supplementary Principle 4.14.2 Training for Directors and Corporate Auditors】

When nominating Directors and Corporate Auditors, Nitto makes it a policy to nominate candidates appropriate for such positions who, in light of the Officer Appointment Standards, can fulfill the duties and responsibilities of Directors and Corporate Auditors.

Additionally, Nitto periodically provides training on practicing the Corporate Philosophy, compliance, and corporate responsibilities that should be assumed by the Officers, which are attended not only by employees, but also by all of the officers, who thereby set an example for others to follow. Nitto’s internal officers are obliged to constantly gather information and train themselves proactively in order to fulfill their roles.

Newly appointed outside officers undertake training on Nitto’s business lines, financial position, and other topics immediately after taking office.

【Supplementary Principle 5.1 Policies Related to Constructive Dialogue with Shareholders】

In order to achieve sustainable growth and increase our medium- and long-term corporate value, we provide clear explanations of our business to our shareholders and promote constructive dialogue with them in order to gain their understanding. To this end, we have established the following policies.

1. We at Nitto position IR activities as one of our key business issues, and senior management members personally promote dialogue with shareholders, with the CEO in charge and the CFO serving as a competent director.

2. In order to ensure the effectiveness of dialogue, a dedicated IR department has been established, and a cross-sectional structure for sharing and disclosure of IR information has been constructed through positive cooperation with the Legal, Corporate Planning, Corporate Accounting & Finance, General Affairs, Public

Relations, Management of Group Companies, CSR, and other departments. In addition, an information-handling officer has been appointed to strive to ensure disclosure of information in a timely and appropriate manner.

3. As measures to promote opportunities for dialogue aside from individual meetings, information meetings are held every quarter, with the CEO or CFO providing explanations. Additionally, overseas IR roadshows in the United States, Europe, and Asia are conducted at least once a year.

4. Information on views and business issues uncovered through dialogue with shareholders are periodically relayed to senior management and relevant departments to communicate, share, and feed the same back to management.

5. In order to control insider information, the “Nitto Group Regulations to Prevent Insider Dealings” have been established to ensure infallible information control. Meetings with shareholders and investors to be interviewed are limited during the “quiet periods” immediately prior to the announcement of financial results.

## 2. Capital Structure

| | |
|---|---|
| **Foreign Shareholding Ratio** | 30% or more |

[Major Shareholders]

| Name of Corporate Entity | Number of shares held | Ratio (%) |
|---|---|---|
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 28,737,300 | 18.67 |
| Japan Trustee Services Bank, Ltd. (Trust Account) | 14,279,100 | 9.28 |
| Japan Trustee Services Bank, Ltd. (Trust Account 7) | 3,377,800 | 2.19 |
| Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account) | 2,886,300 | 1.86 |
| Japan Trustee Services Bank, Ltd. (Trust Account 5) | 2,810,000 | 1.83 |
| JP MORGAN CHASE BANK 385151 | 2,722,141 | 1.77 |
| STATE STREET BANK AND TRUST COMPANY 505223 | 2,600,901 | 1.69 |
| STATE STREET BANK WEST CLIENT - TREATY 505234 | 2,429,692 | 1.58 |
| Nippon Life Insurance Company | 2,082,060 | 1.35 |
| SSBTC CLIENT OMNIBUS ACCOUNT | 2,037,578 | 1.32 |

| | |
|---|---|
| **Controlling Shareholder (Except for Parent Company)** | ——— |

| | |
|---|---|
| **Parent Company** | None |

**Supplementary Explanation**

1. The ownership percentage has been calculated based on the number of shares issued, excluding treasury stock.
2. Although the reports on large-scale shareholdings have been submitted as follows, the Company lists the major shareholders above according to the shareholder register as of March 31, 2020.

A total of four shareholders comprising MUFG Bank, Ltd. and its joint holders
10,717,630 shares (as of December 24, 2018)

A total of two shareholders comprising Mizuho Securities Co., Ltd. and its joint holders
8,830,210 shares (as of February 15, 2019)

A total of two shareholders comprising Sumitomo Mitsui Trust Asset Management Co., Ltd. and its joint holders
12,629,500 shares (as of July 15, 2019)

A total of nine shareholders comprising BlackRock Japan Co., Ltd. and its joint holders
10,294,355 shares (as of March 13, 2020)

A total of three shareholders comprising Nomura Securities Co., Ltd. and its joint holders
16,546,420 shares (as of April 21, 2020)

## 3. Corporate Attributes

| | |
|---|---|
| **Listed Stock Market and Market Section** | Tokyo Stock Exchange, First Section |
| **Fiscal Year End** | March |
| **Business Category** | Chemical |
| **Number of Employees (Consolidated) as of the End of the Previous Fiscal Year** | 1,000 or more |
| **Sales (Consolidated) for the Previous Fiscal Year** | 100 billion yen or more and less than 1 trillion yen |
| **Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year** | 50 or more and less than 100 |

## 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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## 5. Other Special Circumstances That May Have Material Impact on Corporate Governance

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# II. Business Management Organization and Other Corporate Governance Systems regarding Decision-Making, Execution of Business, and Oversight in Management

## 1. Items Related to Organizational Structure and Operation

| | |
|---|---|
| **Organizational Form** | Company with company auditor(s) |

[Directors]

| | |
|---|---|
| **Number of Directors Specified in Articles of Incorporation** | 10 |
| **Term of Office of Directors in Articles of Incorporation** | 1 year |
| **Chairperson of the Board** | President |
| **Number of Directors** | 8 |
| **Appointment Status of Outside Directors** | Appointed |
| **Number of Outside Directors** | 4 |
| **Number of Outside Directors Designated as Independent Directors** | 4 |

**Relationship with the Company (1)**

| Name | Affiliation | Relationship with the Company* | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k |
| Yoichiro Furuse | From other companies | | | | | | | | | | | |
| Takashi Hatchoji | From other companies | | | | | | | | | | | |
| Tamio Fukuda | Scholar | | | | | | | | | | | |
| Wong Lai Yong | From other companies | | | | | | | | | | | |

***Selection criteria regarding relationship with the Company**

***"○" when the person presently falls or has recently fallen under the category; "△" when the person fell under the category in the past**

***"●" when a close relative of the person presently falls or has recently fallen under the category; "▲" when a close relative of the person fell under the category in the past**

a Executive of a listed company or its subsidiaries

b Non-executive managing director or executive of a parent company of a listed company

c Executive of a fellow subsidiary company of a listed company

d A party whose major client or supplier is a listed company or an executive thereof

e Major client or supplier of a listed company or an executive thereof

f Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from a listed company besides compensation as an officer

g Major shareholder of a listed company (or an executive of the said major shareholder if the shareholder is a corporation)

h Executive of a client or supplier company of a listed company (which does not correspond to any of d, e, or f) (the executive himself/herself only)

i Executive of a company, between which and the listed company outside directors are mutually appointed (the executive himself/herself only)

j Executive of a company or organization that receives a donation from a listed company (the executive himself/herself only)

k Other

## Relationship with the Company (2)

| Name | Independent Officer | Supplementary Explanation of the Conforming Items | Reason for Appointment |
|---|---|---|---|
| Yoichiro Furuse | ○ | There is no matter falling under a. through k. above.<br>Mr. Yoichiro Furuse also currently serves as an important executing person of Evanston Corporation and Permira Advisers KK, with both of which the Company does not engage in transactions. | 1. In this fiscal year (FY2019), Mr. Furuse participated in all of the Board of Directors' meetings (13) and made useful comments based on his deep insight into management, which was cultivated through his service as director and representative director at listed companies, and extensive experience.<br>The Company expects that his insight and experience will continue to be reflected in the management of the Company.<br>2. The Company stipulates "Criteria for Election of Independent Outside |

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|---|---|---|---|
| | | | Directors and Outside Corporate Auditors” and selects candidates for Outside Directors based on the criteria. |
| Takashi Hatchoji | ○ | There is no matter falling under a. through k. above.<br>Mr. Takashi Hatchoji was an important executing person of Hitachi, Ltd. in the past, which held about 15% of shares in Nitto through a subsidiary. Hitachi, Ltd., however, sold most of its shares in Nitto in July 2003 (and has sold all of its shares in Nitto to date). It has been 15 years or more since a group relation between Hitachi, Ltd. and Nitto was dissolved. The Company engages in transactions with Hitachi, Ltd., most of which relate to the development, maintenance, etc. of Nitto’s system, with annual transaction amount accounting for less than 0.07% of Nitto’s consolidated revenue. Thus, the Company’s relationship with Hitachi, Ltd. does not affect his independence. | 1. In this fiscal year (FY2019), Mr. Hatchoji participated in 12 out of 13 Board of Directors’ meetings and made useful comments based on his deep insight into management, which was cultivated through his service as representative executive officer and director of listed companies, and his extensive experience.<br>The Company expects that his insight and experience will continue to be reflected in the management of the Company.<br>2. The Company stipulates “Criteria for Election of Independent Outside Directors and Outside Corporate Auditors” and selects candidates for Outside Directors based on the criteria. |
| Tamio Fukuda | ○ | There is no matter falling under a. through k. above.<br>Mr. Tamio Fukuda also currently serves as a professor emeritus of Kyoto Institute of Technology. The Company makes a donation to the university. However, the annual donation amount, accounting for less than 0.0005% | 1. In this fiscal year (FY2019), Mr. Fukuda participated in all of the Board of Directors’ meetings (13). As a university professor specializing in design management, he has contributed valuable suggestions regarding establishment of the corporate brand of the Company and made |

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|---|---|---|---|
| | | of Nitto’s consolidated revenue, does not affect his independence. | useful comments based on his experience in business management as a corporate advisor.<br>The Company expects that his insight and experience will continue to be reflected in the management of the Company.<br>2. The Company stipulates “Criteria for Election of Independent Outside Directors and Outside Corporate Auditors” and selects candidates for Outside Directors based on the criteria. |
| Wong Lai Yong | ○ | There is no matter falling under a. through k. above.<br>Ms. Wong Lai Yong also currently serves as an important executing person of First Penguin Tours & Training Sdn. Bhd. The Company engaged in a transaction with First Penguin Tours & Training Sdn. Bhd., which is a remuneration paid when inviting her as a training instructor to the Company, with annual transaction amount accounting for less than 0.0001% of Nitto’s consolidated revenue. Thus, the Company’s relationship with First Penguin Tours & Training Sdn. Bhd. does not affect her independence. | 1. Ms. Wong has provided advice on CSR activities to corporations and educational institutions in various locations in Asia through activities of First Penguin Tours & Training Sdn. Bhd., etc. She was selected as one of the “Asia Pacific women entrepreneurs” by the Cabinet Office of Japan in 2016. In addition, she is well versed in the management of Japanese corporations through about 16 years of living in Japan, with an MBA degree from the Graduate School of Business Administration, Keio University, a master’s degree from the Graduate School, Yokohama National University, and working experience at a Japanese childcare-related company. The Company expects that she will provide advice and suggestions on the overall management of the |

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| | | | Company based on such experience and achievements.<br>2. The Company stipulates “Criteria for Election of Independent Outside Directors and Outside Corporate Auditors” and selects candidates for Outside Directors based on the criteria. |

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|---|---|
| **Voluntary Establishment of Committee(s) Equivalent to Nominating Committee or Remuneration Committee** | Established |

## Relationship with the Company (2)

| | Committee’s Name | All Committee Members | Full-time Committee Members | Internal Directors | External Directors | External Experts | Others | Chairperson |
|---|---|---|---|---|---|---|---|---|
| Committee Corresponding to Nomination Committee | Management, Nomination, and Remuneration Advisory Committee | 8 | 0 | 1 | 4 | 0 | 3 | Internal Director |
| Committee Corresponding to Remuneration Committee | Management, Nomination, and Remuneration Advisory Committee | 8 | 0 | 1 | 4 | 0 | 3 | Internal Director |

## Supplementary Explanation

Nitto has formed the Management, Nomination, and Remuneration Advisory Committee as an advisory organ for the Representative Director(s), and it consists of Outside Directors and Outside Corporate Auditors who offer advice from different perspectives on the Company's important management issues and compensation system for officers. The other three members are the Outside Corporate Auditors of the Company.

