Round-table Talk Among Outside Directors

**Open, Fair, and Free-spirited Discussions at Board Meetings**

Moderator: Today, I have the pleasure of welcoming three of Nitto Denko Corporation’s outside directors to share their candid opinions on Nitto. Now, I hear that Nitto board members exchange their views in a free and open-minded manner at board meetings. What do you think about the atmosphere of the meetings?

Furuse: My impression is that open and fair approaches are followed at all the meetings. I’ve been serving in this position for 13 years, and I can safely say that we always have very practical discussions. Nitto’s presidents, past and present, have shown a very clear and excellent leadership style. My main role as an outside director has been to give pushes where they are needed. I believe that all key decisions are ultimately made internally, and whatever needs changing is changed.

Hatchoji: This is my fifth year since assuming the position of outside director. I would say Nitto’s board meetings are disciplined and held with a very open and positive atmosphere. They focus on practical and open-minded discussions and always strive to utilize Nitto’s century-old Corporate Philosophy into the field, which I think makes a difference. Another thing I find unique to Nitto is its empathetic backing of the execution of critical operations. For about a year after I joined the board, my attendant took me on tours to the plants and laboratories of each business. Having those opportunities to speak face-to-face with field workers allowed me to think and discuss as both an insider and an outsider. The fact that management and the shop floor work closely together has been, and will continue to be, one of Nitto’s greatest merits and strengths.

Fukuda: It’s been two years since I accepted a position as an outside director for Nitto, and it is the first time I have done so for any private enterprise. Prior to that, I had the pleasure of getting to know various managers from my role as a management consultant. My impression of Nitto is that everyone feels free to express their intentions and exchange views openly. They discuss with a free-spirit and sometimes we almost run out of time for deliberation.

Moderator: Mr. Furuse, you mentioned excellent leadership. What do you think about the ways they develop management candidates and human resources in general?

Furuse: When it comes to developing people, I believe kuruma-za round-table group discussions are critical. They assemble about ten members from different sections of broad-based divisions to make a group, which then discusses a chosen topic until it is fully understood. The team then makes their suggestions at the board meeting, when necessary, and put them into practice if approved. I think everyone in this company has firm faith in this approach. It seems that this leads to the diversity of the company and is a very powerful tool to develop the Group’s workforce.

Moderator: Mr. Hatchoji, you have concurrent positions as an outside director at other companies as well. In what ways do you think Nitto is different from others?

Hatchoji: At Nitto, we get to hear directly what employees around the world have to say about what they are doing, be it production or sales. Sometimes they are invited to a board meeting or board members visit the field to meet with them. I would say one of Nitto’s remarkable features is that directors and those executing operations can put themselves in each other’s shoes, so to speak, and think accordingly. And it all boils down to Nitto’s centennial history and urge to grow further. You can safely say that The Nitto Way and safety awareness are shared across the board. Also, I’m always impressed by the safety call at the board meetings!

Moderator: Mr. Fukuda, your specialty is design management. What do you think about the way Nitto provides information?

Fukuda: Having been involved in a job that required a huge amount of time dedicated to worrying about how I should disseminate information, there have been several instances where I believed Nitto could have asserted itself more aggressively or used more impactful words in its appeal to stakeholders. This is because Japanese manufacturers tend to place high importance on product quality and rarely release products other than that which has been thoroughly tested for quality. My advice in this regard is very simple: just send out messages that are truthful and powerful.

**Discussions at Board Meetings**

Moderator: I’d like to hear what you think about the board effectiveness evaluation next. I believe that you analyze and evaluate the effectiveness and review processes periodically. My question is, what improvements do you think have been made so far, say, in the makeup of the board or decision-making process, or how the board meetings are managed overall?

