

# Round-table Talk Among Outside Directors



**Yoichiro Furuse**  
Outside Director, Nitto Denko Corporation



**Takashi Hatchoji**  
Outside Director, Nitto Denko Corporation



**Tamio Fukuda**  
Outside Director, Nitto Denko Corporation

This talk took place at Nitto's Tokyo Head Office on March 31, 2020. To safeguard against the novel coronavirus, Director Tamio Fukuda joined via teleconference.

## 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 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.



## Steady Progress in the Board Effectiveness Evaluation

**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 where 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.

## Round-table Talk Among Outside Directors

**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 hoping 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.

### Harnessing Nitto's Strengths in Practicing Initiatives for ESG and SDGs

**Moderator:** As ESG investment has become an important topic, initiatives for E (Environment) and S (Society) are assuming greater importance. Nitto is now a UN Global Compact signatory. What was the motive behind this, and how do you evaluate such initiatives by Nitto?

**Hatchoji:** If Nitto wishes to grow globally over the mid- to long-term, I believe that a commitment to ESG and the UN Global Compact is essential, as they represent social demands. I think the selection of material issues for sustainability is unique to Nitto, as they include themes that Nitto can contribute to, such as the provision of products to human mobility and smart society, promotion and spread of renewable energy and energy conservation, and water treatment. Also, for the pharmaceutical market and other healthcare products and businesses, Nitto is working on ESG and the SDGs by focusing on healthcare and medical services, which customers find most relevant to themselves. Nitto also contributes to the well-being of people through the oligonucleotide medicine business.

**Moderator:** In which field do you think we will see innovations first?

**Hatchoji:** Nitto will continue to contribute to human mobility, the automotive sector, and 5G-related technologies and equipment. Nitto is collaborating with partners from across the globe in the spirit of open innovation by, for instance, teaming up with companies with unique technologies and equipment, and partnering with universities and research institutions in the healthcare sector. And it's not just the diversity of the partners that matters. The fact that Nitto deliberately chooses as its partners those with expertise in respective fields coincides with Nitto's Global Niche Top™ and Area Niche Top® strategies.

**Furuse:** For ESG, how you go about meeting these criteria is important. In this regard, the basic requirement is that steady

efforts are made to reduce stress on society and the environment. It is also important to ensure that employees and other stakeholders can engage in business activities both safely and comfortably.

As is demonstrated by the practice of conducting safety calls, even at small meetings, Nitto is demonstrating that it places a high value on holding firm to and living up to its beliefs, and that's an underlying concept for its products. With respect to progress in materiality, while there is room for improvement, I think we are moving in the right direction. After all, as long as Nitto holds on to the fundamental principle of safety and security first, they can't go wrong as a business.

**Fukuda:** For ESG and the SDGs, Nitto published a list of things that we can do in virtually every single area, and we are required to work on them, but many of these things are easier said than done for a private enterprise. The more I study them, the more I think it's important for Nitto to be different from others in its endeavors. For example, as a supplier of intermediate materials, it's vital for Nitto to decide how they should go about procuring materials, the sources for which will need to change due to climate change. Speaking of uniqueness, I believe the Area Niche Top® strategy can differentiate Nitto from all others. I expect Nitto to apply a formula akin to the Area Niche Top®, that is, "a product that is a blockbuster in a certain region and will do well on a global basis," and encourage each region to come up with suggestions on innovation and ESG.

### 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 that 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 Corporate Auditor  
**Masakazu Toyoda**

Outside Corporate Auditor  
**Masashi Teranishi**

Outside Director  
**Takashi Hatchoji**

Director, Executive Vice President  
**Yosuke Miki**

Corporate Auditor  
**Masami Kanzaki**

Outside Director  
**Yoichiro Furuse**

Representative Director, President  
**Hideo Takasaki**



Director, Senior Vice President  
**Yasuhiro Iseyama**

Outside Director  
**Tamio Fukuda**

Outside Corporate Auditor  
**Mitsuhide Shiraki**

Outside Director  
**Wong Lai Yong**

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 2008 : Director, Vice President  
 June 2010 : Director, Senior Vice President  
 June 2011 : Director, Executive Vice President  
 June 2013 : Director, Senior Executive Vice President  
 April 2014 : Representative Director, President  
 CEO, COO  
 November 2016 : Representative Director, President  
 CEO, COO, CTO  
 April 2017 : Representative Director, President  
 CEO, COO (present)

