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Nitto Boseki Co, Ltd.

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Securities Code: 3110

<https://www.nitto.co.jp/eng/index.html>

The corporate governance of Nitto Boseki Co., Ltd (the “Company”) is described below.

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

### 1. Basic Views

The Nittobo Group constantly revises corporate governance with the aim of creating a fair and highly transparent management organization in order to conduct business activities with emphasis on social trust from the Nittobo Group’s shareholders, investors and other stakeholders.

The Company introduced an executive officer system in June 2003 and has created a system able to maximize the effect of consolidated management by invigorating the Board of Directors and speeding up decision making. Since June 2008, management has been conducted by further clarifying the functions and roles of management and business execution.

In addition, with the approval of the Ordinary General Meeting of Shareholders on June 26, 2014, the Company shifted to a company with Nomination Committee, etc. By doing so, the Company further clarified the separation of supervision from execution and has aims to strengthen supervisory functions, ensure highly transparent management, execute business swiftly, and increase the flexibility of management. Furthermore, by establishing a system that enables it to more precisely meet the expectations of stakeholders, such as customers, shareholders, suppliers, and employees, the Company will work to further enhance its corporate value.

### [Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company complies with all of the principles in the Corporate Governance Code revised June 2018.

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

[Principle 1-4 Cross-shareholdings]

< Policy regarding Cross-shareholdings >

The Company holds shares of listed companies under its policy on cross-shareholding in cases where it deems such shareholding to be beneficial for building favorable trading relationship with important trading partners of the Group in fields including sales, raw material procurement and finance, smoothly advancing business activities of the Group, and enhancing corporate value in the Group. However, when the Company deems that shares in its cross-shareholding are not contributing to the sustainability and growth of the Group’s corporate value, and that there is insufficient reason to hold them, the Company will sell those share while paying attention to the effect on the market, and so forth.

<Method for assessing relational for holding shares>

The Company reviews the holding policy for listed shares individually at a meeting of the Board of Directors on a periodic basis, comprehensively considering qualitative factors such as the materiality of transactions with the trading partner, the existence of any technological cooperation or joint capital investment, whether there are any joint ventures underway, and a quantitative evaluation that compares the total return on investment, calculated by considering dividend yield and business profit, against the cost of capital, as well as the comprehensively considered policy on cross-holding.

Based on such reviews, the Company sold four different company shares worth 8,665 million yen in fiscal 2020, and 17 different company shares worth 12,804 million yen in the four-year period from fiscal 2017.

<Exercise of voting rights associated with cross-shareholdings>

The Company will appropriately exercise its voting rights associated with cross-shareholdings after consideration of whether such issuing company has established an effective governance structure and is making appropriate decisions to improve its corporate value over the medium-to long-term, as well as whether such shareholdings will contribute to enhancing the Group's corporate value.

[Principle 1-7 Related Party Transactions]

The Company requires that competitive transactions or conflict-of-interest transactions involving Directors or Executive Officers are discussed and approved at the Board of Directors. Moreover, the Company requires that transactions involving major shareholders, etc. are conducted fairly and appropriately, and where necessary, are approved after being discussed at Executive Committee, etc.

[Principle 2-6 Roles of Corporate Pension Funds as Asset Owners]

The Company has adopted a fund-type corporate pension based on the Defined-Benefit Corporate Pension Act for its corporate pension. The staff of the Nittobo Corporate Pension Fund consists of seconded employees from the Nittobo Group, and personnel are purposefully rotated to ensure the administration and operation of the corporate pension fund is performed appropriately. Moreover, the board of governors and board of representatives whose members have been selected by election by the Company and the labor union regularly holds meetings to strive for the appropriate operation of the corporate pension and conduct checks of the operational status and investment activities of the fund management trustees. The Company demands that the fund management trustees should perform appropriate stewardship activities, and every fund management trustee has formulated policies to fulfill their responsibilities.

[Principle 3-1 Full Disclosure]

- (1)The Group has published its corporate philosophy and the Nittobo Declaration, which expresses the Group's values in easy-to-understand language based on the corporate philosophy, on the Company's website. The Group has also formulated the Mid-Term Business Plan, which is published on the Company's website.
- (2)The Company's basic views on corporate governance are stated in "1. Basic Views," of section I of this report.
- (3)The procedures for determining the remuneration of the Company's Directors and Executive Officers are operated under the framework of a company with a Nomination Committee, etc. The policy for remuneration of Directors and Executive Officers is determined at the Remuneration Committee whose majority of members are External Directors, and individual remuneration is determined in line with that policy. The Company describes its basic policy for remuneration in the Notice of the General Meeting of Shareholders, and the Annual Securities Report (both are published on the Company's website; Annual Securities Report is in Japanese only).
- (4)Under the framework of a company with a Nomination Committee, etc., the candidates for Director for proposals to be submitted to a General Meeting of Shareholders regarding the election of candidates for Director, or the dismissal of Directors, are determined at the Nomination Committee, whose majority of members are External Directors. The Nomination Committee selects those candidates deemed most suitable based on their personal qualities, insight, etc. Moreover, the appointment or dismissal of Executive Officers is determined by the Board of Directors, in line with the provisions of the Companies Act. Adopting the approach of finding persons most suitable for the job, the Company chooses persons suitable for the execution of the Company's business from the perspective of enhancement of business execution and corporate value.

(5) When proposing the election of a Director candidate at a General Meeting of Shareholders, the Company states the reason for nomination of a candidate for Director in the reference documents included in the Notice of the General Meeting of Shareholders. The Company mails the Notice of the General Meeting of Shareholders to all shareholders and also publishes it on the Company's website.