Furuse: We don’t see effectiveness evaluation as something that has abruptly changed, and instead think it has been improved steadily over time. Even before Japan’s Corporate Governance Code was published, we had made improvements wherever necessary as we discussed what we could specifically do in our continuous pursuit of being a better company. Above all, Nitto’s strengths are backed by free-thinking and the culture of fairness, both of which have been nurtured by previous presidents. If I were to single out an area for improvement, it would be to have a bit more urgency in everything they do. Because conducting business today is more complex than ever, we would be left behind if we simply continued to operate as we have done in the past. And so increasing speed is crucial. Another thing that I would like to see more of is diversity. In this respect, I expect to see more women in management and further globalization.
Hatchoji: One of the roles of the board of directors is to make decisions on important matters and to ensure that the PDCA cycle is implemented. From the time I joined the board, I maintained that the board should invite individuals who would soon be leading Nitto, and I must say that this practice is now solidly implemented. In regards to employees, I would like to see more diversity throughout the Nitto Group.

Fukuda: Effectiveness evaluation tends to be qualitative, partly because it is extremely hard to make quantitative evaluations of organizations other than business divisions. While working as a consultant for quantitative evaluation of a design division at a certain company, I gained a notable takeaway: Scientific analysis of quantitative information leads to correct evaluation.

In board meetings and elsewhere, the lack of diversity is noticeable. When we discuss diversity, we tend to take note of the number of employees by diversity type. However, I believe it is important to approach it from a more foundational level and make it a part of our corporate culture. By improving the corporate culture, we will see a more diverse management team as a result.

Furuse: Unfortunately, Nitto does not have many female employees. The percentage of women in management in Japan currently stands at 4%, but I am hopeful that it will increase as Nitto works on some of its diversity initiatives.

Hatchoji: Women make up about 16% of those in managerial positions within the global Nitto Group. Overseas, I see a diverse group of employee workers as plant supervisors or in management teams. I expect our continued growth in diversity will help the Nitto Group become more globalized.

Transform Risk into Opportunity Through Long-term Strategy

Moderator: As a long-term strategy assumes greater importance going forward, they say it is necessary to draw up long-term scenarios. Important examples of such scenarios include those for the Task Force on Climate-related Financial Disclosures (TCFD) and other initiatives for climate change, business continuity plans, and corporate strategies. How do you think Nitto should respond to these?

Furuse: Nitto should naturally plan ahead and work on long-term strategies with such an approach in mind. I believe being able to present a scenario of how you will survive is very important, and I think that, by dealing with risks face-to-face and working to solve them, you can turn them into opportunities. Nitto has always been that way, and I believe they should stay unchanged in that regard.

Hatchoji: Based on my experience from my previous long-time employer, what really matters is how many people you have who are passionate about promoting ESG and the TCFD. I believe that at Nitto, there is always someone who will lead the SDGs and ESG initiatives in their respective fields. If you wish to work on such initiatives over the long term, the way in which you develop diverse people to take on these tasks becomes vital.

Another important point is to allocate the best people to the right places on a global basis. As an outside director, I’m hoping to shed light on these issues and keep providing inspiration.

Fukuda: As Mr. Hatchoji correctly pointed out, recruiting talented people is of paramount importance. This is because those people pass on Nitto’s DNA to later generations, and so, viewed over the long term, the quantity and quality of such people cannot be taken lightly. And this is directly connected to branding, which means you must consider how you want to go about marketing and how you want to be perceived by institutional investors and the market. I expect that Nitto will make it a rule to take these considerations into full account in their external communications.

Moderator: Thank you for your insightful comments today. You’ve been wonderful.
Directors, Auditors, and Vice Presidents
As of Jun 19, 2020