### Nobuhiro Todokoro

Director, Executive Vice President

April 1989 : Joined Nitto Denko Corporation  
 June 2015 : Vice President, General Manager of Information Fine Materials Unit, Information Fine Materials Sector  
 April 2017 : Vice President, General Manager of Information Fine Materials Sector  
 June 2017 : Director, Senior Vice President, General Manager of Information Fine Materials Sector  
 June 2019 : Director, Executive Vice President (present)

### Yoichiro Furuse

Outside Director (Independent Director)

April 1964 : Joined Sumitomo Bank, Ltd.  
 June 1989 : Director, Sumitomo Bank, Ltd.  
 October 1993 : Executive Director, Sumitomo Bank, Ltd. (retired in June 1996)  
 June 1996 : Senior Managing Director, Mazda Motor Corporation (retired in June 2000)  
 June 2001 : Director, Sanyo Electric Co., Ltd.  
 June 2002 : Representative Director and Vice President, Sanyo Electric Co., Ltd. (retired in October 2005)  
 January 2006 : Representative Director, Evanston Corporation (present)  
 June 2007 : Outside Director, Nitto Denko Corporation (present)  
 September 2010 : Non-Executive & Independent Director, Global Logistic Properties Limited (retired in December 2017)  
 July 2015 : Chairman of Japan, Permira Advisers KK (present)  
 October 2015 : Director, Sushiro Global Holdings Ltd. (retired in December 2016)  
 March 2016 : Outside Director, Nasta Co., Ltd. (present)  
 January 2018 : Consultant of GLP Pte. Ltd. (present)

### Takashi Hatchoji

Outside Director (Independent Director)

April 1970 : Joined Hitachi, Ltd.  
 June 2003 : Vice President and Executive Officer, Hitachi, Ltd.  
 April 2004 : Senior Vice President and Executive Officer, Hitachi, Ltd.  
 April 2006 : Representative Executive Officer, Executive Vice President, and Executive Officer, Hitachi, Ltd. (retired in March 2007)  
 June 2007 : President and Representative Director, Hitachi Research Institute (retired in March 2009)  
 April 2009 : Representative Executive Officer, Executive Vice President, and Executive Officer, Hitachi, Ltd. (retired in March 2011)  
 April 2011 : Chairman of the Board, Hitachi America, Ltd. (retired in March 2015)  
 June 2011 : Director, Hitachi, Ltd. (retired in June 2015)  
 June 2015 : Advisor, Hitachi, Ltd. (retired in June 2016)  
 June 2015 : Outside Director, Nitto Denko Corporation (present)  
 June 2017 : External Audit & Supervisory Board Member, Marubeni Corporation  
 June 2017 : Outside Director, Konica Minolta, Inc. (present)  
 June 2020 : Outside Director, Marubeni Corporation (present)

### Yosuke Miki

Director, Executive Vice President

April 1993 : Joined Nitto Denko Corporation  
 June 2016 : Vice President, General Manager of Information and Communication Technology Sector  
 April 2017 : Vice President, Deputy CTO  
 General Manager of Information and Communication Technology Sector, Deputy General Manager of Corporate Technology Sector, and General Manager of New Business Development Division  
 June 2017 : Director, Vice President, Deputy CTO  
 June 2019 : Director, Senior Vice President, Deputy CTO  
 April 2020 : Director, Senior Vice President, Deputy CTO  
 General Manager of Information and Communication Technology Sector, Deputy General Manager of Corporate Technology Sector  
 June 2020 : Director, Executive Vice President, CTO  
 General Manager of Corporate Technology Sector  
 General Manager of Information and Communication Technology Sector (present)