The Board of Directors appoints Executive Officers after providing adequate explanation of the reason for each Executive Officer's appointment at the Board of Directors pursuant to the standards for appointment of Executive Officers stated in (4) above.

[Supplementary Principle 4-1-1 Outline of the Scope of Delegation to the Management]

Since the Company is a company with a Nomination Committee, etc., the Company's Board of Directors delegates to Executive Officers as much authority as allowed by laws and regulations for making operational decisions. This contributes to the speed and flexibility of managing business operations.

The Company's Board of Directors makes decisions about items regarding basic policies of management that can be determined only by the Board of Directors according to laws and regulations, and items that will have a significant impact on the Group's management, including investments over a certain amount.

[Principle 4-8 External Directors]

The Company actually appoints four External Directors.

[Principle 4-9 Independence Criteria for External Directors]

If an External Director of the Company does not fall under any of the following items, that External Director is deemed to have independence.

1. Any party whose major client or supplier is the Company or any of its subsidiaries, or executive of that party.
2. Any party that major client or supplier is the Company or any of its subsidiaries, or executive of that party.
3. A consultant, certified public accountant or other accounting professional, or an attorney at law or other legal professional who has been paid substantial amounts of money or other financial benefits other than Directors' or other corporate officers' remuneration paid by the Company (or if the party receiving such financial benefits is an incorporated entity, partnership or other organization, then persons belonging to such organization).
4. A party who has fallen under any of the items in 1 to 3 above in the most recent year.
5. A relative within the second degree of kinship of a party who falls under any of the following sub-items
  - (a) to (c) (excluding unimportant positions).
  - (a) Party mentioned in 1 to 4
  - (b) Executive of a subsidiary of the Company
  - (c) A party who has fallen under (b) or an executive of the Company in the most recent year

[Supplementary Principle 4-11-1 View on the balance between knowledge, experience and skills on the Board of Directors as a whole, and also on diversity and board size]

To ensure a system by which the whole of the Board of Directors is able to suitably supervise the execution of the Company's business, the basic policy is to have the Board of Directors comprised of Internal Directors, who have capabilities and insight with respect to respective business and overall management, and External Directors, who are in number at least the same as Internal Directors and are able to provide valuable opinions concerning the enhancement of governance, etc. from the multiple perspective of the stakeholders, etc. Then the number of the Board of Directors is specified no more than 12 members in its Article of Incorporation. Actually, the Board of Directors consists of 7 members, including four External Directors.

[Supplementary Principle 4-11-2 Status of Concurrent Position of Directors]

When nominating the Director candidates, the Nomination Committee examines and decides the candidates, giving consideration to their concurrent positions at other companies. Each year, the Company discloses the status of significant concurrent positions outside the Company for each Director candidate and Director in the reference documents included in the Notice of the General Meeting of Shareholders, and in disclosure documents such as the Business Report, etc.

[Supplementary Principle 4-11-3 Self-evaluation concerning the effectiveness of the Board of Directors]

The composition, operation, support structure, shareholder dialogue, etc. of the Company's Board of Directors are analyzed and evaluated by the Board of Directors based on evaluation by each Director by implementing surveys using external attorneys.

In the evaluation concerning the effectiveness of the Board of Directors in the fiscal year 2019, the opinion was expressed that further improvements need to be made to matters such as enhancement of feedback from Executive Officers on matters resolved by the Board of Directors, deepening of discussion on management policy and management strategy, including from the perspective of ESG and SDGs, and further strengthening of risk management, such as disaster countermeasures, fraud prevention measures and Group management, and review of the agenda of items and time for discussion at meeting of the Board of Directors, and the following initiatives were adopted in the fiscal year.

- With regard to large-scale capital investment projects resolved by the Board of Directors and progress made with respect to the annual budget, the Executive Officers provided preliminary briefings, as well as provided explanations and reports at meeting of the Board of Directors, which enhanced deliberations.
- In the development of the Mid-Term Business Plan, Executive Officers and the Board of Directors shared reflection on the previous Mid-Term Business Plan as well as challenges for each business areas on several occasions and deepened discussions on the Company's management policy and management strategy incorporating environmental goals (the Nittobo Group's vision for 2030 [Big VISION 2030], and the New Mid-Term Business Plan).
- As four External Directors with diverse knowledge and experience were elected and the Board of Directors received explanations related to agenda items, current business conditions and issued at preliminary briefings, etc., the Board of Directors was able to have and open-minded deliberations and discussions that were constructive and multifaceted.

The survey for the fiscal year 2020, returned an evaluation that there were very positive results, with about 70% of the survey items receiving higher evaluation compared with the fiscal year 2019. However, there were also the opinions that the following items require improvement.

- Further improvement in risk management
- Creation of a structure for feedback on matters resolved by the Board of Directors in the past
- Promotion of sustainability activities
- Continued discussions on grooming plan for prospective candidates for senior executive positions

The Company will continue to make improvement to ensure the Board of Directors performs supervisory functions more.

[Supplementary Principle 4-14-2 Policy for Training of Directors]

The Company provides opportunities to External Directors, as necessary to allow them to acquire the required knowledge on the Group's businesses, through plant tours, etc. in order to allow them to adequately fulfill their functions. In addition, the Company provides necessary support to the other Directors and Executive Officers for them to undertake self-study.