The Committee met three times in total in the fiscal year under review (FY2019), with members' attendance rate of 100% each time. The following are main consultations and deliberations:

- The Company's course of action based on the global situation, industry trends, new research, etc.
- Current remuneration structure, level, and future stance based on trends in other companies, stakeholders including shareholders, etc.
- Current status of securing candidates for management position and succession plan

## [Corporate Auditors]

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|---|---|
| **Establishment of a Board of Corporate Auditors** | Established |
| **Number of Corporate Auditors Specified in Articles of Incorporation** | 5 |
| **Number of Corporate Auditors** | 5 |

### Coordination between Corporate Auditors, Accounting Auditor, and Internal Auditing

With regard to coordination between Corporate Auditors and accounting auditors, Nitto regularly holds audit reporting from the accounting auditors and information exchange meetings. In addition, the accounting auditors are present at physical inventory.

Also, with regard to coordination between Corporate Auditors and the internal audit department, the department in charge of internal audit regularly reports the audit system and audit plan to the Corporate Auditors and reports audit results based thereon.

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|---|---|
| **Appointment Status of Outside Corporate Auditors** | Established |
| **Number of Outside Corporate Auditors** | 3 |
| **Number of Outside Corporate Auditors Designated as Independent Directors** | 3 |

## Relationship with the Company (1)

| Name | Affiliation | Relationship with the Company* | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | G | h | i | j | k | l | m |
| Masashi Teranishi | From other companies | | | | | | | | | | | | | |
| Masakazu Toyoda | Other | | | | | | | | | | | | | |
| Mitsuhide Shiraki | Scholar | | | | | | | | | | | | | |

*Selection criteria regarding relationship with the Company

*"○" when the person presently falls or has recently fallen under the category; "△" when the person fell under the category in the past

*"●" when a close relative of the person presently falls or has recently fallen under the category; "▲" when a close relative of the person fell under the category in the past

a Executive of a listed company or its subsidiaries

b Non-executive managing director or accounting adviser of the Company or its subsidiaries

c Non-executive managing director or executive of a parent company of a listed company

d Corporate auditor of a parent company of a listed company

e Executive of a fellow subsidiary company of a listed company

f A party whose major client or supplier is a listed company or an executive thereof

g Major client or supplier of a listed company or an executive thereof

h Consultant, accountant, or legal professional who receives a large amount of monetary consideration or other property from a listed company besides compensation as an officer

i Major shareholder of a listed company (or an executive of the said major shareholder if the shareholder is a corporation)

j Executive of a client or supplier company of a listed company (which does not correspond to any of f, g, or h) (the executive himself/herself only)

k Executive of a company, between which and the listed company outside directors are mutually appointed (the executive himself/herself only)

l Executive of a company or organization that receives a donation from a listed company (the executive himself/herself only)

m Other

## Relationship with the Company (2)

| Name | Independent Officer | Supplementary Explanation of the Conforming Items | Reason for Appointment |
|---|---|---|---|
| Masashi Teranishi | ○ | There is no matter falling under a. through m. above.<br>Mr. Masashi Teranishi also serves | 1. In this fiscal year (FY2019), Mr. Teranishi participated in all of the Board of Directors' meetings (13) |

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|---|---|---|---|
| | | as Honorary Advisor of MUFG Bank, Ltd. He was an important executing person of the group in the past, but it has been ten years or more since then. Hence, it does not affect his independence. Further, there is no borrowing from MUFG Bank, Ltd. | and Board of Corporate Auditors' meetings (12), and his deep insight and extensive experience in the field of finance have been reflected in the auditing of the Company.<br>The Company expects that his insight and experience will continue to be reflected in the auditing of the Company.<br>He possesses a broad range of knowledge in finance and accounting.<br>2. The Company stipulates "Criteria for Election of Independent Outside Directors and Outside Corporate Auditors" and selects candidates for Outside Corporate Auditors based on the criteria. |
| Masakazu Toyoda | ○ | There is no matter falling under a. through m. above. | 1. In this fiscal year (FY2019), Mr. Masakazu Toyoda participated in 12 out of 13 Board of Directors' meetings and all of the Board of Corporate Auditors' meetings (12), and his deep insight and extensive experience in the field of economy and international trading have been reflected in the auditing of the Company. Although he does not have experience of being directly involved in corporate management, the Company believes that he will be able to execute his duties as an Outside Corporate Auditor of the Company appropriately for the aforementioned reason.<br>The Company expects that his insight and experience will continue |

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| | | | to be reflected in the auditing of the Company.<br>2. The Company stipulates “Criteria for Election of Independent Outside Directors and Outside Corporate Auditors” and selects candidates for Outside Corporate Auditors based on the criteria. |
| Mitsuhide Shiraki | ○ | There is no matter falling under a. through m. above.<br>Mr. Mitsuhide Shiraki also currently serves as a professor of Faculty of Political Science and Economics, Waseda University. The Company does not make any donation to Waseda University. | 1. In this fiscal year (FY2019), Mr. Shiraki participated in all of the Board of Directors’ meetings (13) and Board of Corporate Auditors’ meetings (12). He is an expert in labor issues and global human resource development as a university professor, and his deep insight has been reflected in the auditing of the Company. Although he does not have experience of being directly involved in corporate management, the Company believes that he will be able to execute his duties as an Outside Corporate Auditor of the Company appropriately for the aforementioned reason.<br>The Company expects that his insight and experience will continue to be reflected in the auditing of the Company.<br>2. The Company stipulates “Criteria for Election of Independent Outside Directors and Outside Corporate Auditors” and selects candidates for Outside Corporate Auditors based on the criteria. |

## [Independent Officers]

| | |
|---|---|
| **Number of Independent Officers** | 7 |

**Other Details concerning Independent Officers**

All individuals who satisfy the qualifications for Independent Officers are appointed as Independent Officers.
In order to ensure the independence of Outside Directors and Outside Corporate Auditors, Nitto has stipulated "Criteria for Election of Independent Outside Directors and Outside Corporate Auditors."
Please refer to 1. Basic Views 【Supplementary Principle 4.9 Criteria for Independence of Outside Officers】 of "*I.* Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information" of this Report for the details of "Criteria for Election of Independent Outside Directors and Outside Corporate Auditors."

## [Incentives]

| | |
|---|---|
| **Implementation status of measures for granting incentives to Directors** | Introduction of a performance-linked compensation plan, and others |

**Supplementary Explanation**

For the purpose of incentivizing Directors to contribute to medium- and long-term performance improvement and sustainable enhancement of corporate value, Nitto has introduced a restricted share remuneration that allots the Company's common shares with transfer restriction until they leave office, as a form of medium-term performance-linked remuneration, and a performance-linked share-based remuneration that provides the Company's common shares in accordance with the achievement of numerical targets predetermined by the Company's Board of Directors, as a medium-term performance-linked remuneration.

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| **Stock Option Recipients** | |

**Supplementary Explanation**

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## [Director Compensation]

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| **Disclosure of Compensation of Individual Directors** | Individual disclosure made for certain directors only |

**Supplementary Explanation**

The Company discloses the total amount of compensation by category for Directors and Corporate Auditors, respectively, as well as the total amount paid to Outside Officers in its annual securities report and business report. The Company also discloses compensation of those whose total amount of consolidated compensation, etc. is 100 million yen or more individually in its annual securities report

1) Number of eligible Directors and Corporate Auditors for each position, total amount of compensation, etc. by type, and total amount of compensation, etc.

Directors (excluding Outside Directors)

Number of eligible Directors 6

Total amount of compensation, etc. by type

Compensation in cash 244 million yen

Bonus paid to Directors 127 million yen

Restricted share remuneration 98 million yen

Total amount of compensation, etc. 469 million yen

Outside Directors

Number of eligible Outside Directors 3

Total amount of compensation, etc. by type

Compensation in cash 36 million yen

Total amount of compensation, etc. 36 million yen

Corporate Auditor (excluding Outside Auditors)

Number of eligible Corporate Auditors 3

Total amount of compensation, etc. by type

Compensation in cash 67 million yen

Total amount of compensation, etc. 67 million yen

Outside Corporate Auditors

Number of eligible Outside Corporate Auditors 3

Total amount of compensation, etc. by type

Compensation in cash 32 million yen

Total amount of compensation, etc. 32 million yen

2) Total amount of compensation, etc. of those whose total amount of remuneration, etc. is 100 million yen or more

Name Hideo Takasaki

Position Director

Total amount of compensation, etc. by type

| | |
|---|---|
| Compensation in cash | 96 million yen |
| Bonus paid to Directors | 44 million yen |
| Restricted share remuneration | 43 million yen |
| Total amount of remuneration, etc. | 183 million yen |

(Notes)

1. The table above includes one Director and one full-time Corporate Auditor who retired from the position during the fiscal year under review (FY2019).
2. The amount of employee salary (including bonus) for a Director who also holds an employee position is paid separately from the abovementioned compensation, but such employee salary was not paid for the current term.
3. The limit of compensation in cash for Directors is 30 million yen per month (of which up to 3 million yen is allocated to Outside Directors) since approval at the 150th Ordinary General Meeting of Shareholders (however, it was changed to 30 million yen per month (of which up to 4 million yen is allocated to Outside Directors) at the 155th Ordinary General Meeting of Shareholders held on June 19, 2020), and that for Corporate Auditors is 12 million yen per month since approval at the 139th Ordinary General Meeting of Shareholders.
4. The amount of bonus paid to Directors (127 million yen) is as approved at the 155th Ordinary General Meeting of Shareholders.
5. At the 153rd Ordinary General Meeting of Shareholders, it was resolved that the upper limit of the total amount and number of shares to be granted in the form of restricted share remuneration for Directors (excluding Outside Directors) would be 243 million yen/year and 32,000 shares/year, respectively.
6. In addition to the above, at the 153rd Ordinary General Meeting of Shareholders it was approved that a performance-linked share-based remuneration would be provided to Directors (excluding Outside Directors) in accordance with the achievement of numerical targets at the close of the third fiscal term with the one ending March 31, 2019 being the first (at the close of the third fiscal term with each fiscal term being the first thereafter). The upper limit of the total amount and number of shares to be granted will be 364 million yen/year and 48,400 shares/year, respectively.

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|---|---|
| **Policy for Determining Compensation Amounts and Calculation Methods** | Established |

**Disclosure of Policy for Determining Compensation Amounts and Calculation Methods**

Please refer to “1. Basic Views 【Principle 3.1 Full Disclosure】 of “*I.* Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Basic Information” of this Report for the policy for determining the

calculation method of compensation.

## [System for Supporting Outside Directors (Outside Auditors)]

Nitto has four Outside Directors and three Outside Corporate Auditors.

Nitto expects Outside Directors to perform functions and roles of expressing objective and fair opinions from an external perspective, including general shareholders, exercising supervision, providing important information obtained externally, concerning the Company's management in general, and others, and Outside Corporate Auditors to perform functions and roles of monitoring and checking Directors' business execution based on an external, objective point of view, respectively.