Outside Director
Yoichiro Furuse
Representative Director, President
Hideo Takasaki
Director, Executive Vice President
Yosuke Miki
Outside Director
Takashi Hatchoji
Corporate Auditor
Masami Kanzaki
Outside Director
Masashi Teranishi
Outside Corporate Auditor
Mitsuhide Shiraki
Outside Director
Wong Lai Yong
Outside Corporate Auditor
Masakazu Toyoda
Corporate Auditor
Shin Tokuyasu
Director, Senior Vice President
Yasuhiro Iseyama
Outside Director
Tamio Fukuda
Director, Executive Vice President
Nobuhiro Todokoro
Outside Corporate Auditor
Mitsuhide Shiraki
Outside Corporate Auditor
Masashi Teranishi
Corporate Auditor
Shin Tokuyasu
Corporate Auditor
Masami Kanzaki
Outside Director
Yoichiro Furuse
Representative Director, President
Hideo Takasaki
Director, Executive Vice President
Nobuhiro Todokoro
Corporate Auditor
Shin Tokuyasu
Corporate Auditor
Masami Kanzaki
Outside Director
Yoichiro Furuse
Representative Director, President
Hideo Takasaki
Director, Executive Vice President
Nobuhiro Todokoro
Corporate Auditor
Shin Tokuyasu
Corporate Auditor
Masami Kanzaki
Outside Director
Yoichiro Furuse
Representative Director, President
Hideo Takasaki
Director, Executive Vice President
Nobuhiro Todokoro
Corporate Auditor
Shin Tokuyasu
Corporate Auditor
Masami Kanzaki
Outside Director
Yoichiro Furuse
Representative Director, President
Hideo Takasaki
Director, Executive Vice President
Nobuhiro Todokoro
Corporate Auditor
Shin Tokuyasu
**Directors, Auditors, and Vice Presidents**

### Directors

**Hideo Takasaki**
Representative Director, President
- April 1978 : Joined Nitto Denko Corporation
- June 2003 : Vice President and Executive Officer, Hitachi, Ltd.
- June 2004 : Senior Vice President and Executive Officer, Hitachi, Ltd.
- April 2006 : Representative Executive Officer, Executive Vice President, and Executive Officer, Hitachi, Ltd. (present)

**Yoichiro Furasu**
Outside Director (Independent Director)
- April 1994 : Joined Sumitomo Bank, Ltd.
- June 1999 : Director, Sumitomo Bank, Ltd. (retired in June 1999)
- June 1999 : Senior Managing Director, Mitsubishi Corporation (retired in June 2000)
- April 2001 : Director, Soyo Electric Co., Ltd.
- June 2002 : Representative Director and Vice President, Soyo Electric Co., Ltd. (retired in October 2002)
- January 2006 : Representative Director, Furusato Corporation (present)
- June 2007 : Outside Director, Nitto Denko Corporation (present)
- September 2010 : Non-Executive & Independent Director, Global Logistic Properties Limited (present in December 2017)
- July 2015 : Chairman-of-Japan, Permiso Advisors K.K. (present)
- October 2015 : Director, Sushiro Global Holdings Ltd. (present in December 2016)
- March 2016 : Outside Director, Nisso Co., Ltd. (present)
- January 2018 : Consultant, HILP Ltd. (present)

**Takashi Hatchoji**
Outside Director (Independent Director)
- April 1970 : Joined Hitachi, Ltd.
- June 2003 : Vice President and Executive Officer, Hitachi, Ltd.
- June 2004 : Senior Vice President and Executive Officer, Hitachi, Ltd.
- April 2006 : Representative Executive Officer, Executive Vice President, and Executive Officer, Hitachi, Ltd. (present in March 2007)
- June 2007 : President and Representative Director, Hitachi Research Institute (present in March 2007)
- April 2009 : Representative Executive Officer, Executive Vice President, and Executive Officer, Hitachi, Ltd. (present in March 2015)
- April 2011 : Chairman of the Board, Hitachi Americas, Ltd. (present in March 2015)
- June 2011 : Director, Hitachi, Ltd. (present in June 2015)
- June 2015 : Advisor, Hitachi, Ltd. (present in June 2016)
- June 2015 : Outside Director, Nitto Denko Corporation (present)
- June 2017 : Internal Audit & Supervisory Board Member, Marchant Corporation
- June 2017 : Outside Director, Kion Media, Inc. (present)
- June 2020 : Outside Director, Marchant Corporation (present)