[Principle 5-1 Policy for Constructive Dialogue with Shareholders]

1. The Corporate Communication Officer is responsible for general dialogue with shareholders, and the Corporate Communication Department is the internal department responsible for providing assistance thereto. The Company endeavors to have opportunities for dialogue with shareholders that contribute to the sustained growth and enhancement of medium-to long-term corporate value of the Company centered on Executive Officers. Furthermore, departments involved in IR activities centered on the Corporate Communication Department work to coordinate among departments on a daily basis.
2. We will continue to endeavor to disclose information in a timely and appropriate manner to enable the Nittobo Group's customers, shareholders and investors to accurately recognize and judge the actual state of the Nittobo Group. In order to achieve this, we comply with laws, regulations and securities exchange rules on disclosure, and are engaged in the creation and operation of an appropriate disclosure system.
  - (a) We publish items specified for the disclosure in Japanese and foreign laws, regulations and securities exchange rules in business reports, annual securities reports and communications to shareholders, and announce them in securities exchange communication systems and press releases.
  - (b) In principle, we publish information being disclosed on the Nittobo Group's website, and also endeavor provide fairer and broader disclosure.

- (c) We conduct briefings for analysts and institutional investors promptly after the announcement of quarterly financial results.
- (d) We publish an integrated report that integrates financial information and non-financial information, including CSR, in order to provide a better understanding of the Nittobo Group's medium-to long-term value creation framework.
3. Opinion and concerns, etc., about the Company that are learned through dialogue with shareholders and investors are collated by the Corporate Communication Department, reported to the Executive Officer in charge of the Corporate Communication Department, and appropriately provided as feedback to management executives and the Board of Directors by means of reporting to the Executive Meeting, etc. on a quarterly basis.
4. Adequate care is given to insider information in individual inquiries and dialogue with the Nittobo Group, and explanations are limited to information that has already been published and facts that are well known.

## 2. Capital Structure

Percentage of Foreign Shareholders	From 10% to less than 20%
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	3,176,400	8.19
Custody Bank of Japan, Ltd. (Trust account)	2,956,800	7.62
Sumitomo Real Estate Sales Co., Ltd	2,383,400	6.14
Nippon Life Insurance Company	1,614,785	4.16
The Dai-ichi Mutual Life Insurance Company, Limited	1,316,000	3.39
UNIZO Holdings Company, Limited	1,113,400	2.87
Sumitomo Life Insurance Company	1,082,400	2.79
AIR WATER INC.	997,200	2.57
Central Glass Co., Ltd.	948,600	2.44
The Toho Bank, Ltd.	905,243	2.33

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation

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### 3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange, First Section
Fiscal Year-End	March
Type of Business	Glass & Ceramics Products
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

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

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### 5. Other Special Circumstances which 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. Organizational Composition and Operation

Organization Form	Company with Nomination Committee, etc.
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Representative and Chief Executive Officer
Number of Directors	7

**[External Directors]**

Number of External Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Masamichi Ouchi	CPA												
Sadayoshi Fujishige	From another company												
Hiroshi Kagechika	From another company												
Agasa Naito	Lawyer												

\* Categories for "Relationship with the Company"

- \* "○" when the director presently falls or has recently fallen under the category;
- "△" when the director fell under the category in the past
- \* "●" when a close relative of the director presently falls or has recently fallen under the category;
- "▲" when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

External Directors' Relationship with the Company (2)

Name	Membership of Committees	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Masamichi Ouchi	Nomination / Audit	○		<p>Mr. Masamichi Ouchi has a wealth of experience and a high level of insight as an expert in accounting and finance and as an outside officer of another company. He attends meetings of the Board of Directors, the Nomination Committee, the Remuneration Committee, and the Audit Committee, and as Chairman of the Audit Committee he actively expresses opinions. In this way, he plays an appropriate role as an External Director of the Company, including providing accurate advice to management, contributing to decision making by the Board of Directors, and supervising business execution.</p> <p>The Company judges that he will continue to perform his expected role described above as an External Director through his knowledge and experience from a perspective of promoting the sustainable growth and medium- to long-term increase in corporate value of the Company.</p> <p>In addition, the Company has designated him as an independent director because he satisfies the criteria for independent directors stipulated in the Securities Listing Regulations and the Enforcement Regulations of the Securities Listing Regulations, and the Company believes that there is no risk of conflict of interest with general shareholders.</p>
Sadayoshi Fujishige	Nomination / Remuneration	○		<p>Mr. Sadayoshi Fujishige has a wealth of experience and a high level of insight as a top manager of listed companies. He attends meetings of the Board of Directors, the Nomination Committee, and the Remuneration Committee, and as Chairman of the Nomination Committee he actively expresses opinions. In this way, he plays an appropriate role as an External Director of the Company, including providing accurate advice to management, contributing to decision making by the Board of Directors, and supervising business execution.</p> <p>The Company judged that he will continue to perform his expected role described above as an External Director through his knowledge and experience from a perspective of promoting the sustainable growth and medium- to long-</p>