Nitto reports to Outside Corporate Auditors in advance agendas of meetings of the Board of Directors and the Corporate Strategy Committee, and agenda materials for business reporting via email, etc. each month.

Further, Nitto appoint assistants for the Outside Corporate Auditor who support Outside Corporate Auditors by (1) determining to hold audits and the Board of Corporate Auditors' meetings, and preparing minutes; (2) preparing meeting materials in advance; and (3) providing various information to Outside Corporate Auditors.

There are no special interests between Outside Directors and Outside Corporate Auditors, and the Company.

## [Retired Presidents/CEOs]

**Name, etc. of Retired Presidents/CEOs Holding Advisory Positions (Senior Consultant, etc.)**

| Name | Job Title/ Position | Responsibilities | Employment Terms (Full/Part-Time, With/Without Compensation, etc.) | Date when Role as President/ CEO Ended | Term |
|---|---|---|---|---|---|
| ——— | ——— | ——— | ——— | ——— | ——— |

| | |
|---|---|
| Total Number of Retired Presidents/CEOs Holding Advisory Positions (Senior Consultant, etc.) | 0 |

**Other Matters**

Nitto has stipulated internal rules concerning Senior Consultant and delegates such positions to individuals who retired from the position of Chairman or President upon the President's decision after consulting with the Management, Nomination, and Remuneration Advisory Committee. They mainly engage in external affairs such as social activities (full-time), but have no involvement in Nitto's management.

The President determines compensation for Senior Consultant after consulting with the Management, Nomination, and Remuneration Advisory Committee.

The term of office of Senior Consultant is one year. He or she may be reappointed, but shall go through the same procedures as the above-mentioned appointment to be reappointed each time, and reappointment is up to the limit of two times.
Nitto has currently no Senior Consultant.
Further, if individuals who retired from the position of Chairman or President need a title at Nitto for their social activities, they may use the name “special advisor” (part-time, without compensation).

## 2. Matters Concerning Business Execution, Auditing and Supervision, Nomination, Determination of Remuneration and Other Functions (Overview of Current Corporate Governance System)

The Company, in accordance with the provisions of Article 362 of the Companies Act and of Article 100 of the Ordinance for the Enforcement of the Companies Act, has established basic policies on internal controls and executes its operations based on the following corporate governance system.

[(Board of) Directors]
The Board of Directors makes decisions concerning important management-related matters and oversees the business affairs of Representative Director(s), Vice Presidents, and others. Furthermore, in order to ensure the health and transparency of management, Directors serve one-year terms, with multiple Outside Directors having been appointed.

[Representative Director(s), Vice Presidents, and the Corporate Strategy Meeting]
The Representative Director(s) and Vice Presidents (including Vice Presidents holding concurrent positions as Directors) undertake business affairs in accordance with the basic policies determined by the Board of Directors. The Group Decision-Making Regulations have been developed for business affairs. As its core, the Corporate Strategy Committee comprising full-time Directors and Vice Presidents has been established as an organization for important decision-making.

[Management, Nomination and Remuneration Advisory Committee]
The Management, Nomination and Remuneration Advisory Committee was formed as an advisory group for the Representative Director(s), and it consists of outside experts (currently, Outside Directors and Auditors) who offer advice from different perspectives on important management issues, the appointment of officers, and compensation for officers.

[(Board of) Corporate Auditors]
The Company has adopted the Corporate Auditor System. Corporate Auditors attend Board of Director meetings to audit the business affairs of Directors. Additionally, their tasks include attending other important meetings, listening to the activity statuses of Directors and employees, viewing approval papers and other important documents, inspecting

the main office, technology/business divisions, plants, and Group companies in Japan and overseas, and receiving audit reports from and exchanging opinions with accounting auditors.

[Internal Control Committee and Expert Committees]
To promote compliance and risk management across the Group, expert committees comprising officers and employees of related departments have been established. In addition, the Internal Control Committee, which comprises full-time Directors and is chaired by the President (who is also a Board Member) reviews the Basic Policies Related to Internal Controls and confirms the operation status of internal controls through reports from each expert committee, among others.

[Internal Audits]
Upon establishing a department dedicated to internal audits, audits are performed to ensure that management activities are being performed accurately, legitimately, and reasonably by all companies within the Nitto Group, in an effort to contribute to improvements in business operations and performance.

<Summary of Liability Limitation Agreement>
The Company has executed agreements with all of the Outside Directors and Outside Corporate Auditors in accordance with the Articles of Incorporation to limit the compensation liability provided in Paragraph 1, Article 423 of the Companies Act, and the compensation limitation amount under these agreements is the minimum amount determined under laws and regulations.

## 3. Reason for adopting present system of corporate governance

The Company recognizes the corporate governance system described above enables business execution and management supervision to function effectively and efficiently.

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Invigorate the General Meeting of Shareholders and Facilitate the Exercise

| | Supplementary Explanation |
|---|---|
| **Early notification of General Shareholders Meeting** | Nitto endeavors to send a convocation notice as early as possible to ensure that shareholders understand the status of its business and fully examine agenda items ,and sends a convocation notice about three weeks prior to a general meeting of shareholders. Further, Nitto posts on its website the Japanese version of the notice before sending it, and the English version (reference translation) on the date of sending it, respectively. |
| **Scheduling General Shareholders Meeting to Avoid the Peak Day** | Aiming for a more open general meeting of shareholders, Nitto holds the meeting on a day other than the peak day. |
| **Option to exercise voting rights electronically** | Nitto provides its shareholders with an environment that allows them to exercise their voting rights, by adopting an electronic voting system. |
| **Participation in an electronic voting platform and other measures for enhancing the environment for the exercise of voting rights by institutional investors** | Nitto uses the platform service of ICJ, Inc., which enables institutional investors in Japan and overseas to timely access information related to the convocation notice and exercise their voting rights. |
| **Provision of notice of annual shareholders meeting (summary) in English** | The convocation notice, the attachments to the convocation notice, and the reference documents for the general meeting of shareholders are translated into English and made available on Nitto's website, etc. as reference translation. |
| **Other** | For the convenience of shareholders, a Japanese version and an English version (reference translation) of the convocation notice are posted on its website, as well as the Tokyo Stock Exchange's website, and ICJ, Inc.'s platform. |

## 2. IR Activities

| | Supplementary Explanation | Explanation by Representative |
|---|---|---|
| Preparation and Publication of Disclosure Policy | Nitto's Disclosure Policy is publicly announced in Japanese and English on its website.<br>Nitto has established its "Disclosure Policy" comprising "Basic Disclosure Policy," "Standard and Method of Disclosure," and "Silent Period," and continues to provide information to its stakeholders from the perspectives of timeliness, transparency, and fairness. | |
| Regular Investor Briefings for Individual Investors | Nitto regularly holds investor briefings at securities companies' halls or other places. | None |
| Regular Investor Briefings for Analysts and Institutional Investors | The CFO organizes telephone conferences on a quarterly basis (on the date of announcement of financial results).<br>Nitto hosts an annual investors' meeting, and in addition, participates in forums hosted by securities companies, where its top management gives explanations. | Yes |
| Regular Investor Briefings for Overseas Investors | Nitto's top management visits major institutional investors (in North America, Europe and Asia) to provide explanations. | Yes |
| Posting of IR Materials on Website | https://www.nitto.com/jp/ja/ir/ (Japanese)<br>https://www.nitto.com/jp/en/ir/ (English) | |
| Establishment of Department and/or Manager in Charge of IR | IR Department,<br>Corporate Accounting & Finance Div. | |

## 3. Measures to Ensure Respect for the Standpoint of Stakeholders

| | Supplementary Explanation |
|---|---|
| Provisions to Ensure Due Respect for Stakeholders in Internal Provisions, etc. | In the body text of the guidelines for concrete behavior based on the “Corporate Philosophy” (“Nitto Group Business Conduct Guidelines”) Nitto sets forth the details of its Code of Conduct that respects the positions of stakeholders, including employees, customers, administrative agencies, business partners, the global environment, local communities, and shareholders. (disclosed on Nitto’s website https://www.nitto.com/jp/en/sustainability/governance/guideline/) |
| Implementation of Environmental Activities, CSR Activities, etc. | The Nitto Group has stipulated basic policies for each specialized field to ensure fair and transparent management.<br>With regard to environmental preservation activities, under the Environmental Policy, we at Nitto are making efforts aiming to contribute to the development of a sustainable society by minimizing the environmental impact of business activities and providing products and services that contribute to environment preservation.<br>With regard to various activities such as material procurement, human rights, occupational health and safety, quality, social contribution, and human resource management, we are conducting business activities based on the Corporate Philosophy, guidelines, and basic policies. The details of these activities are available in the “Sustainability” section of Nitto’s website (https://www.nitto.com/jp/en/sustainability/). |
| Formulation of Policies for Information Provision to Stakeholders | The Nitto Group has formulated a “Disclosure Policy” that is intrinsically connected to our Corporate Philosophy and Code of Conduct. Our Corporate Philosophy is to “pursue sound business activities and continually earn shareholders’ trust through appropriate information disclosure and communications.” We aim to achieve this through following a Code of Conduct that “we will conduct ourselves guided by laws and ethics.” We will continuously disclose important information relating to our group activities to every stakeholder, including shareholders and investors. The information that we provide will be of a timely and transparent nature and will be made available in a fair manner. |

# *IV.* Matters Related to the Internal Control System

## 1. Basic Views on the Internal Control System and Progress of System Development

The Company, in accordance with the provisions of Article 362 of the Companies Act and of Article 100 of the Ordinance for Enforcement of the Companies Act, defines the Company's basic policy on internal control as follows.

**1) A system necessary to ensure that the execution of duties by directors/employees of the Group complies with laws/regulations and the Company's articles of incorporation, and other systems necessary to ensure the appropriateness of operations as a business group**

i) A corporate philosophy and the Nitto Group Business Conduct Guidelines expressing such philosophy in concrete terms to ensure that employees make lawful and ethical decisions shall be established and communicated to all officers and employees of the Group to familiarize them with the same, and the Company's directors shall take the lead in complying with legal and ethical norms to set an example for others to follow.

ii) The Company's Board of Directors shall adopt an outside director system.

iii) In order to promote CSR activities, including the establishment of compliance and risk management systems for the Group, an officer in charge of CSR (Director or Vice President) shall be appointed and a CSR Committee shall be set up and chaired by that officer.

iv) Besides the CSR Committee, expert committees comprising members from relevant departments shall be established in order to address cross-sectional issues, compliance, and risk management for the Group.

v) An Internal Control Committee shall be established with the Company's Representative Director, President serving as chair in order to monitor the implementation status of this basic policy and consider revising the same as necessary.

vi) An internal audit department shall be established in order to internally audit the appropriateness and other aspects of the operational process and operations in general at each division of the Company and Group companies. At the same time, departments specializing in safety, the environment, quality, and export control shall be established in order to conduct audits in collaboration with the internal audit department.

vii) A whistleblowing system in which an external specialized institution directly receives such information, as well as an internal hotline, shall be set up and a Legal and Ethical Compliance Committee that includes the officer in charge of CSR shall also be established to handle the process and develop a recurrence prevention system.

viii) A system shall be set up that ensures the appropriateness, validity, and efficiency of the operational process and operations in general, including internal control necessary to ensure the reliability of financial reporting.

**2) A system for safekeeping and management of information on the execution of duties by the Company's directors**

All documents associated with the execution of duties by the Company's directors, including, but not limited to, the minutes of general meetings of shareholders, Board of Directors meetings, Corporate Strategic Committee

meetings, and *ringi* collective decision-making documents, shall be safekept and managed in a manner that is appropriate and reliable for the chosen storage medium, such as printed paper or electromagnetic media, in accordance with the regulations on control and safekeeping of documents, and kept in a condition that allows inspection as necessary.

