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Listed company name: Nitto Denko Corporation

Stock exchange listing: Tokyo, First Section

Code number: 6988

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### **Notice of Results of In-house Investigation on Act of Misconduct by Members of a Nitto Subsidiary**

As announced in the “Notice of Act of Misconduct by Members of a Nitto Subsidiary,” dated January 27, 2020, an in-house investigation has found that some domestic employees of the purchasing department of Shanghai Nitto Optical Co., Ltd. (Head Office: Shanghai, People’s Republic of China; hereinafter, “Shanghai Nitto Optical”), a consolidated subsidiary of Nitto Denko Corporation (hereinafter, “Nitto”), were involved in act of misconduct (hereinafter, “Misconduct”). In response to this incident, Nitto has established an in-house investigation committee that includes outside experts to conduct a thorough investigation.

Recently, we have received a report on the results of the investigation from the in-house investigation committee, and we would like to inform you of the outline of the results of the investigation and future course of action taken by Nitto as follows.

While we believe that the Misconduct will not have a material impact on our consolidated financial statements, we would like to offer our sincere apologies to all of our stakeholders for the inconvenience that this has caused. We will take the recommendations of the in-house investigation committee very seriously and promote efforts to strengthen the corporate governance of the Nitto Group as a whole.

The investigation on the Misconduct by the local authorities is still ongoing. We will cooperate with the investigation and will strive to recover the loss as soon as the fact checking and the assessment of the loss amount by the authorities are completed.

#### 1. Summary [Outline] of the results of the investigation conducted by in-house investigation committee

##### (1) Members of in-house investigation committee

Chairperson Masami Kanzaki (Corporate Auditor (full-time service), Nitto)

Member Mihoko Nasu (Certified Public Accountant, PwC Advisory LLC)

Member Yasuhiko Fujitsu (Legal counsel, Mori Hamada & Matsumoto)

In addition to the internal personnel who assisted the investigation, the in-house investigation committee has selected the PwC Business Assurance LLC and Mori Hamada & Matsumoto as external assistants for the investigation. Some processes in local investigation were contracted to JunHe LLP.

##### (2) Summary of the Misconduct

It is highly probable that, from around 2014 at the latest, some members of Shanghai Nitto Optical’s purchasing department had purchased the supplementary materials and indirect materials at prices higher than the regular purchase price from companies run by their relatives or acquaintances (hereinafter, “Involved Vendors”), thereby causing losses to the Nitto Group and benefiting the Involved Vendors with improper profit by that amount. As a result of the investigation, it is unlikely that there were fictitious transactions or inflated volume transactions.

##### (3) Impact of the Misconduct on the Nitto Group’s consolidated financial statements

The expenses resulting from the Misconduct have been reported as cost of materials involved in manufacturing under cost of sales. Therefore, the expenses resulting from the Misconduct do not have a material impact on our consolidated financial statements.

(4) Cause of the Misconduct

The Misconduct was caused by lack of awareness about compliance among employees, inadequate management of supplementary materials and indirect materials, and inadequate personnel rotation. In addition to the organizational climate, such as the lack of communication between Japanese managers and local employees in the subsidiary and a culture that prioritizes business operation over compliance, group governance issues including distortions in localization and inadequate monitoring functions may have allowed long-term misconduct.

(5) Measures to prevent recurrence

Measures to prevent recurrence based on the aforementioned cause analysis may include: fostering compliance awareness through strict measures to those involved in the incident as well as education and training; improving management of supplementary materials and indirect materials through vendor management, management of segregation of duties, inventory management and development of internal regulations; considering job rotation; improving organizational culture through improved communication; and strengthening monitoring and control functions by reforming of the management system with localization and clarifying the roles and authorities of management functions.

2. Future course of action by Nitto

(1) Disciplinary measures against related parties

We will implement disciplinary measures against employees involved in the Misconduct and employees, etc. in the position of managerial supervision, in accordance with our work regulations.

(2) Efforts to prevent recurrence

Taking seriously the fact that this misconduct was not discovered for a long time, we will make steady efforts to prevent the recurrence of such incidents within the Nitto Group.

While we have already begun to reinforce our internal control as an emergency measure to deal with the direct cause of this Misconduct, as a fundamental measure, we will establish and implement effective measures to prevent the recurrence, implement these measures across the entire Nitto Group, and thoroughly promote and monitor them.

(3) Recovery of losses

Going forward, we will fully cooperate with the investigatory authorities, and as soon as the investigation results are announced, we will take necessary measures such as claims for damages in an effort to recover the loss.