**Nobuhiro Todokoro**
Director, Executive Vice President
- April 1979 : Joined Nitto Denko Corporation
- June 2015 : Vice President, General Manager of Information Free Materials Unit, Information Fine Materials Sector
- April 2017 : Vice President, General Manager of Information Free Materials Sector
- June 2017 : Director, Senior Vice President, General Manager of Information Free Materials Sector
- June 2019 : Director, Executive Vice President (present)

**Wei Xu**
Outside Director (Independent Director)
- October 1993 : Joined Nitto Denko Corporation
- March 2006 : Outside Director of Nitto Denko Corporation
- December 2011 : Outside Director, Nitto Denko Corporation (present)

**Yuichiro Iseki**
Outside Director (Independent Director)
- April 1984 : Joined Nitto Denko Corporation
- November 2009 : Outside Director, Nitto Denko Corporation
- June 2010 : Outside Director, Nitto Denko Corporation (present)

**Tamio Fukuda**
Outside Director (Independent Director)
- April 1985 : Joined Nitto Denko Corporation
- April 2017 : Outside Director of Nitto Denko Corporation (present)

**Wong Lai Yong**
Outside Director (Independent Director)
- September 2013 : Founder and Chairman, Proprietary Trustee and Consultant, First Penguins Inc.
- July 2018 : Director, Peking Women’s Development Corporation (present)
- October 2017 : Adjunct Professor, Shonan University Graduate School of Leadership & Innovation
- July 2020 : Outside Director, Nitto Denko Corporation (present)

**Shin Tokuyasu**
Corporate Auditor
- April 1985 : Joined Nitto Denko Corporation
- July 2005 : General Manager of Accounting & Finance Department, Corporate Accounting Divisions
- October 2009 : General Manager of Accounting & Finance Department, Corporate Accounting Divisions
- November 2011 : General Manager of Accounting & Finance Division, Corporate Sector and General Manager of Marketing Department
- February 2014 : General Manager of Accounting & Finance Department, Corporate Accounting Divisions
- November 2015 : Corporate Auditor (full-time service) (present)

**Masami Kanazaki**
Corporate Auditor
- April 1971 : Joined Nitto Denko Corporation
- June 2002 : Vice President, Representative Director of Shionogi & Co., Ltd.
- April 2009 : Outside Director of Nitto Denko Corporation
- April 2017 : Outside Corporate Auditor (present)

**Masakazu Toyoeda**
Outside Corporate Auditor
- April 1971 : Joined the Ministry of International Trade and Industry (currently the Ministry of Economy, Trade and Industry [METI])
- August 2020 : Director-General, Government and Information Policy Bureau, METI
- July 2006 : Director-General, Trade Policy Bureau, METI
- July 2007 : Vice-Minister for International Affairs, METI (present in July 2008)
- December 2008 : Secretary-General of the Cabinet Secretariat’s Strategic Headquarters for Mexico Policy (present in August 2010)
- November 2018 : Special Advisor to the Cabinet Secretary for Global Environmental Strategy (present in August 2018)
- June 2010 : Outside Corporate Auditor of Mitsubishi Materials Corporation, Ltd. (present in June 2016)
- July 2015 : Chairman & CEO of the Institute of Energy Economics, Japan (present)
- June 2011 : Outside Corporate Auditor of Nitto Denko Corporation (present)
- March 2015 : Outside Director of Canon Electronics Inc. (present)
- June 2016 : Outside Director of Matsushita Manufacturing Co., Ltd. (present)
- June 2016 : Outside Director of Nosius Motor Co., Ltd. (present)

**Mitsuhide Shiraki**
Outside Corporate Auditor
- April 1990 : Professor, Faculty of Political Science and Economics, Koki Gakuen University
- April 1999 : Professor, School of Political Science and Economics, Waseda University
- October 2009 : Professor, School of Political Science and Economics, Waseda University
- October 2012 : Professor, School of Political Science and Economics, Waseda University
- October 2012 : Professor, School of Political Science and Economics, Waseda University
- August 2013 : President of Japan Academy of International Business Studies
- June 2012 : Outside Corporate Auditor of Nitto Denko Corporation (present)
- October 2013 : Permanent Director of Japan Academy of International Business Studies
- August 2013 : Outside Corporate Auditor of Nitto Denko Corporation (present)
- October 2016 : President of the Japan Academy of International Business Studies
- August 2013 : Outside Corporate Auditor of Nitto Denko Corporation (present)
- October 2015 : Chairman of the Japan Academy of International Business Studies (present)