**3) Regulations and other systems for management of risks of loss for the Group**

i) The Company's Board of Directors, Corporate Strategic Committee, and individual operating entities shall constantly manage risks associated with business mix and business operation outside of Japan, risks arising from external factors, such as currency fluctuations and country risks, and risks associated with technological competitiveness, such as capabilities to develop new technologies and intellectual property rights, and respond to them as necessary.

ii) With regard to risks associated with safety, the environment, disasters, and product quality/defects, and risks associated with protection of information security, responses to demands from antisocial forces, and compliance with the Antimonopoly Act, Pharmaceutical and Medical Device Act, Export Control Act, and other acts, a competent department shall be designated to identify significant risks periodically. Each risk thus identified shall be monitored and prevented by the relevant departments and committees, and project teams that may be formed as necessary.

iii) An arrangement shall be in place to immediately inform the President, an officer in charge of CSR, and Corporate Auditors of the Company of any unforeseen situation that may have developed, and to prevent any damage from expanding and minimize the same by setting up a crisis countermeasures headquarters under the President, thereby ensuring continuity and early restoration of business.

**4) A system for ensuring the efficient execution of duties by the Company's directors**

i) As a basis for a system to ensure the efficient execution of duties by the Company's directors, Board of Directors meetings shall, in principle, be held periodically once a month and extraordinarily as necessary.

ii) Corporate decision-making rules shall be developed that demand significant matters concerning the Company's concrete management policies and strategies be subject to resolution of the Board of Directors, the Corporate Strategic Committee consisting of directors and vice presidents (which convenes once a month, in principle), or other meetings organized by each operating entity, or be subject to the *ringi* collective decision-making process, depending on the importance of such matters.

iii) Who is responsible for the execution of what duties and to what extent and the details of procedures for the execution of duties shall be defined by an organization designated by the Board of Directors, in Group Decision-Making Regulations and elsewhere.

**5) A system for reporting to the Company matters concerning execution of duties by directors and other members of the Group**

i) Group Decision-Making Regulations/Rules shall be developed to ensure that Group companies properly consult,

report to, or otherwise contact the Company concerning their decisions on management issues and other significant matters.

ii) A system shall be established whereby directors and vice presidents of the Company are briefed on businesses under their supervision by the relevant Group companies and are involved in their decision-making processes, if necessary, in accordance with the Group Decision-Making Regulations/Rules, thereby ensuring the appropriateness of duties within the entire Group.

**6) A system for ensuring the efficient execution of duties by directors and other members of the Group**

i) Who is responsible for the execution of what duties of the Group and to what extent and the details of procedures for the execution of duties shall be stipulated in Group Decision-Making Regulations/Rules and elsewhere.

ii) Should the execution of duties by individual Group companies be deemed as constituting significant matters of the Company, the same shall be subject to resolution by the Board of Directors or other committees of the Company, depending on their importance.

**7) Matters concerning employees whose appointment is requested by corporate auditors of the Company to assist them in their duties, matters concerning independence of such employees from directors, and matters concerning assurance of the effectiveness of instructions given by corporate auditors to such employees**

i) A corporate auditor assistant position shall be established in order to assist corporate auditors of the Company in their duties.

ii) A corporate auditor assistant shall be affiliated with an independent organization and perform his/her duties under the direct command of corporate auditors.

iii) Election and transfer of a corporate auditor assistant shall be determined with consent from full-time corporate auditors.

iv) Evaluation of a corporate auditor assistant shall be determined by full-time corporate auditors.

v) A corporate auditor assistant shall not hold a concurrent position that concerns the execution of duties.

vi) Directors of the Company shall recognize and comprehend the importance and usefulness of auditing by Corporate Auditors, make such recognition and comprehension known throughout the Group, and strive to enhance internal audit organizations.

**8) A system for directors and employees of the Company, directors of Group companies, and others to report to (the board of) corporate auditors of the Company and a system for ensuring that those who have made such a report are not unfavorably treated for having done so**

i) Directors and employees of the Company shall report significant matters that may affect the operations and/or performance of the Group to corporate auditors of the Company in accordance with the auditing plan determined by (the board of) corporate auditors.

ii) Notwithstanding the above, corporate auditors of the Company may, whenever necessary, demand reports from

directors and employees of the Company, their attendance at important meetings, and access to the minutes of such meetings or *ringi* collective decision-making documents and other reports.

iii) Directors of the Company shall ensure that the Company's corporate auditors are reported to promptly and adequately by developing a whistleblowing system and a system for reporting emergencies and incidents concerning compliance and by maintaining their appropriate implementation.

iv) A system shall be established for ensuring that whistleblowers are not unfavorably treated for having made a report by developing a whistleblowing system in which an external specialized institution directly receives such information.

**9) Matters concerning accounting policies on procedures for advance payment or reimbursement of expenses that may be incurred with regard to the execution of duties by corporate auditors of the Company, and other accounting practices for expenses or liabilities that may be incurred with regard to the execution of duties by the corporate auditors**

When corporate auditors of the Company demand from the Company advance payment or reimbursement of expenses that are incurred in the execution of their duties, such expenses or liabilities shall be processed promptly after deliberations by the division in charge, unless it is proven that the expenses or liabilities thus demanded were unnecessary for the execution of duties by the corporate auditors in question.

**10) Other systems for ensuring that auditing by corporate auditors is performed effectively**

i) Corporate Auditors of the Company shall establish a system that allows them to conduct audits efficiently in collaboration with accounting auditors, the department in charge of internal auditing, and others concerned, or by exchanging opinions and information with Corporate Auditors of Group companies. They shall audit Group companies as appropriate in accordance with an auditing plan and in cooperation with the department in charge of internal auditing.

ii) In addition to the auditing described above, a system shall be established whereby corporate auditors may demand a report from corporate auditors, directors, and senior executives of Group companies whenever necessary.

## 2. Basic Views on Eliminating Anti-Social Forces and Establishment of Systems Toward this End

<Basic Views on Eliminating Anti-Social Forces and Establishment of Systems Toward this End>

In the "Nitto Group Business Conduct Guidelines," the Nitto Group stipulates that its basic policy is to "comply with all laws and regulations." The Guidelines also specify in the Conducting Business (Interactions with the Global Environment and Communities) section that any conduct that disturbs the order and threatens the safety of society and human rights, and/or any support for organizations engaged in such conduct, that are equivalent to anti-social forces, is unacceptable.

Further, the Group has established the “Nitto Group Regulations to Prevent Anti-Social Transactions” to clarify the prohibition of anti-social transactions, employees’ obligations, a system, public relations, and a dissemination method.

# V. Other Matters

## 1. Matters Regarding Takeover Defense Measures

| | |
|---|---|
| Adoption of Anti-Takeover Measures | None |

**Supplementary Explanation**

The basic views of the Company on acquisition of substantial shares of the Company are as follows:

In case acquisition aimed at substantial shareholdings is to be made, the Company is of the opinion that the decision on whether or not to accept the acquisition should ultimately be left to the judgment of its shareholders. On the other hand, however, the Company cannot deny the existence of corporate takeovers with unjust objectives such as sell-offs at high prices, and realizes that it is obviously the responsibility of the management of the Company to secure the basic principles and the brand of the Company and protect the interests of our shareholders and other stakeholders from such unjust parties.

At present, neither is the Company placed under any specific threat for acquisition of substantial shareholdings nor does the Company intend to define explicit defense measures against the advent of such a buyer (so-called takeover defense measures). Yet the Company, having assumed the management responsibility entrusted from its shareholders, is committed at all times to keep close watch over its stock transactions and shareholder movements, and will immediately take measures deemed most appropriate should there be any sign of a party with the intention to acquire substantial shares of Nitto Denko stocks.

## 2. Other Matters Concerning the Corporate Governance System

<Summary of Timely Disclosure System>

The status of the internal system concerning the timely disclosure of Nitto’s corporate information is as follows:

1. Basic Policy on Timely Disclosure

Our basic stance on information disclosure is to pursue sound business activities, earn shareholders’ trust through appropriate information disclosure and communications, and conduct ourselves with good sense, guided by laws and ethics. We will continuously disclose important information relating to our group activities to every stakeholder, including shareholders and investors. The information that we provide will be of a timely and transparent nature and will be made available in a fair manner.

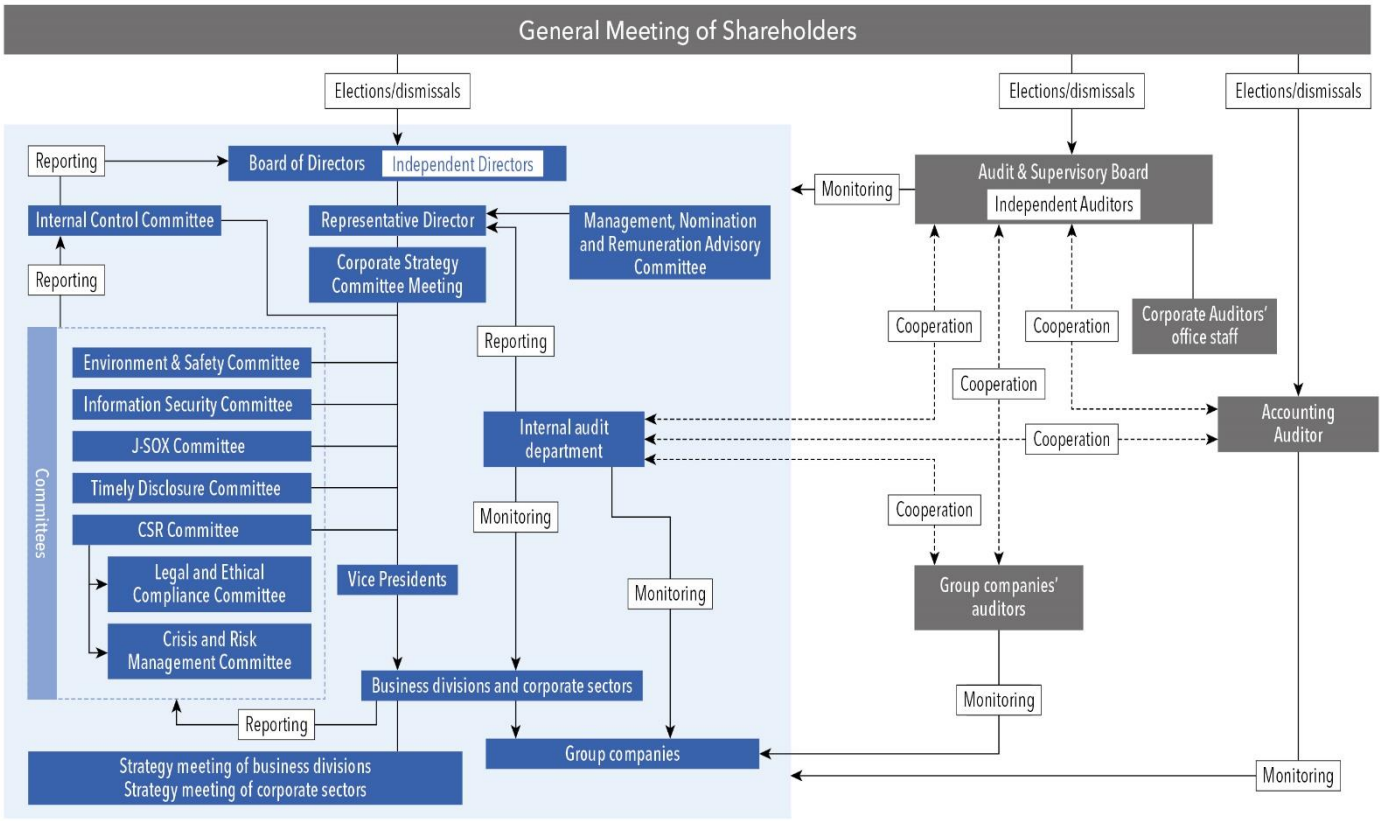
2. Internal System for Timely Disclosure

Nitto has formed the Timely Disclosure Committee to improve its timely and appropriate information disclosure system

based on the aforementioned basic policy.
The Timely Disclosure Committee, chaired by the CFO and comprising several relevant departments' managers, determines the establishment of systems and various rules of each process for information collection, analysis, judgement, and disclosure procedures. In addition, it examines matters concerning the dissemination and awareness raising of timely disclosure and whether or not these processes are properly handled.
Further, the Nitto Group has established regulations for its internal system concerning information disclosure, including the regulations that specify decision-making bodies and their authorities in accordance with the standards of managerial importance, amount, etc.; to promptly grasp information in the case of emergency such as an accident or disaster, the regulations that specify reporting routes and report details according to the severity of matters that happened; the regulations that specify the management of undisclosed internal information; and to unify external transmission of information, the regulations that stipulate departments in charge and how to handle transmitted information.