				<p>term increase in corporate value of the Company.</p> <p>In addition, the Company has designated him as an independent director because he satisfies the criteria for independent directors stipulated in the Securities Listing Regulations and the Enforcement Regulations of the Securities Listing Regulations, and the Company believes that there is no risk of conflict of interest with general shareholders.</p>
Hiroshi Kagechika	Nomination / Remuneration / Audit	○		<p>Mr. Hiroshi Kagechika has specialist insight and a wealth of experience in corporate business and the field of research and development in the manufacturing sector. He attends meetings of the Board of Directors, the Nomination Committee, the Remuneration Committee, and the Audit Committee, and as Chairman of the Remuneration Committee he actively expresses opinions. In this way, he plays an appropriate role as an External Director of the Company, including providing accurate advice to management, contributing to decision making by the Board of Directors, and supervising business execution.</p> <p>The Company judges that he will continue to perform his expected role described above as an External Director through his knowledge and experience from a perspective of promoting the sustainable growth and medium- to long-term increase in corporate value of the Company.</p> <p>In addition, the Company has designated him as an independent director because he satisfies the criteria for independent directors stipulated in the Securities Listing Regulations and the Enforcement Regulations of the Securities Listing Regulations, and the Company believes that there is no risk of conflict of interest with general shareholders.</p>
Agasa Naito	Nomination / Remuneration / Audit	○		<p>Ms. Agasa Naito has a wealth of experience and a high level of insight as an expert in law and as an outside officer of other companies. She attends meetings of the Board of Directors, the Nomination Committee, the Remuneration Committee, and the Audit Committee, where she actively expresses opinions. In this way, she plays an appropriate role as an External Director of the Company, including providing accurate advice to management, contributing to decision making by the Board of Directors, and supervising business execution.</p>

				<p>The Company judges that she will continue to perform her expected role described above as an External Director through her knowledge and experience from a perspective of promoting the sustainable growth and medium- to long-term increase in corporate value of the Company.</p> <p>In addition, the Company has designated him as an independent director because she satisfies the criteria for independent directors stipulated in the Securities Listing Regulations and the Enforcement Regulations of the Securities Listing Regulations, and the Company believes that there is no risk of conflict of interest with general shareholders.</p>
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### [Committees]

#### Committee's Composition and Attributes of Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Chairperson
Nomination Committee	5	0	1	4	External Director
Remuneration Committee	4	0	1	3	External Director
Audit Committee	5	2	2	3	External Director

### [Executive Officers (Shikkoyaku)]

Number of Executive Officers (Shikkoyaku)	12
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#### Status of Additional Duties

Name	Representative Authority	Additional Duties as Director			Additional Duties as Employee
			Nomination Committee Member	Remuneration Committee Member	
Yuichi Tsuji	Yes	Yes	Yes	Yes	No
Minoru Takeuchi	No	No	No	No	No
Hiroyuki Tada	No	No	No	No	No
Kazuhiko Igarashi	No	No	No	No	No
Hideyuki Hatanaka	No	No	No	No	No
Tatsuo Sakae	No	No	No	No	Yes
Takanobu Matsunaga	No	No	No	No	Yes
Yuji Sugama	No	No	No	No	Yes
Akimasa Kajita	No	No	No	No	Yes

Hiroki Kajikawa	No	No	No	No	Yes
Hisanobu Hayashi	No	No	No	No	Yes
Katsuya Hatanaka	No	No	No	No	Yes

#### [Auditing Structure]

Appointment of Directors and/or Staff to Support the Audit Committee	Appointed
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#### Matters Related to the Independence of Such Directors and/or Staff from Executive Officers (Shikkoyaku)

The Audit Committee Secretariat has been set as an organ to support the duties of the Audit Committee, and its responsibility is to perform secretarial duties for the Audit Committee.  
The appointment and evaluation of, changes in, and disciplinary action against the employees assigned to the Audit Committee Secretariat shall be carried out with the approval of the Audit Committee.

#### Cooperation among Audit Committee, Accounting Auditors and Internal Audit Departments

The Audit Committee, together with the Audit Office, maintains close cooperation with the Accounting Auditor, and when necessary, receives support from external experts such as attorneys.

The Audit Office submits an annual audit plan, which has been approved by the Representative and Chief Executive Officer, to the Audit Committee, and carries out an internal audit. The Audit Office reports the results of the internal audit to the Representative and Chief Executive Officer and also makes a report to the Audit Committee. If a request is received from the Audit Committee to conduct a special investigation, the Audit Office will cooperate fully with such request.

For the accounting audit, two certified public accountants implement an operational audit, and both individuals belong to Deloitte Touche Tohmatsu LLC. In addition, five certified public accountants and eight other individuals work as assistants for such auditing work.

#### [Independent Directors]

Number of Independent Directors	4
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#### Matters relating to Independent Directors

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#### [Incentives]

Incentive Policies for Directors and/or Executive Officers (Shikkoyaku)	Performance-linked Remuneration
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#### Supplementary Explanation

The Company's executive remuneration of Directors and Executive Officers is made up of basic remuneration determined by the state of competency expected of each position and the state of performance, and performance-linked remuneration that varies within a range of 0% to 150% according to the level of achievement of individual performance targets based on company performance targets (including ROE and stock dividend), and the activities and performance of the responsible departments.

Recipients of Stock Options	
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Supplementary Explanation

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**[Remuneration for Directors and Executive Officers (Shikkoyaku)]**

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
Disclosure of Individual Executive Officers' (Shikkoyaku) Remuneration	No Individual Disclosure

Supplementary Explanation

The remuneration for the Company's Directors and Executive Officers for the fiscal year ended March 31, 2021, is stated in the Annual Securities Report and the Business Report as a total amount for Directors and that for Executive Officers, and the total amount of remuneration for External Officers is stated separately.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

<Policy on deciding the remuneration amounts, etc. of directors and executive officers >

1) Method of deciding policy  
The Company determines policy related to the determination of individual remuneration of Directors and Executive Officers on the basis of objective data, etc. from external consultants in the Remuneration Committee made up of a majority of External Directors and chaired by an External Director, based on the provisions of the Companies Act related to a Company with Nomination Committee, etc.