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**Corporate Auditors**

**Masami Kanazaki**
Corporate Auditor
- April 1971 : Joined Nitto Denko Corporation
- June 2002 : Vice President, Representative Director of Shionogi & Co., Ltd.
- April 2009 : Outside Director of Nitto Denko Corporation
- April 2017 : Outside Corporate Auditor (present)

**Shin Tokuyasu**
Corporate Auditor
- April 1985 : Joined Nitto Denko Corporation
- July 2005 : General Manager of Accounting & Finance Department, Corporate Accounting Divisions
- October 2009 : General Manager of Accounting & Finance Department, Corporate Accounting Divisions
- November 2011 : General Manager of Accounting & Finance Division, Corporate Sector and General Manager of Marketing Department
- February 2014 : General Manager of Accounting & Finance Department, Corporate Accounting Divisions
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- July 2015 : Chairman & CEO of the Institute of Energy Economics, Japan (present)
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- March 2015 : Outside Director of Canon Electronics Inc. (present)
- June 2016 : Outside Director of Matsushita Manufacturing Co., Ltd. (present)
- June 2016 : Outside Director of Nosius Motor Co., Ltd. (present)
Nitto Group Integrated Report 2020

Corporate Governance

Recent years have seen rapid progress in the development of corporate governance systems by Japanese companies. In particular, it has become expected that companies will utilize outside officers to enhance corporate governance and ensure transparency. In 2003, Nitto established the Management Advisory Committee that consisted of external members who could relay the opinions from outside the company to management. The makeup of the advisory committee has since evolved to become the present Management, Nomination and Remuneration Advisory Committee with broader functions. Meanwhile, two outside directors were appointed in 2007, and the number of seats for such directors was subsequently increased to three in 2015. By the beginning of fiscal 2020, one additional seat on the board was given to a foreign-national woman, with the result that half of the board members are now outside directors.

Corporate Governance System

Our system of corporate governance is structured as follows:

- **Board of Directors**
  - Representative Director, President: Hideo Takahashi
  - Directors: Nobuyuki Aoki, Norikane Nabata, Kenjiro Asuma, Tatsuya Akagi, Mehrdad Tabrizi, Tatsuya Osuka
  - Auditors: Katsuyoshi Jo, Bae-Won Lee, Atsushi Ukon, Yasuhiro Iseyama, Seiji Fujioka, Kazuki Tsuchimoto, Sam Strijckmans, Yoshimoto, Toshihiko Omote, Hideo Takasaki
  - Chief Operating Officer: Yasuhito Ohwaki
  - Chief Financial Officer: Yukihiro Iizuka
  - Chief Human Resources Officer: Michio Yoshimoto
  - Chief Information Officer: Toshihiko Omote
  - Chief Technology Officer: Toshihiko Omote
  - Chief Procurement Officer: Toshihiko Omote

**Outside Directors**

- 2007: Two Outside Directors appointed
- 2015: Seats of Outside Directors increased to three (one of those outside directors is an independent director)
- 2020: National female Outside Director elected (half of the board members are Outside Directors)

**Compensation System**

- 2004: Equity-based compensation stock options introduced
- 2019: Restricted share remuneration and performance-linked share-based remuneration introduced

**Corporate Governance System Diagram**

- General Meeting of Shareholders
- Management, Nomination and Remuneration Advisory Committee
- Remuneration Advisory Committee
- Compensation Committee
- Management and Remuneration Advisory Committee
- Board of Directors

- Corporate Governance System
  - Audit Committee
  - Compliance Committee
  - CSR Committee
  - Legal and Ethical Committee
  - Information Security Committee
  - Management Committee
  - Business Planning Committee

- Group Companies
  - Nitto Denko (HK) Co., Ltd.
  - Nitto Denko (China) Investment Co., Ltd.
  - Nitto Denko Corporation
  - Nitto Optical Co., Ltd.
  - Nissho Corporation

- Topic
  - Corporate Governance System
  - Revenue
  - Operating Income
  - Operating Expenses
  - Net Income
Corporate Governance

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.