### Yasuhiro Iseyama

Director, Senior Vice President

June 1991 : Joined Nitto Denko Corporation  
 October 2009 : General Manager of Accounting Department, Strategic Administration Division, Optical Sector  
 July 2013 : General Manager of Accounting Department, Strategic Administration Division, Functional Base Products Sector  
 October 2013 : General Manager of Accounting Department, Strategic Administration Division, Functional Base Products Sector concurrently General Manager of Accounting Department, Planning & Management Department, Automotive Products Sector  
 April 2016 : Deputy General Manager of Corporate Accounting & Finance Division, Corporate Strategy Sector  
 June 2017 : Vice President, General Manager of Corporate Accounting & Finance Division  
 June 2020 : Vice President, Senior Vice President, CFO  
 General Manager of Corporate Accounting & Finance Division (present)

### Tamio Fukuda

Outside Director (Independent Director)

April 1989 : Design Advisor of Samsung Electronics Co., Ltd., South Korea (retired in September 1999)  
 October 1999 : Professor, Graduate School of Science and Technology, Kyoto Institute of Technology  
 April 2013 : Professor Emeritus, Kyoto Institute of Technology (present)  
 June 2018 : Outside Director, Nitto Denko Corporation (present)

### Wong Lai Yong

Outside Director (Independent Director)

September 2013 : Founder and Chief, Principal Trainer and Consultant, First Penguin Sdn. Bhd. (present)  
 July 2018 : Director, Penang Women's Development Corporation (present)  
 October 2019 : Adjunct Professor, Shizhenkan University Graduate School of Leadership & Innovation  
 Deputy Center Leader, Center for Sustainability and Innovation (present)  
 June 2020 : Outside Director, Nitto Denko Corporation (present)

## Corporate Auditors

### Masami Kanzaki

Corporate Auditor

April 1978 : Joined Nitto Denko Corporation  
 June 2008 : Vice President, Representative Director of Nitto Shinko Corporation  
 June 2009 : Vice President, Deputy General Manager of Sales Sector, Manager of Tokyo Sales Branch  
 April 2010 : Vice President, CIO  
 June 2011 : Senior Vice President, CIO  
 June 2013 : Executive Vice President, CIO  
 June 2014 : Executive Vice President, General Manager of Sales Management Sector  
 June 2015 : Corporate Auditor (full-time service) (present)

### Shin Tokuyasu

Corporate Auditor

April 1985 : Joined Nitto Denko Corporation  
 July 2005 : General Manager of Accounting Department, Optical Division  
 October 2009 : General Manager of Accounting & Finance Department, Corporate Accounting Division, Corporate Sector  
 November 2011 : General Manager of Accounting & Finance Department, Corporate Accounting Division, Corporate Sector and General Manager of Monitoring Department  
 February 2014 : General Manager of Accounting & Finance Department, Corporate Accounting Division, Corporate Sector, concurrently General Manager of Business Management Division, Information Fine Materials Unit  
 April 2014 : Deputy General Manager of Corporate Accounting & Finance Division, Corporate Sector  
 April 2015 : Deputy General Manager of Corporate Accounting Division, Corporate Sector, concurrently General Manager of Accounting Department, Business Management Division, Automotive Products Sector  
 April 2016 : Representative Director of Nitto Automotive, Inc.  
 June 2017 : Vice President, Representative Director of Nitto Automotive, Inc.  
 July 2018 : Vice President, General Manager of Compliance Division  
 April 2019 : Vice President, General Manager of Corporate Sustainability Division  
 June 2019 : Corporate Auditor (full-time service) (present)

### Masashi Teranishi

Outside Corporate Auditor

April 1969 : Joined The Sanwa Bank, Ltd.  
 January 2002 : President and Representative Director of UFJ Bank Limited  
 June 2002 : Director of UFJ Holdings, Inc. (retired in June 2004)  
 May 2004 : Representative Director of UFJ Bank Limited (retired in May 2004)  
 July 2004 : Honorary Adviser of UFJ Bank Limited  
 January 2006 : Honorary Adviser of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (present)  
 June 2008 : Outside Corporate Auditor of Nitto Denko Corporation (present)  
 June 2011 : Outside Director of Tsukishima Kikai Co., Ltd. (retired in June 2018)