2) Outline of the policy  
The Company's executive remuneration (excluding External Directors) is made up of basic remuneration determined by the state of competency expected of each position (behavior evaluation) and the state of performance (performance evaluation), and performance-linked remuneration that varies within a range of 0% to 150% according to the level of achievement of individual performance targets based on company performance targets from the previous fiscal year and the activities and performance of the responsible departments, and the current fiscal year's remuneration is based on a combination of these.  
Performance-linked remuneration has not been established for External Directors due to the role of supervising management from an independent and objective perspective.

<Percentage of Remuneration by Position>

Position	Percentage composition of executive remuneration (if the achievement ratio of company and individual targets is 100%)		
	Basic remuneration	Performance-linked remuneration (note)	
		Company performance	Individual performance
Representative and Chief Executive Officer	67%	16.50%	16.50%
Senior Managing Executive Officer	69%	15.50%	15.50%
Other officers (excluding external directors)	71%	14.50%	14.50%
External Directors	100%	—	—

(Note) Performance-linked remuneration (company performance + individual performance) is set at 50% of basic remuneration for the Representative and Chief Executive Officer, 45% of basic remuneration for the Senior Managing Executive Officer, and 40% of basic remuneration for other officers (excluding External Directors).

<Performance Targets and Percentage Reflection in Performance-linked Remuneration>

Company performance	Operating profit (compared to budget)	Operating profit (year on year)	ROE (year on year)	Dividends (year on year)
	25%	25%	25%	25%
Individual performance	Operating income of responsible division (compared to budget)		Status of initiatives to address issues in mid-term business plan for responsible division	
	40%		60%	

<The reasons for selecting the indicators>

1) Company performance

Operating profit is set to strengthen the earning power and growth potential, ROE is set to improve capital efficiency, and dividends are set to promote further value sharing with shareholders.

2) Individual performance

The operating profit of the business units in charge and the status of efforts to address the issues in the Mid-Term Business Plan are set in order to clarify the performance of each officer (excluding External Directors) and to evaluate from a different perspective and item than that of the company.

<Method of determining remuneration>

The Remuneration Committee chaired by an External Director checks the exhibition of competencies and the level of achievement of company performance targets and individual performance targets, and calculates and determines individual amounts based on the aforementioned remuneration percentages and percentages of reflection in performance-linked remuneration.

■ Calculation rules

(Basic remuneration)

This is determined using a basic remuneration table that is a matrix based on four levels of behavior evaluation and nine levels of performance evaluation.

(Performance-linked remuneration)

- Company performance = amount of basic remuneration for each prior fiscal year x percentage of company performance for each position x level of achievement of company performance for the previous fiscal year
- Individual performance = amount of basic remuneration for each prior fiscal year x percentage of individual performance for each position x level of achievement of individual performance for the previous fiscal year.

Performance-linked remuneration is determined by combining the company performance and the individual performance calculated as shown above.

The remuneration of directors and executive officers for the fiscal year 2020 is also determined by the above method. In addition, the Remuneration Committee checks the validity of the level of remuneration based on data on executive remuneration periodically provided by external consultants and believes that the content of such remuneration is in line with the above policy.

Targets and actual values of company performance for FY2019 used in the calculation of performance-linked remuneration in FY2020.

[Operating profit (compared to budget)]Target: 10,000 million yen\* / Actual: 8,160 million yen

[Operating profit (year on year)]Target: 8,198 million yen / Actual: 8,160 million yen

[ROE (year on year)]Target: 9.1% (adjusted) / Actual: 6.3%

[Dividends (year on year)]

Target: 40 yen per share / Actual: 45 yen per share

(Note) Individual performance targets are set using individual quantitative and qualitative targets, and calculated based on the results thereof.

**[Supporting System for External Directors]**

The respective Nomination, Remuneration and Audit Committees each has its own secretariat, and a system to support External Directors as necessary has been established.

**[Retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)]**

Information on retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/ CEO ended	Term

Number of retired presidents/CEOs holding advisory positions (sodanyaku, komon, etc.)	
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Others

The Company abolished that the advisory position, called Sodanyaku and Komon, at the end of June 2017, based on the resolution by Board of Directors on February 24th, 2017.

## 2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

### <Board of Directors>

The Company's Board of Directors is made up of seven members including four External Directors.

The Board of Directors is responsible for supervision of business execution through selection of directors making up the Nomination, Remuneration, and Audit Committees, election and dismissal of Executive Officers and delegation of business to Executive Officers, approval of matters related to operations that have an impact on basic management policy such as Mid-Term Business Plans and annual budgets, and approval of matters that could have a significant impact on Group management such as investments exceeding a certain amount. The term of office of directors is one year, and a vote of confidence in directors is obtained in the Ordinary General Meeting of Shareholders held annually. The Company's Executive Officers are determined by the Board of Directors. People suitable for the execution of the Company's business are elected from the perspective of enhancement of business execution and corporate value by adopting the approach of putting the right people in the right place.

### <Nomination, Remuneration and Audit Committees>

As a company with Nomination Committee, etc., the Company has established a Nomination Committee, a Remuneration Committee, and an Audit Committee. The roles of the committees and overviews of the members of the committees as of the date of the publication of this report are as follows.

The Nomination Committee determines the content of proposals to elect and dismiss directors to be submitted to the General Meeting of Shareholders. It is made up of five directors (four of whom are External Directors), and is chaired by External Director Sadayoshi Fujishige. Meetings of the Nomination Committee are held as needed.