Furthermore, in order to ensure the well-being of employees, customers, and the general public, we conduct QES (Quality, Environment, and Safety) audits and arrange periodic third-party assessments.

Management, Nomination and Remuneration Advisory Committee

To ensure the objectivity and transparency for important management issues and matters concerning nomination and remuneration for directors and corporate auditors, the Management, Nomination and Remuneration Advisory Committee is established consisting of outside experts*4 as an advisory body of the Representative Director.*2

Structure and roles of Management, Nomination and Remuneration Advisory Committee

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, deliberations:
  - Current status of securing candidates for management positions and succession plan
  - 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

Compensation of Full-time (Corporate) Directors

<table>
<thead>
<tr>
<th>Compensation in cash</th>
<th>Bonus for Directors</th>
<th>Performance-linked share-based remuneration</th>
<th>Restricted share remuneration</th>
<th>Total amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>52.0%</td>
<td>27.0%</td>
<td>21.0%</td>
<td>-1.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Activities of Management, Nomination and Remuneration Advisory Committee

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

Management, Nomination and Remuneration Advisory Committee

- Structure and roles of Management, Nomination and Remuneration Advisory Committee
- Activities of Management, Nomination and Remuneration Advisory Committee
- Compensation of Full-time (Corporate) Directors
- Findings of the FY2019 Nitto Board Effectiveness Evaluation

Compensation in cash

By position based salary compensation

The upper limit of the total amount was approved at the 153rd Ordinary General Meeting of Shareholders: 30 million yen/month (4 million yen/month of which for Outside Directors)

Bonus for Directors

The upper limit of the total amount to be approved is 2.5% of the total number of shares in accordance with the achievement of the annual targets in the business area.

Performance-linked share-based remuneration

Shares to be issued in accordance with the achievement of numerical targets in the business area.

Restricted share remuneration

Shares whose transfer is restricted and the remuneration provided in lieu of remuneration benefits

Total amount

The upper limit to be approved at a general meeting of shareholders

The amount paid to each Director

The representative Director determines the amount paid to each Director in accordance with their duties, responsibilities, and performance after consulting with the Management, Nomination and Remuneration Advisory Committee (the amount of performance-linked share-based remuneration is to be calculated in accordance with a separately specified formula.)

Breakdown of compensation of full-time (corporate) Directors actually paid in FY2019

<table>
<thead>
<tr>
<th>Compensation in cash</th>
<th>Short-term performance-linked compensation</th>
<th>Mid- and long-term performance-linked compensation</th>
<th>Total amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>52.0%</td>
<td>27.0%</td>
<td>21.0%</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

Findings of the FY2019 Nitto Board Effectiveness Evaluation

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 discussion, 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 2*
- Dialogue with shareholders 2*
- Efforts by individual Directors and Corporate Auditors 7*
- Others 2
- Overview 1

Total of 40 questions
*The four categories 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.

Compliance

Compliance Promotion System
The Nitto Group takes a strong stance to ensure that each of our members engages in compliance and not to overlook even the smallest doubt that has been reported or otherwise brought to attention. Our goal is to be an ethically sound organization where any cases of noncompliance are reported immediately and subsequently improved and corrected.

It was out of this desire that we established a Legal and Ethical Compliance Committee chaired by the CSR Committee Chairman to oversee issues concerning legal and ethical compliance for the entire Group, while at the same time ensuring that any piece of information on a significant matter is reported at a Corporate Strategy Committee meeting and dealt with appropriately.

Initiatives Focusing on Serious Compliance Risks
We have identified serious compliance risks from among issues that are frequently reported or consulted on by our employees, and that we know from the self-check results managers are well aware of. For the issues concerning information security and harassment thus identified, we will take preventive measures by, for example, identifying possible issues, while at the same time making the most of the whistle-blowing system.