3. Timely Disclosure Procedures
The Nitto Group discloses information timely in accordance with the following procedures:
(1) Information collection
Based on the various regulations stated above, the Group has set judgement criteria exceeding the disclosure standards requested under the timely disclosure rules for information on decisions, occurrences, and financial results of the Group. The Group has formed a system of timely and comprehensively collecting information by informing the entire Group so that information falling under the criteria should be reported to the Timely Disclosure Committee. Further, with regard to urgent matters such as accidents, it has established a system of promptly collecting such information by setting reporting routes to report the same directly to the department in charge of general affairs or the President of the Company.
(2) Analysis, judgement, and disclosure of information
The Timely Disclosure Committee analyses collected information and judges the necessity of disclosure in accordance with the timely disclosure rules. Based on this judgement, an information-handling officer instructs the department in charge of IR to make disclosure in an appropriate manner such as via TDnet.

4. Securing Appropriateness for the Timely Disclosure System
We raise awareness about the prevention of insider dealings and the management of corporate information by conducting compliance education for the Group. Further, the Timely Disclosure Committee checks whether or not information collection, judgement, or disclosure procedures are properly conducted through the entire information disclosure process to review the internal system concerning timely disclosure as necessary.


General Meeting of Shareholders
Elections/dismissals
Elections/dismissals
Elections/dismissals
Reporting
Board of Directors
Independent Directors
Monitoring
Audit & Supervisory Board
Independent Auditors
Internal Control Committee
Representative Director
Management, Nomination and Remuneration Advisory Committee
Reporting
Corporate Strategy Committee Meeting
Cooperation
Cooperation
Corporate Auditors' office staff
Reporting
Cooperation
Committees
Environment & Safety Committee
Information Security Committee
J-SOX Committee
Timely Disclosure Committee
CSR Committee
Legal and Ethical Compliance Committee
Crisis and Risk Management Committee
Internal audit department
Cooperation
Accounting Auditor
Monitoring
Cooperation
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Strategy meeting of corporate sectors
Monitoring

# Corporate Governance Guidelines

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## Chapter 1: General Provisions

### Article 1: Purpose

Nitto Denko Corporation (“Nitto”) has set forth policies that Nitto should continuously address and its guidelines on external disclosure (hereinafter, “these Guidelines”), with regard to its corporate governance system, from the perspectives of sustainable growth and medium- to long-term enhancement of corporate value.

### Article 2: Corporate Philosophy

Nitto has established its fundamental values and sense of purpose with respect to performance of business in the form of its Corporate Philosophy, and publicly discloses the same.

### Article 3: Code of Conduct

Nitto has established guidelines for concrete behavior based on its Corporate Philosophy (the “Nitto Group Business Conduct Guidelines,” hereinafter collectively referred to together with the Corporate Philosophy as the “Code of Conduct”) and spares no effort to make them universally known to its executive officers and employees.

### Article 4: Basic Views on Corporate Governance

1. Nitto has set forth its basic views on corporate governance as per Appendix 1, and publicly discloses the same. Depending on to whom and via what media such information is disclosed, Nitto may add to or delete content in the Appendices hereto to the extent that the intent of disclosure is not altered (the same policy applies to disclosures of information concerning corporate governance mentioned hereafter).
2. As a means to ensuring effective corporate governance, Nitto has adopted the Corporate Auditor System, a brief summary of which is disclosed as per Appendix 2.

Article 5: Management Concept

Fully aware of its mission as a manufacturer, Nitto prioritizes the areas to which it allocates its management resources in the following order and use such prioritization as criteria for management, so that it may continue to enhance its corporate value amid fast-changing business conditions.

1. Capital expenditures
2. Dividend payments
3. M&As
4. Share buybacks

Article 6: Mid-Term Management Plans

With a conscious awareness of the capital cost borne by the Company, Nitto draws up concrete Mid-Term Management Plans to sustain its growth, and it publicly discloses brief summaries of the same.

Chapter 2: Respect of Human Rights

Article 7: Basic Policy on Human Rights

Nitto recognizes that, in order to sustain its growth, respect for human rights assumes top priority, and has established the Nitto Group Basic Policy on Human Rights accordingly.

Article 8: Importance of Diversity

Out of its belief that diversity plays a key role in practicing its Corporate Philosophy, Nitto seeks to diversify the attributes of its executive officers and employees and promotes the creation of an organization in which their special qualities and individuality are brought into full play.

Chapter 3: Appropriate Disclosure

Article 9: Disclosure Efforts

Nitto not only discloses its financial and non-financial information appropriately as required by law, but also voluntarily provides information whose disclosure is not necessarily required by law (including information in English).

Article 10: Disclosure Policy

Nitto has established its Disclosure Policy with a view toward continuing to provide important information related to the Nitto Group from the perspectives of timeliness, transparency, and fairness.

Article 11: General Rules on Disclosure Places

Nitto, in principle, discloses corporate governance information on its website, in addition to other methods designated by law, in order to ensure that such information can be checked at all times.

Chapter 4: Ensuring the Rights and Equal Treatment of Shareholders

Article 12: Ensuring the Equal Treatment of Shareholders

Nitto discloses its information in a timely and appropriate manner so that every shareholder is treated equally in accordance with his or her equity stake and has equal access to such information.

Article 13: Procedures for Convening Notices, Etc.

1. Nitto makes early disclosures of notices of convocation of ordinary general meetings of shareholders on its website, thereby providing shareholders with sufficient time to consider the agenda of such meetings and exercise their voting rights appropriately. Further, Nitto sends such notices, in principle, approximately three (3) weeks prior to the respective meeting dates.
2. Nitto strives to develop an environment that allows all shareholders, including those not attending the general meetings of shareholders, to exercise their voting rights appropriately (including, but not limited to, translating convening notices into English, allowing use of an electronic voting platform, and holding general meetings of shareholders on dates that are different from those of other companies).
3. Nitto sets a policy for the procedure of substantial shareholders' participation in the general meetings of shareholders.

Article 14: Matters Concerning Cross-Shareholdings

Nitto has established a basic policy to reduce the holding of shares of other listed companies as cross-shareholdings and a basic policy on the exercise of voting rights concerning cross-shareholdings, and it publicly discloses such policies.

Article 14-2: Performance of Functions as Corporate Pension Asset Owner

1. Upon managing its corporate pension, Nitto has separately established frameworks for human resource management and operation of business in order, *inter alia*, to systematically employ and place appropriately qualified personnel, and Nitto publicly discloses such frameworks.
2. Nitto appropriately manages the conflicts of interests that may arise between the corporate pension beneficiaries and Nitto.

Chapter 5: Appropriate Cooperation with Stakeholders

Article 15: Relationships with Stakeholders

Nitto takes into account the great importance of establishing corporate governance in cooperating appropriately with stakeholders and respecting their interests.

Chapter 6: Roles, Etc. of the Board of Directors (Members)

Article 16: Roles of the Board of Directors

1. Recognizing its responsibilities to shareholders and all other stakeholders, the Board of Directors is responsible for Nitto's sustainable growth and mid- to long-term enhancement of corporate value by practicing the Corporate Philosophy through efficient and effective corporate governance.
2. In order to fulfill the responsibilities described in the preceding paragraph, the Board of Directors engages in more comprehensive and substantial discussions on subjects that include, but are not limited to, management strategies; mid- to long-term management plans; management issues; suitability of the current governing structure; social, environmental, and other issues concerning sustainability; nomination of management team member candidates; evaluation of the management and determination of their remuneration; and evaluation of critical risks and formulation of their countermeasures. At the same time, the Board strives to ensure fairness and transparency in management by fulfilling oversight functions over management as a whole.

Article 17: Roles of Outside Directors

1. Outside Directors are expected to play the following roles.
   - Provision of opinions on management policies and management improvement based on their ample knowledge and experience in management and other areas of expertise that have been built up throughout their professional and business

careers, from the broad perspective of promoting sustainable corporate growth and increasing corporate value over the medium- to long-term
- Oversight of management through important decision-making by the Board of Directors
- Oversight of conflicts of interest between the company and parties concerned, including, but not limited to, the management and major shareholders
- Fulfillment of oversight functions from a standpoint that is independent of management to determine, for instance, whether or not it is possible to fulfill accountability for shareholders and other stakeholders

2. Outside Directors are expected to communicate/coordinate with the management and cooperate with Corporate Auditors or the Board of Corporate Auditors.
3. In order to ensure the independence of Outside Directors, Nitto has established "Criteria for election of Independent Outside Directors and Outside Corporate Auditors", and publicly discloses the same.

Article 18: Composition, Qualifications, and Nomination Procedure for the Board of Directors (Members)

1. In order to promote substantial discussions by the Board of Directors, Nitto believes that the appropriate number of Board of Directors members should be not more than ten (10), of whom two (2) or more should be Independent Directors. Further, attention should be paid to ensure that sufficient diversity is secured in the composition thereof.
2. If any of the Outside Directors hold concurrent positions as officers at other companies, etc., Nitto pays due attention to the statuses of such concurrent positions to determine whether the time and labor required to properly fulfill their roles and responsibilities as Directors at Nitto are set aside, and discloses the statuses of such concurrent positions every year.
3. In order to ensure the effectiveness of the Board of Directors, Nitto has established the Officer Appointment Standards for appointment of Directors.
4. The Board of Directors determines the details of agenda items concerning appointment of the Directors to be submitted to the general meeting of shareholders after receiving advice from the Management, Nomination and Remuneration Advisory Committee.

Article 18-2: Procedures for Dismissing Directors

1. In order to ensure the effectiveness of the Board of Directors, Nitto has established the Officer Dismissal Standards for dismissal of Directors.

2. When a Director believes that another Director meets the criteria of any of the Officer Dismissal Standards, he/she, in performance of the duties of a Director, proposes dismissal of the relevant Director at a meeting of the Board of Directors.

Article 19: Disclosure of Composition, Qualifications, and Nomination Procedure of the Board of Directors (Members)

1. Nitto has set the composition, qualifications, and nomination procedure for members of the Board of Directors, stipulated in Article 18 as per Appendix 3, and publicly discloses the same.
2. Nitto publicly discloses the fact that Director candidates satisfy the Officer Appointment Standards.