The Remuneration Committee determines the content of individual remuneration, etc. of Directors and Executive Officers. It is made up of four directors (three of whom are External Directors), and is chaired by External Director Hiroshi Kagechika. Meetings of the Remuneration Committee are held as needed.

The Audit Committee's responsibilities include auditing the state of execution of duties of Directors and Executive Officers, and the preparation of audit reports. It is made up of five directors (three of whom are External Directors), and is chaired by External Director Masamichi Ouchi. In principle, the Audit Committee holds meetings at least once every month.

### <Execution of Business>

As of June 28, 2021, the Company had 12 Executive Officers, of which one has been selected as Representative and Chief Executive Officer.

An Executive Meeting has been established as an organ to deliberate matters related to the execution of business delegated by the Board of Directors, and it endeavors to ensure efficient business execution by holding meetings twice a month.

### <Internal Audit>

The Audit Office is set up in the Company as an auditing organ comprising nine full-time staff members. It carries out auditing activities related not only to the operational audits of the overall Group but also compliance audits and other functions.

A system is set up to ensure reports of the results of these auditing activities are made regularly to the Representative and Chief Executive Officer and the Audit Committee.

### <Audits by Audit Committee>

Issues regarding audit policies necessary for the execution of duties of the Audit Committee, the formulation of audit plans, and other matters are determined by the Audit Committee. The Audit Committee makes regular

reports on the status of audits to the Board of Directors. The Members of the Audit Committee and the Audit Office regularly set up audit reporting meetings and discuss the audit plan, the status of audit implementation, the results thereof, etc. The Audit Committee also provides opportunities regularly to exchange information and opinions with the Accounting Auditor in order for audits to be carried out in cooperation, effectively and efficiently. Chairman of Audit Committee Masamichi Ouchi is qualified as a certified public accountant and certified tax accountant and has a thorough knowledge of finance and accounting.

<External Directors>

The Company has four External Directors.

There is no personal, capital, business or other relationship between the Company and each of the External Directors. Therefore, four External Directors have been elected on the basis of being able to provide appropriate advice and supervision from an independent standpoint based on character insight, etc.

External Director Masamichi Ouchi offered advice and suggestions to ensure suitability and appropriateness of decision making as required from an independent standpoint that is based on his wealth of experience and a high level of insight as an expert in accounting and finance and as an outside officer of another company.

External Director Sadayoshi Fujishige offered advice and suggestions to ensure suitability and appropriateness of decision making as required from an independent standpoint that is based on his wealth of experience and a high level of insight as a top manager of listed companies.

External Director Hiroshi Kagechika offered advice and suggestions to ensure suitability and appropriateness of decision making as required from an independent standpoint that is based on his specialist insight and a wealth of experience in corporate business and the field of research and development in the manufacturing sector.

External Director Agasa Naito offered advice and suggestions to ensure suitability and appropriateness of decision making as required from an independent standpoint that is based on her wealth of experience and a high level of insight as an expert in law and as an outside officer of other companies.

The Company and its subsidiaries have no personnel, capital or business relationship with, or interest in, any company or organization an External Director is either presently working for, or worked for in the past that affects the External Director's independence.

<Status of Accounting Audit>

For the accounting audit, two certified public accountants conduct the auditing work, and both individuals belong to Deloitte Touche Tohmatsu LLC. In addition, five certified public accountants and eight other individuals work as assistants for such auditing work.

### **3. Reasons for Adoption of Current Corporate Governance System**

The Company introduced an executive officer system in June 2003 and has created a system able to maximize the effect of consolidated management by invigorating the Board of Directors and speeding up decision making. Since June 2008, management has been conducted by further clarifying the functions and roles of management and business execution.

In addition, with the approval of the Ordinary General Meeting of Shareholders on June 26, 2014, Nittobo shifted to a company with a Nomination Committee, etc. By doing so, the company further clarified the separation of supervision from execution and has aims to strengthen supervisory functions, ensure highly transparent management, execute business swiftly, and increase the flexibility of management. Furthermore, by establishing a system that enables it to more precisely meet the expectations of stakeholders, such as customers, shareholders, suppliers, and employees, the Company will work to further enhance its corporate value.



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

#### 1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Notice of the General Meeting of Shareholders and related documents are disclosed beforehand. In principle they are dispatched three weeks before the General Meeting of Shareholders is held, as well as being published on the Company's website, made available via the Tokyo Stock Exchange's TDnet, and an electronic voting platform.
Allowing Electronic Exercise of Voting Rights	The Company has offered the option of exercising voting rights via electronic methods (internet, etc.) since the 156th Ordinary General Meeting of Shareholders held on June 28, 2017. Moreover, since the 158th Ordinary General Meeting of Shareholders held on June 26, 2019, the Company has offered the option of exercising voting rights using a smartphone.
Participation in Electronic Voting Platform	Since the 156th Ordinary General Meeting of Shareholders held on June 28, 2017, the Company has participated in the electronic voting platform for institutional investors operated by ICJ, Inc.
Providing Convocation Notice in English	In principle, the English translation of the Notice of the General Meeting of Shareholders (condensed) is disclosed at the same time as the Japanese original Notice, as well as being published on the Company's website, made available via the Tokyo Stock Exchange's TDnet, and an electronic voting platform.