Cultivation of Ethical Values and Prevention of Problems
Educational Campaign
To help Nitto Persons to cultivate their ethical values, we distribute the “Nitto Group Business Conduct Guidelines,” which are available in 16 different languages, to all of our employees with diverse backgrounds of culture, customs, and nationalities, and oblige all of them to receive training on the Guidelines as part of our new employee orientation. In addition, we invite those in managerial positions or otherwise to a CSR workshop every year to encourage them not only to reaffirm their values but also to raise awareness of their role in monitoring and preventing injustices. In fiscal 2019, we conducted a compliance behavior self-check to alert them to the danger of self-justification, and found that “information security” and “harassment” are the two notable compliance risks. We will bring this to the attention of every manager so that they are responded to appropriately. Meanwhile, we beefed up the Guidelines with a focus on human rights, whose protection is stipulated in said Guidelines.

Whistle-Blowing System
To facilitate early detection of legal violations and ethical issues and ensure instantaneous action against them, we have maintained a whistle-blowing system that allows employees to report to the CSR department, which then sends the report to the CEO and auditors if appropriate. We are also adding independent whistle-blowing desks throughout the Group, to ensure that whistle-blowers remain anonymous.
**Risk Management**

**Organisation of Disaster Response Headquarters**

<table>
<thead>
<tr>
<th>Role</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deputy Chief (Director responsible for risk management)</td>
<td>Nitto Denko Corporation (see the Response Headquarters)</td>
</tr>
<tr>
<td>Secretary</td>
<td>Secretariat</td>
</tr>
<tr>
<td>Legal &amp; General Affairs Dept.</td>
<td></td>
</tr>
<tr>
<td>Human Resources Dept.</td>
<td></td>
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<tr>
<td>IT Dept.</td>
<td></td>
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<tr>
<td>Procurement Dept.</td>
<td></td>
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<tr>
<td>Logistics Dept.</td>
<td></td>
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<td>Quality, environment &amp; safety Dept.</td>
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<td>Public relations Dept.</td>
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<td>Accounting &amp; Finance Dept.</td>
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<td>Corporate Planning Dept.</td>
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<td>Customer Service Dept.</td>
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**Risk Management System**

The Nitto Group has established the Internal Control Committee and other expert committees to properly manage various business risks and crises that may arise in areas such as the environment, safety, information security, compliance, and quality irregularities, thus preventing damage to corporate value.

In times of emergency, we can shift rapidly to an appropriate response that minimizes the impact on human lives, host communities, and business activities.

In terms of the shape the response takes, as soon as the emergency countermeasures office is set up, we start gathering information and confirm the safety of everyone. If the situation requires it, we establish a Disaster Response Headquarters chaired by Nitto’s President, as well as an On-Site Disaster Response Headquarters, which work closely together to address the situation.

**Assessment and Mitigation of Corporate Risks**

We recognize the need to remain aware of risks associated with business activities and make preparations to promptly respond to them when they surface and develop into a crisis.

In fiscal 2019, we conducted a comprehensive survey on the risks to all the business divisions and sales/production sites of the Group in order to investigate and analyze the risk factors that could impact the entire Group, identify issues, and prepare a risk map, which showed where we were in safeguarding against risks and their magnitude and likelihood and helped us to determine critical risks. We will take steps to address such material risks.

**Retooling BCP/BCM**

For us to take prompt and appropriate action in times of emergency, we are retooling our Business Continuity Plan (BCP) and a Business Continuity Management (BCM) framework. In fiscal 2019, we worked on “management and supervision,” “business continuity,” and “human resource development,” all of which assume high priority.

With regard to management and supervision, in fiscal 2019, we examined the present state of BCP/BCM at Nitto and identified issues, so that we could build a Group-wide BCP/BCM system and promote the system by implementing the PDCA cycle. In fiscal 2020, we plan to establish a system under which business divisions and other sites can work together.