Article 20: Succession Plan

1. Pursuant to the succession plan for the president (Chief Executive Officer), the Board of Directors appropriately exercises supervision to ensure that an individual with the necessary knowledge, experience, and ability to be a candidate for the successor is fostered systematically, with sufficient time and resources devoted thereto.
2. The Board of Directors decides candidates who would succeed the incumbent president (Chief Executive Officer) in accordance with the succession plan described in the preceding paragraph when the president (Chief Executive Officer) is to step down from his or her office.

Article 21: Decision-Making Standards

1. In order to ensure that the Board of Directors plays its roles effectively as stipulated in these Guidelines, Nitto has established "Nitto Denko Group Regulation for Decision-making Rules", which determine matters to be delegated to organizations that perform business operations.
2. Nitto reviews "Nitto Denko Group Regulation for Decision-making Rules" as appropriate in order to ensure the effectiveness of the Board of Directors.
3. Nitto publicly discloses a brief summary of this Article as per Appendix 4.

Article 22: Individual Agenda Items for Board of Directors Meetings

1. Every year, the Board of Directors shall be briefed on the results of voting for items proposed by the company and approved at the general meetings of shareholders of the current fiscal year. The Board of Directors shall also analyze the voting results and, when they deem it necessary, consider engaging in dialogue with shareholders or

taking other measures.

2. When proposing to shareholders that authority be delegated to the Board of Directors for certain items to be resolved at the general meetings of shareholders, the Board of Directors shall consider whether it is adequately organized to fulfill its corporate governance roles and responsibilities.
3. In order to specifically examine and verify such matters as whether cross-shareholdings are performed in accordance with the basic policy to reduce the holding of shares of other listed companies as cross-shareholdings and the basic policy on exercising voting rights with respect to cross-shareholdings, which have been established in accordance with these Guidelines, whether the purposes of such shareholding are appropriate, and whether the benefits and risks arising from such shareholding are commensurate with the capital cost, the Board of Directors shall be briefed every year on the status of such cross-shareholdings. It shall make decisions to either continue to hold or sell shares based upon the basic policy to reduce the holding of such shares. Furthermore, the outcome of such verification shall be publicly disclosed.
4. When adopting or implementing so-called anti-takeover measures, the Board of Directors shall provide sufficient explanation to shareholders with a view to fulfilling its fiduciary responsibility to them.
5. When implementing a capital policy that could harm its shareholders' interests (including, but not limited to, measures such as increasing capital, engaging in management buyouts [MBOs], and making tender offers), the Board of Directors shall provide sufficient explanation of its rationale to the shareholders.
6. When Nitto engages in transactions with such parties as its management or major shareholders (i.e., related party transactions), the Board of Directors shall resolve such transactions. In order to ensure that such transactions do not harm the interests of the company or the common interests of its shareholders and to prevent any such concerns from being raised, the Board of Directors has established a brief summary of such procedures as per Appendix 5, and publicly discloses the same.
7. The Board of Directors shall be responsible for formulating and revising the Code of Conduct and shall resolve such procedures. In order to see if the Code of Conduct is disseminated and practiced broadly across the organization, including the front line of domestic and global operations, the Board of Directors shall be briefed on the results of the Code of Conduct dissemination survey.
8. The Board of Directors shall be responsible for establishing and improving a system for whistleblowing, and shall be briefed on the results of whistleblowing in order to

oversee its implementation.

9. Recognizing that Mid-Term Management Plans are commitments to shareholders, the Board of Directors shall do its best to achieve such plans. The Board of Directors shall also investigate the achievement levels of Mid-Term Management Plans, fully analyze the company's actions, and reflect such analytical findings in plans for the ensuing years.

Article 23: Roles of the Secretariat of the Board

1. The Secretariat of the Board of Directors shall, prior to each Board of Directors meeting, closely examine whether items to be presented at the meetings fall under the category of items to be resolved at such meetings or related party transactions pursuant to "Nitto Denko Group Regulation for Decision-making Rules".
2. The Secretariat of the Board of Directors shall ensure that materials for items and proposals on the agendas of Board of Directors meetings are distributed sufficiently far in advance of the meeting dates (except for emergent and confidential items) to all of the Directors, including Outside Directors, in order for substantial discussions to be made at all Board of Directors meetings.

Article 24: Responsibilities of Directors

1. As members of the Board of Directors, Directors participate in the company's decision-making process and oversee the performance of duties by other Directors.
2. In order to live up to shareholders' confidence in them, Directors demonstrate the competence expected of them and fulfill their duties as such by spending a sufficient amount of time devoted to Nitto by, for example, collecting sufficient information to prepare for Board of Directors meetings under a full awareness of their responsibilities to make bold decisions at such meetings that could potentially result in losses for the company, proactively expressing their opinions, and holding sufficient discussions.
3. When assuming their positions, Directors must fully understand their responsibilities by comprehending all applicable laws and regulations, Nitto's Articles of Incorporation, Board of Directors rules, and other internal rules of Nitto.

Article 25: Self-Training and Training of Directors

1. New Inside Directors shall undergo officer training programs upon assumption of their positions.
2. New Outside Directors shall undergo training on Nitto's business lines, financial position, and other matters upon assumption of their positions.

3. In order to fulfill their roles, Directors shall constantly and proactively collect information on Nitto's financial conditions, compliance, corporate governance, and other matters.
4. In addition to matters concerning the three preceding paragraphs, Nitto has set forth a brief summary of training for Directors as per Appendix 6, and publicly discloses the same.

Article 26: Internal Investigations by Outside Directors

1. Outside Inside Directors may, when necessary, request Directors, Vice Presidents, and employees of Nitto to provide them with explanations or reports, or to submit internal materials.
2. Outside Directors may, when necessary, consult with external specialists at Nitto's expense.

Article 27: Self-Evaluations

Each year the Board of Directors analyzes and evaluates its effectiveness as a whole by inviting each Director to provide his or her opinions on the Board of Directors and other matters. A summary of such analysis/evaluation findings shall be externally disclosed and utilized for improvement of the operations of the Board of Directors and other purposes.

Article 28: Remuneration of Directors

1. The remuneration of Inside Directors must be linked to the medium- to long-term interests of shareholders and must be appropriate, fair, and balanced, so that Directors may be better motivated to maximize Nitto's corporate value.
2. Nitto has set its policy for remuneration of Directors as per Appendix 7, and publicly discloses the same.
3. The remuneration of Outside Directors shall reflect their responsibilities of being involved in Nitto's business operations, but shall not contain any elements of performance-based remuneration such as equity-related remuneration schemes.
4. The Board of Directors determines the details of agenda items concerning the remuneration of Directors to be submitted at general meetings of shareholders after receiving advice from the Management, Nomination and Remuneration Advisory Committee.

Chapter 7: Roles, Etc. of the Board of Corporate Auditors (Members)

Article 29: Roles of the Board of Corporate Auditors (Members)

The Board of Corporate Auditors (Members) shall bear in mind their fiduciary responsibilities to shareholders and make appropriate decisions from an independent and objective standpoint when executing their roles and responsibilities, including auditing of the performance of duties by Directors, and the exercise of their powers concerning appointment and dismissal of external accounting auditors, and their audit fees.

Article 30: Roles of Outside Corporate Auditors

1. In light of the fact that their appointment is required by law in order to further enhance the independence of the audit system, as well as the reasons for their appointment, etc., Outside Corporate Auditors shall offer candid opinions on the results of their audit under the recognition that they are, above all else, expected to objectively express audit opinions from an independent and neutral standpoint.
2. Nitto has established "Criteria for election of Independent Outside Directors and Outside Corporate Auditors", and publicly discloses the same in order to ensure the independence of Outside Corporate Auditors.

Article 31: Composition, Qualifications, and Nomination Procedure of the Board of Corporate Auditors (Members)

1. In order to promote substantial discussions by the Board of Corporate Auditors, Nitto believes that the appropriate number of Board of Corporate Auditors members should be not more than five (5), half or more of whom should be Independent Corporate Auditors. Furthermore, the Corporate Auditors shall be served by individuals having appropriate experience and ability as well as necessary knowledge in finance, accounting, and legal affairs, and special attention should be paid to ensure that at least one (1) Corporate Auditor is elected who has sufficient finance and accounting expertise.
2. If any of the Outside Corporate Auditors hold concurrent positions as officers at other companies, etc., Nitto pays due attention to the statuses of such concurrent positions to determine whether the time and labor required to properly fulfill their roles and responsibilities as Outside Corporate Auditors at Nitto are set aside, and discloses the statuses of such concurrent positions every year.
3. In order to ensure the effectiveness of the Board of Corporate Auditors, Nitto has established the Officer Appointment Standards for appointment of Corporate Auditors.

Article 32: Disclosure of Composition, Qualifications, and Nomination Procedure of the Board

of Corporate Auditors (Members)

1. Nitto has set the composition, qualifications, and nomination procedure of the Board of Corporate Auditors (members) stipulated in the preceding article as per Appendix 3, and publicly discloses the same.
2. Nitto publicly discloses the fact that Corporate Auditor candidates satisfy the Officer Appointment Standards.

Article 33: Roles of the Secretariat of the Board of Corporate Auditors

The Secretariat of the Board of Corporate Auditors shall ensure that materials for items and proposals on the agendas of Board of Corporate Auditors meetings are distributed sufficiently far in advance of the meeting dates (except for emergent and confidential items) to all of the Corporate Auditors, including Outside Corporate Auditors, in order for substantial discussions to be made at all Board of Corporate Auditors meetings.

Article 34: Responsibilities of Corporate Auditors

1. Corporate Auditors appoint individuals to assist them in performing their duties and, as members of the Board of Corporate Auditors, audit the performance of duties by Directors and prepare audit reports.
2. In order to live up to shareholders' confidence in them, Corporate Auditors demonstrate the competence expected of them and fulfill their duties as such by spending a sufficient amount of time devoted to Nitto by, for example, collecting sufficient information to prepare for Board of Directors meetings under an awareness of their responsibilities to express their opinions appropriately at Board of Directors meetings or to the management.
3. When assuming their positions, Corporate Auditors must fully understand their responsibilities by comprehending all applicable laws and regulations, Nitto's Articles of Incorporation, the Board of Corporate Auditors rules, and other internal rules of Nitto.

Article 35: Self-Training and Training of Corporate Auditors

1. New Inside Corporate Auditors shall undergo officer training programs upon assumption of their positions.
2. New Outside Corporate Auditors shall undergo training on Nitto's business lines, financial position, and other matters upon assumption of their positions.
3. In order to fulfill their roles, Corporate Auditors shall constantly and proactively collect information on Nitto's financial conditions, compliance, corporate governance, and

other matters.

4. In addition to matters concerning the three preceding paragraphs, Nitto has set forth a brief summary of training for Corporate Auditors as per Appendix 6, and publicly discloses the same.

Article 36: Internal Investigations by Outside Corporate Auditors

1. Outside Corporate Auditors may, when necessary, request Directors, Vice Presidents, and employees of Nitto to provide them with explanations or reports, or to submit internal materials.
2. Outside Corporate Auditors may, when necessary, consult with external specialists at Nitto's expense.

Article 37: Remuneration of Corporate Auditors

1. The remuneration of Corporate Auditors shall be determined by deliberation among Corporate Auditors in accordance with the respective duties and responsibilities of individual Corporate Auditors within the limit of the total amount of remuneration resolved at the general meetings of shareholders, provided, however, that their remuneration shall not contain any elements of performance-based remuneration such as equity-related remuneration schemes in light of the fact that they assume such duties as auditing the performance of duties by Directors.
2. Nitto has set its policy for the remuneration of Corporate Auditors as per Appendix 8, and publicly discloses the same.