#### 2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	Disclose the Company's IR policy on its website.
Regular Investor Briefings for Analysts and Institutional Investors	Implement promptly after the announcement of quarterly financial results.
Posting of IR Materials on Website	The Company discloses the Annual Securities Report (Japanese only), Financial Results Report, Integrated Report, Corporate Governance Report, Notice of the General Meeting of Shareholders, Communications to Shareholders (Japanese only), and other timely disclosure material on the Company's website.
Establishment of Department and/or Manager in Charge of IR	Corporate Communication Department has five staff members in charge.

#### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Nittobo Declaration stipulates initiatives for management and business activities aimed at being a company that gains trust of all stakeholders in the pursuit of client satisfaction.
Implementation of Environmental Activities, CSR Activities etc.	The Group works toward meeting environmental goals, which are set forth in the Company-Wide Environmental Policy. Moreover, to centrally identify environmental issues and better promote solutions to such issues, the Company established the Sustainability Committee, under the direct supervision of the Chief Executive Officer, on April 1, 2021.

Development of Policies on Information Provision to Stakeholders	In the Nittobo Behavior Program, the Company sets forth a Code of Conduct for Information.
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#### IV. Matters Related to the Internal Control System

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

The Company has constructed an internal control system to ensure proper operations are carried out across the entire Group as a group of enterprises consisting of the Company and its subsidiaries.

With regard to developing systems necessary to ensure the properness of operations of a stock company as stipulated by Article 362, paragraph 4, item (vi) of the Companies Act, the Company determined a basic policy at its Board of Directors meeting held on May 10, 2006, and following the Company's transition from a company with Audit & Supervisory Board to a company with a Nomination Committee, etc. on June 26, 2014, the Company passed resolutions pursuant to Article 416, paragraphs 1 and 2 of the Companies Act at a Board of Directors meeting held on the same day.

Moreover, at the Board of Directors meeting held on March 24, 2015, the Company passed additional resolutions regarding internal control systems as a group of enterprises consisting of the Company and its subsidiaries in response to the revised Companies Act, etc.

Furthermore, at the Board of Directors meeting held on March 29, 2016, following the change of the organ supporting the duties of the Audit Committee from the Audit Office to the Audit Committee Secretariat, additional resolutions were made concerning the internal control system and the following basic policy was formed.

The employees and officers of the Company and each company in the Group, execute and carry out operations pursuant to the Basic Policy on Constructing Internal Control Systems and Basic Policy on Constructing and Evaluating Internal Control Systems for Financial Reporting.

<Basic Policy on Constructing Internal Control Systems>

1. Matters required for execution of duties by the Audit Committee

(1) Matters concerning directors and employees to assist with the duties of the Audit Committee

- The Audit Committee Secretariat has been set as an organ to support the duties of the Audit Committee, and its responsibility is to perform secretarial duties for the Audit Committee.

(2) Matters to ensure the independence of directors and employees referred to in the above item (1) from executive officers, as well as the effectiveness of instructions given to those directors and employees

- The appointment and evaluation of, changes in, and disciplinary action against the employees assigned to the Audit Committee Secretariat shall be carried out with the approval of the Audit Committee.

(3) System of reporting from Directors, Executive Officers and employees to the Audit Committee and other systems of reporting to the Audit Committee

- The directors, executive officers and employees shall report to the Audit Committee upon knowledge of any fact in relation to the execution of duties concerning the group of enterprises consisting of the Company and its subsidiaries (hereinafter the "Group") that constitutes serious breach of laws and regulations or serious breach of the Articles of Incorporation, or misconduct; or that could cause significant loss.
- The Members of the Audit Committee attend meetings etc. in which there is discussion of important matters related to the Group's management policy, management strategies, etc., and they may express their opinions.
- The Representative and Chief Executive Officer and the Audit Committee regularly create opportunities to exchange opinions.

- The Audit Committee may receive reports on the status of the execution of operations directly from not only Directors, Executive Officers and employees, but also officers and employees of subsidiaries, and those who received reports from those persons. Furthermore, the Company shall prevent any adverse treatment of a person providing such a report to the Audit Committee based on the fact that such a report has been made by the person.

(4) Other systems for ensuring effective audits by Audit Committee

- The Audit Office submits an annual audit plan, which has been approved by the Representative and Chief Executive Officer, to the Audit Committee, and carries out an internal audit. The Audit Office reports the results of the internal audit to the Representative and Chief Executive Officer and also makes a report to the Audit Committee. If a request is received from the Audit Committee to conduct a special investigation, the Audit Office will cooperate fully with such request.
- The Company shall ensure that Audit Committee, together with the Audit Office, maintains close cooperation with the Accounting Auditor, and when necessary, is able to receive support from external experts such as attorneys.
- Costs required by the members of the Audit Committee to execute their duties (including the costs for receiving support described in the above paragraph), shall be borne by the Company and paid through methods including advanced payments.

2. Matters required for ensuring the appropriateness of the Group's operations

(1) System for storing and managing information related to Executive Officers' execution of their duties

- The Company shall ensure appropriate storage and management of information relating to execution of duties by Executive Officers pursuant to laws and regulations, the Document Management Rules, etc.

(2) Systems for the reporting to the Company of items related to the execution of the duties of directors, etc. of subsidiaries

- The Company maintains an appropriate control over operations of the entire Group through implementing management control through procedures for decision making by the Company on matters relating to the management of subsidiaries as set forth in the Subsidiary Approval Application Rules, sharing of information and strategies through meetings, etc., interchange of personnel, and obtaining an understanding of the management conditions of subsidiaries on a timely basis.