For business continuity, we revised our BCP and organized training opportunities and drills for Group companies in Japan in order to ensure that the recovery process after initial responses and the business activities that follow will be executed without fail.

For human resource development, we provided members from a BCP promotion task force at each site with training opportunities to strengthen the permanent BCP/BCM promotion structure at Group companies and Nitto’s production sites and sales bases.

On these training occasions, the participants deepened their understanding of various exercises and learned how to re-examine and improve BCP based on what they exercised. Going forward, we will organize such exercises at sites as well to establish a BCP framework.

**Protection of Intellectual Property Rights**

The Nitto Group considers intellectual property rights to be assets of critical importance. As such, we make doubly sure that adequate action is taken to prevent infringing others’ or others’ infringing our intellectual property rights, while utilizing them for the benefit of business management. Under the following three policies, we file nearly 2,000 patent applications globally each year in order to obtain intellectual property rights, which protect our products and businesses.

1) To obtain high-quality intellectual property rights
2) To assert intellectual property rights rightfully
3) To respect intellectual property rights held by other companies

**Impact of the Novel Coronavirus Disease (COVID-19)**

Please find below a summary of the actions that the Nitto Group has taken in response to COVID-19, which began spreading worldwide at the end of 2019, as well as the impact that it has had thus far on the Group.

**Impact on our Business Activities**

**Formation of a Task Force**

In response to the guidance by the Chinese Government, on January 28, 2020, we set up an On-Site Disaster Response Headquarters, which is chaired by the General Manager of the East Asian region (Vice President), and a Nitto Group Disaster Response Headquarters, which is chaired by the President of Nitto Denko Corporation (see the Response Headquarters Organization Chart on p. 67). With the subsequent spread of the infection, a Response Headquarters was established in six other regions of the world, all of which work closely to gather the latest information on the daily changing situations to work through one problem after another.

**Prevention of COVID-19**

One facet of The Nitto Way reads, “We place safety before everything else.” To live up to this, we are doing our utmost to prevent the spread of COVID-19 by introducing staggered commuting and teleworking and prohibiting business trips and events, placing the safety and health of our employees and their family members before everything else. Fortunately, the Nitto Group has not been forced to suspend its operation due to infection within the company.

We have also taken this occasion to make a sweeping review of the manual for infectious diseases to facilitate pandemic prevention.

**Business Continuity**

Some Group companies outside Japan were ordered to suspend their operations for a certain period by the national and local governments of their host country/region. Meanwhile, Group companies in Japan remained operational by adjusting their workplace environment, work schedule, and work style. Special attention was paid to the continuity of business of those providing products and services that are essential for social infrastructure and medical services to ensure that their supplies did not falter.

**Impact on Business Performance**

The temporary suspension of operations at some overseas Group companies had little impact on our fiscal 2019 business results. Due to the difficulty estimating the impact COVID-19 may have on our business going forward, however, we have withheld our forecasts in this regard.

Please see Financial Summary on our website for details.

**Social Contributions**

**Contributions through the supply of unique products and services**

One recent example can be found in Malaysia, where we suggested a new application for a tape marker of Japanese washi paper: marking seats and tables that are off-limits to enforce social distancing.

In Europe, we are involved in the joint development of a biosensor using adhesives gentle to the skin.

**Donations and Aid**

Nitto Group companies donated masks and other goods for pandemic control to struggling medical institutions in their communities.

In Japan, at the request of the Oomachi City Government, Hiroshima, we donated spectacle-type eye guards manufactured by Nissho Corporation to the Oomachi Municipal Hospital. In April, we donated RMB 1 million (approx. JPY 16 million) to the Shanghai Health and Medical Development Foundation in China. In June, we have supported UNICEF’s COVID-19 response with a donation of USD 100,000 (approx. JPY 11 million).

**Remaining Alert**

The COVID-19 pandemic is expected to linger for an extended period, and we must be prepared for second and third waves. In order to ready ourselves for life where this virus is a norm, we at the Nitto Group are currently optimizing work style and enhancing business continuity.