Chapter 8: Matters Concerning External Accounting Auditors

Article 38: Matters Concerning External Accounting Auditors

1. In order to ensure the proper execution of audits by External Accounting Auditors, the Board of Corporate Auditors (members) establishes standards for appointment of External Accounting Auditors and verifies their independence and expertise in accordance with such standards.
2. The Board of Corporate Auditors (members) exchanges information with Directors, relevant internal departments, and External Accounting Auditors on the reappointment and appointment of External Accounting Auditors and examines the same every fiscal year (for reappointment, such information includes the performance of duties by External Accounting Auditors and other considerations).
3. The Board of Directors and Board of Corporate Auditors give due consideration to the

following in order to ensure the proper execution of audits by External Accounting Auditors.

- Securing adequate time to ensure high-quality audits
- Ensuring that External Accounting Auditors have access to the senior management, including the CEO and the CFO, by way of interviews, etc.
- Ensuring adequate coordination between External Accounting Auditors on the one hand and Corporate Auditors (including attendance at the Board of Corporate Auditors meetings) and the internal audit department on the other.
- Establishing a system for the company to respond when External Accounting Auditors discover any misconduct and seek an appropriate response or when they identify any inadequacies or problems.

## Chapter 9: Matters Concerning the Management, Nomination and Remuneration Advisory Committee

### Article 39: Establishment of the Management, Nomination and Remuneration Advisory Committee

1. Nitto has established the Management, Nomination and Remuneration Advisory Committee as an advisory committee for the Representative Director(s), and it convenes its meetings at least three (3) times a year.
2. The majority of the members of the Management, Nomination and Remuneration Advisory Committee shall be Independent Officers.

### Article 40: Roles of the Management, Nomination and Remuneration Advisory Committee

The Management, Nomination and Remuneration Advisory Committee examines policies for the appointment and dismissal of Officers, the remuneration of Directors, and other matters and details of remuneration for individual Directors. It also offers advice and expresses opinions to the Representative Director(s).

## Chapter 10: Dialogue with Shareholders

### Article 41: Dialogue with Shareholders

Nitto has established its basic policies concerning measures and development/improvement of organizational structures aimed at promoting constructive dialogue with shareholders as per Appendix 9, and publicly discloses the same.

## Chapter 11: Operational Policies

### Article 42: Revision and Abolition of the Guidelines

These Guidelines may be revised or abolished by a resolution of the Board of Directors, provided, however, that minor changes, such as amendments to provisions as a result of organizational and other changes, shall be made with the approval of the executive officer in charge of legal affairs.

### Article 43: Review of the Guidelines

1. These Guidelines shall be reviewed every year.
2. These Guidelines shall be reviewed according to the following steps.
   - Separately designate a department responsible for each provision.
   - Have the responsible departments consider the need for amendment of the provisions that they are responsible for each year, and draft amendments to relevant provisions when they deem it necessary.
   - Seek opinions from the Management, Nomination and Remuneration Advisory Committee as necessary on issues concerning the review of these Guidelines, etc.
   - Have the department in charge of legal affairs serve as Secretariat for the control of these Guidelines.

   Functions of the Secretariat: To compile amendment drafts by responsible departments and present the same to the Board of Directors
   To manage the budget for the review of these Guidelines
   To consider the need for addition of new provisions to these Guidelines and coordinate responsible departments

[Appendix 1]
Our Basic Views on Corporate Governance (Principle 3.1, ii)

At the Nitto Group, we make clear our fundamental values and sense of purpose with respect to business performance in the form of our Corporate Philosophy. We have also established guidelines (the “Nitto Group Business Conduct Guidelines”) for concrete behavior based on the Corporate Philosophy, and we spare no effort to make them universally known to our executives and employees.

In order to maximize our corporate value and achieve continuous growth under the Corporate Philosophy, we believe that prompt and transparent decision-making, as well as bold managerial decisions, are necessary. Being fully aware of the importance of establishing corporate governance to achieve such decision-making, we will further improve our corporate governance system by establishing these Corporate Governance Guidelines in accordance with the following basic principles.

1. We ensure the rights and equality of our shareholders.
2. We collaborate with our stakeholders appropriately.
3. We disclose information appropriately to ensure transparency.
4. We aim to realize the management functions expected of us by our stakeholders.
5. We engage in constructive dialogue with our shareholders.

As part of our further efforts to achieve fair and transparent management, basic policies have been formulated for each field of specialization.

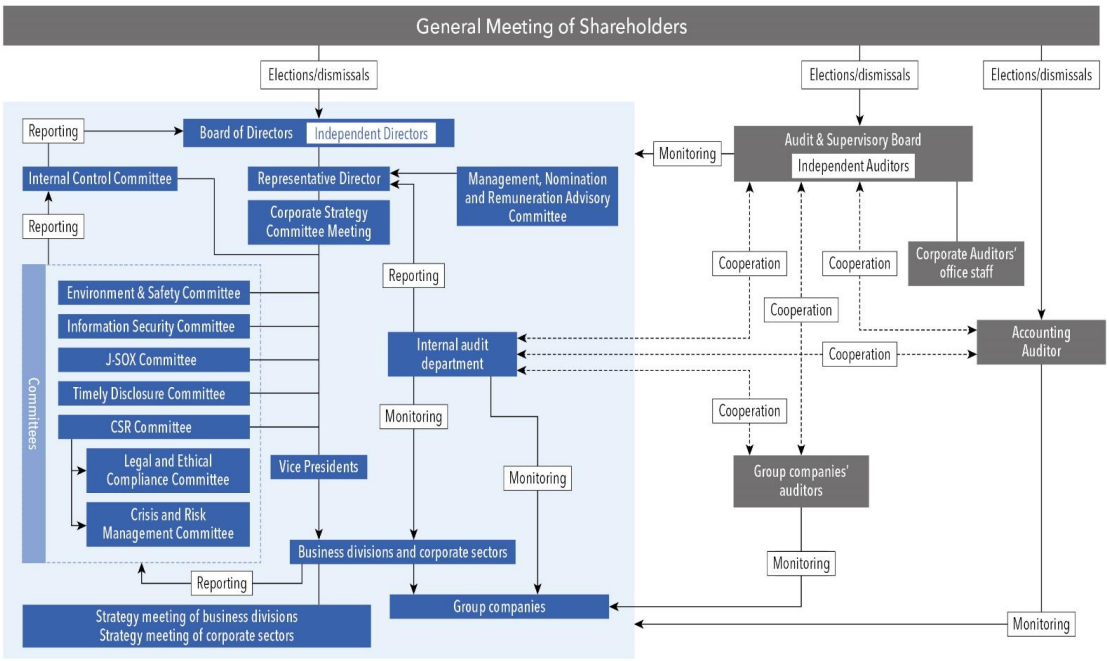
- Basic Policy on Human Rights
- Basic Policies on Internal Controls
- Basic Policy on Internal Controls Over Financial Reporting
- Disclosure Policy
- Environmental Policy
- Chemical Substance Management Policy
- Quality Policy
- Occupational Safety and Health Policy
- Basic Information Security Policy
- Tax Compliance Policy

[Appendix 2]

Brief Summary of Our Corporate Governance System

The Company, in accordance with the provisions of Article 362 of the Companies Act and of Article 100 of the Ordinance for the Enforcement of the Companies Act, has established basic policies on internal controls and executes its operations based on the following corporate governance system.

<Diagram of the Corporate Governance System>




[(Board of) Directors]

The Board of Directors makes decisions concerning important management-related matters and oversees the business affairs of Representative Director(s), Vice Presidents, and others. Furthermore, in order to ensure the health and transparency of management, Directors serve one-year terms, with multiple Outside Directors having been appointed.

[Representative Director(s), Vice Presidents, and the Corporate Strategy Meeting]

The Representative Director(s) and Vice Presidents (including Vice Presidents holding concurrent positions as Directors) undertake business affairs in accordance with the basic policies determined by the Board of Directors. The Group Decision-Making Regulations have been developed for business affairs. As its core, the Corporate Strategy Committee

comprising full-time Directors and Vice Presidents has been established as an organization for important decision-making.

[Management, Nomination and Remuneration Advisory Committee]
The Management, Nomination and Remuneration Advisory Committee was formed as an advisory group for the Representative Director(s), and it consists of outside experts (currently, Outside Directors and Auditors) who offer advice from different perspectives on important management issues, the appointment of officers, and compensation for officers.

[(Board of ) Corporate Auditors]
The Company has adopted the Corporate Auditor System. Corporate Auditors attend Board of Director meetings to audit the business affairs of Directors. Additionally, their tasks include attending other important meetings, listening to the activity statuses of Directors and employees, viewing approval papers and other important documents, inspecting the main office, technology/business divisions, plants, and Group companies in Japan and overseas, and receiving audit reports from and exchanging opinions with accounting auditors.

[Internal Control Committee and Expert Committees]
To promote compliance and risk management across the Group, expert committees comprising officers and employees of related departments have been established. In addition, the Internal Control Committee, which comprises full-time Directors and is chaired by the President (who is also a Board Member) reviews the Basic Policies Related to Internal Controls and confirms the operation status of internal controls through reports from each expert committee, among others.

[Internal Audits]
Upon establishing a department dedicated to internal audits, audits are performed to ensure that management activities are being performed accurately, legitimately, and reasonably by all companies within the Nitto Group, in an effort to contribute to improvements in business operations and performance.

[Appendix 3]

Policies and Procedures for Electing and Dismissing Directors and Corporate Auditors (Principle 3.1, iv, Supplementary Principle 4.11.1)

[Appropriate structure of the Board of Directors and Board of Corporate Auditors]

Given the current scale of business, the need to facilitate substantial discussions at Board of Directors meetings and Board of Corporate Auditors meetings and to ensure an appropriate number of Outside Directors, etc., we believe that the appropriate size of the Board of Directors is not more than ten Directors (two or more of whom are independent directors). Likewise, the Articles of Incorporation set an upper limit of ten. We also believe that the appropriate size of the Board of Corporate Auditors is not more than five members (half or more of whom are independent auditors), who are individuals having appropriate experience and ability as well as necessary knowledge in finance, accounting, and legal affairs, with at least one (1) Corporate Auditor who has sufficient expertise in finance and accounting. Likewise, the Articles of Incorporation set an upper limit of five.

[Appointment and Dismissal of Directors and Corporate Auditors]

The Officer Appointment Standards and the Officer Dismissal Standards have been established as described below and are applied when appointing or dismissing a Director or Corporate Auditor. In addition, in order to further enhance fairness and transparency in appointment and dismissal of Directors, the Management, Nomination and Remuneration Advisory Committee meets and reports the results of its deliberations to the Board of Directors, and the Board of Directors makes the final decision by taking such report into account.

<Officer Appointment Standards>

In addition to the basic requirement of having profound insights and high levels of expertise acquired from past experience, successful candidates should comprehend and live up to our Corporate Philosophy, deliver results, and continue to take on new challenges.

(At Nitto, those meeting such requirements are called “Nitto Persons.”)

<Officer Dismissal Standards>

1. An act was committed that was contrary to public order and morality;
2. A violation of the laws and ordinances, the Articles of Incorporation, or any other regulations of the Group was committed, and Nitto suffered a substantial loss or

hindrance to Group business operations due to such violation;
3. A material inconvenience was caused to the execution of the duties of an Officer; or
4. Any of the quality requirements set forth in the Officer Appointment Standards is no longer satisfied.

[Profiles of Director and Corporate Auditor Candidates]
For profiles of individual candidates for Directors and Corporate Auditors, please see the Reference Materials for the General Meeting of Shareholders of the “Notice of the Ordinary General Meeting of Shareholders.” The notice can be found on the Nitto website (http://www.nitto.com/jp/en/ir/).