(3) Rules related to the management of the risk of loss and other systems

- Based on the basic policy and management system set forth in the Rules for Risk Management, the Company appropriately manages various risks surrounding the Group's business and strives to prevent such risks from occurring.
- In the event of an unforeseen situation occurring in the Group, the Company implements responsive measures in accordance with the Rules for Risk Management and strives to minimize loss.

(4) System for ensuring the efficient execution of duties of Executive Officers and Directors, etc. of subsidiaries

- The Executive Committee, whose meetings are held twice monthly, is the designated organ for discussing important matters concerning the overall management of the Group and matters other than the matters to be resolved by the Board of Directors.
- The Company clarifies responsibility and authority according to the Rules on Segregation of Duties and Rules on Administrative Authority and strives for the efficient execution of duties.
- The Company formulates the Mid-Term Business Plan, clarifies the direction of the Group as a whole, sets initiatives and numerical targets for the overall Group and for each business division as annual plans and performs control of financial results based on the aforementioned.

(5) System for ensuring that the execution of duties of Executive Officers and employees, and officers and employees of subsidiaries (hereinafter the “Group’s officers and employees”) is in compliance with laws and regulations and the Articles of Incorporation

- The Representative and Chief Executive Officer sets an example and ensures that the Group’s officers and employees are fully aware of the Group’s Corporate Philosophy, Nittobo Declaration which espouses shared values in order to become a company trusted by society, and Nittobo Behavior Program and Code of Conduct, both of which provide a set of action guidelines.
- By the Company spreading and implementing the Nittobo Declaration, executive officers and employees foster a healthy corporate culture that forms the basis for compliance.
- Executive Officers and employees comply with laws and regulations, the articles of incorporation and internal rules, etc. based on the Nittobo Behavior Program and Code of Conduct, and the departments responsible for compliance strive to raise awareness of compliance to increase their effectiveness.
- The Company prevents, quickly discovers and appropriately addresses violations of laws and regulations through a Corporate Ethics Help Line, which is a whistleblowing program with an internal whistleblowing contact and an external contact connecting to a law firm.
- The Executive Officer in charge of the Risk Management Department periodically reviews the state of establishment of the Group’s internal control system to ensure the current conditions are consistent with the Group’s basic policy. The results of the review are reported to the Representative and Chief Executive Officer, who reports to the Board of Directors, which passes resolutions if any revisions to the basic policy are required.
- The Audit Committee reports the results of operational audits and compliance audits, etc. to the Board of Directors as appropriate.

(6) Other systems for ensuring appropriate operations by the Group

- The Nittobo Declaration, the Nittobo Behavior Program, the Code of Conduct and the Corporate Ethics Help Line apply to the entire Group, and efforts are made to raise awareness of these.
- Auditing offices are established in major subsidiaries to ensure appropriate operations, and the Company’s Audit Office also conducts internal audits with a view to the entire Group.

## 2. Basic Views on Eliminating Anti-Social Forces

The Company established the Nittobo Behavior Program and the Code of Conduct by resolution at the Board of Directors to serve as the Group’s action guidelines. As clearly stated therein, the Company will robustly and resolutely stand up to antisocial forces and groups that pose a threat to social order and safety, reject all illegal and improper requests and have no associations whatsoever, and all efforts are made to make this known throughout the Group.

Moreover, in the event that illegal or improper requests have been made to the Group from antisocial forces, or if such requests are anticipated, the Company has established a system that enables a prompt and overall organizational response beginning with contacting the General Manager of the General Affairs Department and discussing a response, and including such measures as having the General Affairs Department contact the police.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
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Supplementary Explanation
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## 2. Other Matters Concerning to Corporate Governance System

<Overview of the Timely Disclosure System>

### 1. Information on the company decisions

- The major matters for resolution of the Company are decided by the Representative and Chief Executive Officer, via the Board of Directors, or via the Executive Committee, which holds discussion centering on the Executive Officers about the matters concerning the execution of operations, in accordance with the Rules on Administrative Authority,
- The Company follows the timely disclosure rules set forth by the stock exchange (hereinafter “Timely Disclosure Rules”) and promptly discloses the decision made facts.

### 2. Information on company incidents

- In the event that a major incident occurs, the information will be reported promptly from the department that recognized and identified the occurrence of such incident and be consolidated by the Executive Officer in charge of the Risk Management Department.
- Then, to judge whether such information needs to be disclosed, an examination is carried out mainly by the Corporate Communication Department following the Timely Disclosure Rules, and prompt disclosure is made as needed.

### 3. Information on financial results

- The Company prepares the numerical figures of financial results in the month following the closing month of a fiscal term and these results are subject to audits conducted by the Accounting Auditor in parallel to this. The financial results are disclosed after approval is given by the Executive Committee and the Board of Directors. The same handling of financial results disclosure applies to the quarterly financial results as well.
- For earnings forecasts or revisions to earnings forecasts, the preparation of the forecast figures is carried out mainly by the Accounting and Finance Department, and the disclosure is made after being discussed by the Executive Committee and receiving approval from the Representative and Chief Executive Officer.

### 4. Fundamental approach to timely disclosure of company information

The Company has formulated the Nittobo Behavior Program and the Code of Conduct, which stipulate the Company should provide timely and appropriate disclosure and prohibit insider trading. The Company distributes these details to all employees as a “Corporate Conduct Handbook” and strives to promote awareness of such matters. The Company has also established insider trading management rules, which stipulate basic matters that must be followed when managing insider information, etc. Furthermore, the Company has established the Risk Management Committee and the Corporate Conduct Promotion Office as a dedicated secretariat for that committee in order to improve the effectiveness of the activities described above.