[Nomination of Outside Directors and Outside Corporate Auditors]
When nominating Outside Director and Outside Corporate Auditor candidates, individuals who are considered appropriate for such positions must meet the Independent Officer Appointment Standards and the Officer Appointment Standards. Furthermore, in order for Outside Directors and Corporate Auditors to set aside the time and labor necessary to properly fulfill their roles and responsibilities at Nitto, due attention is paid to the statuses of concurrent positions (officers, etc.) that they might hold at other companies to ensure that such statuses are appropriate.

<Criteria for Independent Outside Directors and Outside Corporate Auditors>
The Company, in an effort to ensure the objectivity and transparency of governance, has set forth the criteria for the independence of Outside Directors and Outside Corporate Auditors (hereinafter collectively referred to as “Outside Officer(s)”), as follows.

The Company considers an Outside Officer or a candidate for Outside Officer to have independence, if, after conducting an investigation to the utmost reasonable extent, it is determined that none of the following items are applicable to the Outside Officer or candidate for Outside Officer.

1. A person who is or has been in the past ten years an executing person (Director, Corporate Auditor, Vice President, or any other employee) of the Company or the Group (hereinafter collectively referred to as the “Group”);
2. A person who is an important executing person (Director, Corporate Auditor, Accounting Advisor, Executive Officer, Executive Director, or any other important employee;

hereinafter the same shall apply) of a major shareholder of the Company (a shareholder holding 10% or more of the voting rights of the Company; hereinafter the same shall apply);

3. A person who is an important executing person of a company of which the Company is a major shareholder;
4. A person who is an important executing person of a major counterparty of the Company (a counterparty for which the amount of payment or receipt for transactions with the Company for the latest fiscal year exceeds 2% of consolidated gross sales);
5. A person who is an important executing person of a major lender of the Company (a lender to which the Group's aggregate amount of loans payable at the latest fiscal year-end exceeds 2% of consolidated total assets);
6. A person who is a legal professional, accounting and tax professional, consultant, or research and education specialist who receives a large amount of compensation or donation (for the latest fiscal year, 10 million yen or more in the case of an individual and more than 2% of consolidated gross sales in the case of a corporation or an organization) from the Company;
7. A person who has kinship status (being a relative within the third degree of kinship or a relative living together) with an executing person of the Company or the Group;
8. A person to whom any of the items 2. through 7. above has been applicable within the past five years; and
9. In addition to the above, a person who has an interest that is reasonably considered to give rise to doubts about his or her independence as an Independent Outside Director or Independent Outside Corporate Auditor, or to give rise to a conflict of interest with shareholders of the Company.

[Appendix 4]

Brief Summary of the Scope and Nature of Matters Delegated to the Board of Directors (Supplementary Principle 4.1.1)

At Nitto, decisions are made at different levels: the Board of Directors serves as an organization for making management decisions and conducting oversight; the Corporate Strategy Committee undertakes business affairs based on decisions made by the Board of Directors; each business division (including corporate departments) has its own meeting structure(s); and heads of each department make decisions (see Nitto's website for information on the Corporate Governance System).

The scope and content of decisions to be made at each level are regulated through the Group's decision-making regulations and standards that are specifically segmented based on the nature of such decisions, amounts to be approved, and other factors. Management decision-making at the Board of Directors meetings and execution of operations are thus separated from each other, and the effectiveness of discussions at the Board of Directors meetings is ensured.

[Appendix 5]
Related Party Transactions (Principle 1.7)

At Nitto, related party transactions conducted by our Directors or major shareholders and other parties are resolved at Board of Directors meetings in order to verify the rationality (business necessity) of such transactions and the validity of their terms and conditions.

Whether or not any items to be presented at Board of Directors meetings and other important meetings fall under the definition of related party transactions is examined by the Secretariat beforehand in conjunction with the legal department.

The soundness and appropriateness of such transactions are ensured through ex-post-facto checking of their nature, etc. by the internal audit department and through audits by the Board of Corporate Auditors (members).

[Appendix 6]

Training for Directors and Corporate Auditors (Supplementary Principle 4.14.2)

When nominating Directors and Corporate Auditors, Nitto makes it a policy to nominate candidates appropriate for such positions who, in light of the Officer Appointment Standards, can fulfill the duties and responsibilities of Directors and Corporate Auditors.

Additionally, Nitto periodically provides training on practicing the Corporate Philosophy, compliance, and corporate responsibilities that should be assumed by the Officers, which are attended not only by employees, but also by all of the officers, who thereby set an example for others to follow. Nitto's internal officers are obliged to constantly gather information and train themselves proactively in order to fulfill their roles.

Newly appointed outside officers undertake training on Nitto's business lines, financial position, and other topics immediately after taking office.

[Appendix 7]

Policy related to remuneration of Directors (Principle 3.1, iii))

At Nitto, Directors (excluding Outside Directors) receive four types of remuneration:

Fixed compensation in cash;

Bonus for Directors based on short-term performance;

Performance-linked share-based remuneration as a form of mid-term performance-linked remuneration (to be provided within the scope of 0% to 150% in accordance with achievement of numerical targets determined by the Company's Board of Directors based on the performance targets laid out in the Mid-Term Management Plan and other indicators); and

Restricted share remuneration as a form of mid- and long-term performance-linked remuneration.

The above types of remuneration are paid for the purpose of motivating Directors to contribute to mid- and long-term performance improvement and continual enhancement of corporate value, and by taking into account the balance between fixed and variable remunerations and between compensation in cash and share remuneration. Each type of remuneration is determined within the range of the total amount (and number of shares issued) that has been approved at a general meeting of shareholders.

In order to enhance the objectivity and transparency of such remuneration, the amount of performance-linked share-based remuneration is calculated by using a prescribed formula. In addition, the amounts of other remunerations for each Director are determined by the Representative Director(s) in accordance with their duties, responsibilities, and performance, after they have received the views of the Management, Nomination and Remuneration Advisory Committee on remuneration of Directors.

Given their roles of overseeing management through important decision-making at the Board of Directors meetings, remuneration to Nitto's Outside Directors does not include any share-based or other performance-linked portions, and instead is comprised solely of fixed compensation in cash.

[Appendix 8]

Policy related to remuneration of Corporate Auditors

In light of their duties, such as auditing the execution of duties by Directors, Nitto's Corporate Auditors receive compensation in cash (fixed) only, without any elements of equity-related or other performance-based remuneration. Such remuneration is determined within the range of the total amount approved at general meetings of shareholders.

Remuneration of individual Corporate Auditors is determined through consultation among themselves in accordance with the duties and responsibilities of each Corporate Auditor.

[Appendix 9]

Policies Related to Constructive Dialogue with Shareholders (Principle 5.1)

In order to achieve sustainable growth and increase our medium- and long-term corporate value, we provide clear explanations of our business to our shareholders and promote constructive dialogue with them in order to gain their understanding. To this end, we have established the following policies.

1. We at Nitto position IR activities as one of our key business issues, and senior management members personally promote dialogue with shareholders, with the CEO in charge and the CFO serving as a competent director.
2. In order to ensure the effectiveness of dialogue, a dedicated IR department has been established, and a cross-sectional structure for sharing and disclosure of IR information has been constructed through positive cooperation with the Legal, Corporate Planning, Corporate Accounting & Finance, General Affairs, Public Relations, Management of Group Companies, CSR, and other departments. In addition, an information-handling officer has been appointed to strive to ensure disclosure of information in a timely and appropriate manner.
3. As measures to promote opportunities for dialogue aside from individual meetings, information meetings are held every quarter, with the CEO or CFO providing explanations. Additionally, overseas IR roadshows in the United States, Europe, and Asia are conducted at least once a year.
4. Information on views and business issues uncovered through dialogue with shareholders are periodically relayed to senior management and relevant departments to communicate, share, and feed the same back to management.
5. In order to control insider information, the “Nitto Denko Group Regulations to Prevent Insider Dealings” have been established to ensure infallible information control. Meetings with shareholders and investors to be interviewed are limited during the “quiet periods” immediately prior to the announcement of financial results.

Date: March 31, 2020
Listed company name: Nitto Denko Corporation
Stock exchange listing: Tokyo, First Section
Code number: 6988
Company representative: Hideo Takasaki, President
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Phone: +81-6-7632-2101

# Findings on the Nitto Board Effectiveness Evaluation

Please find below the executive summary of the findings of the FY2019 Nitto Board effectiveness analysis/evaluation, which has been conducted based on Japan's Corporate Governance Code stipulated by Tokyo Stock Exchange, Inc.

1. Analysis/evaluation method

Our Board of Directors analyzed and evaluated the effectiveness of the Board as follows, with advice from a third-party organization starting this fiscal year.

(1) Prepared a survey questionnaire on the Nitto Board effectiveness with input from a third-party organization
(2) At the December Board of Directors meeting, the Secretariat of the Board explained the purpose of effectiveness evaluation and distributed a survey questionnaire to the Directors and Corporate Auditors.
(3) Collected the questionnaire in mid-January
(4) The Secretariat of the Board parsed the questionnaire results and optional comments by checking them against the analysis results provided by the third-party organization to prepare a report on the effectiveness evaluation survey, which was distributed to the Directors and Corporate Auditors.
(5) At the February Board of Directors meeting, the Directors and Corporate Auditors discussed the Board's effectiveness based on the report.
(6) The Secretariat of the Board prepared a document summarizing the outcomes of the discussions, which was distributed to the Directors and Corporate Auditors.
(7) At the March Board of Directors meeting, the Board went over the discussion outcomes, reviewed the details of the Board effectiveness evaluation, and approved the timely disclosure document.

2. Categories of the survey questions

| | |
|---|---|
| - Composition of the Board of Directors | 3 |
| - Agenda items for Board of Directors meetings | 12 |
| - Deliberation method at the Board of Directors meetings | 8 |
| - Risk management | 3* |
| - Training for Directors and Corporate Auditors | 1* |
| - Dialogue with shareholders | 1* |
| - Efforts by individual Directors and Corporate Auditors | 7* |
| - Others | 1* |
| - Overview | 1* |
| | Total of 40 questions |

The four questions with an asterisk were added last year to expand the range of topics.

3. Overview of the analysis/evaluation findings

1) Conclusions drawn

It was concluded that the effectiveness of Nitto's Board of Directors is ensured.

2) Analysis and evaluation

All the Directors and Corporate Auditors responded to the Board effectiveness survey on a five-point scale. They chose "Appropriate" or "Largely appropriate" for many of the questions (77% of the total). In particular, the survey confirmed that, at the Board of Directors meetings, open discussions are conducted among its members including Outside Directors and Outside Corporate Auditors, and that the agenda items and deliberation times are deemed to be largely appropriate. With regard to the mid- and long-term management themes required to be addressed that were discussed as part of the Board effectiveness evaluation last year, it was confirmed that efforts were made to improve them by bettering the content of business reports from executive officers in each overseas geographical region and amending the decision-making regulations, among other initiatives.

Meanwhile, the Board of Directors confirmed that continued efforts would be made to improve issues that have come to light this fiscal year. These issues include: recruitment/development of the right candidates for Board members to ensure the diversity of Board members, enhancement of discussions on the risk management system, improvement of transparency and fairness through the Management, Nomination, and Remuneration Advisory Committee and other optional committees, improvement of the content of shareholder relations reports to facilitate dialogue with shareholders, and administration of the Secretariat of the Board with social trends and requests from shareholders in mind.

4. Future action

With the analysis/evaluation findings above in mind, Nitto's Board of Directors will remain committed to further enhancing the effectiveness of the Board as a whole.