### Masakazu Toyoda

Outside Corporate Auditor

April 1973 : Joined the Ministry of International Trade and Industry (Currently the Ministry of Economy, Trade and Industry [METI])  
 August 2003 : Director-General, Commerce and Information Policy Bureau, METI  
 July 2006 : Director-General, Trade Policy Bureau, METI  
 July 2007 : Vice-Minister for International Affairs, METI (retired in July 2008)  
 August 2008 : Secretary General of the Cabinet Secretariat's Strategic Headquarters for Space Policy (retired in August 2010)  
 November 2008 : Special Advisor to the Cabinet Secretariat (retired in August 2010)  
 June 2010 : Outside Statutory Auditor of Murata Manufacturing Co., Ltd. (retired in June 2016)  
 July 2010 : 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 Murata Manufacturing Co., Ltd. (retired in June 2018)  
 June 2018 : Outside Director of Nissan Motor Co., Ltd. (present)

### Mitsuhide Shiraki

Outside Corporate Auditor

April 1990 : Professor, Faculty of Political Science and Economics, Kokushikan University  
 April 1999 : Professor, School of Political Science and Economics, Waseda University  
 April 2005 : Professor, Faculty of Political Science and Economics, Waseda University (present)  
 October 2009 : Vice President of Japan Academy of International Business Studies  
 June 2012 : Outside Corporate Auditor of Nitto Denko Corporation (present)  
 October 2012 : Permanent Director of Japan Academy of International Business Studies  
 August 2013 : President of Japan Society of Human Resource Management (retired in August 2015)  
 October 2015 : Chairperson of Japan Academy of International Business Studies (present)

# Directors, Auditors, and Vice Presidents

## Vice Presidents

\* CEO: Chief Executive Officer, COO: Chief Operating Officer, CTO: Chief Technology Officer, CIO: Chief Information Officer, CFO: Chief Financial Officer, CPO: Chief Procurement Officer

Name	Title	Responsibilities
Hideo Takasaki	Representative Director, President CEO, COO Chairperson, Internal Control Committee	Supervisor of management in general
Toshihiko Omote	Senior Executive Vice President Senior Chief Engineer of Corporate Technology Sector	In charge of corporate technology (special assignments)
Michio Yoshimoto	Senior Executive Vice President General Manager of Legal and Corporate Affairs Division General Manager of Export Control Center	In charge of legal and corporate affairs, and export control
Yukihiro Iizuka	Executive Vice President General Manager, North and South American regions President, Nitto, Inc.	In charge of management of North and South American regions
Nobuhiro Todokoro	Director, Executive Vice President	Supervisor of functional base products business; information fine materials business; membrane business; management of EMEA (Europe, the Middle East, and Africa) region, China region, Taiwan region and Korean region
Yasuhito Ohwaki	Executive Vice President CIO General Manager of Corporate Sustainability Division Chairperson, Information Security Committee Chairperson, CSR Committee	In charge of compliance, IT, logistics, and business reform
Toshihiko Takayanagi	Executive Vice President General Manager of Sales Management Sector General Manager, Taiwan region	In charge of sales management & sales support and management of Taiwan region
Yosuke Miki	Director, Executive Vice President CTO General Manager of Corporate Technology Sector General Manager of Information and Communication Technology Sector	Supervisor of transportation business; medical business; and management of North and South American regions, South Asian and Oceanian regions, and Indian region In charge of corporate technology and ICT business
Sam Strijckmans	Senior Vice President General Manager, EMEA (Europe, the Middle East, and Africa) region President & CEO, Nitto EMEA NV	In charge of management of EMEA (Europe, the Middle East, and Africa) region
Kazuki Tsuchimoto	Senior Vice President Deputy CTO Deputy General Manager of Corporate Technology Sector	In charge of corporate technology (manufacturing engineering & process technology)
Seiji Fujioka	Senior Vice President General Manager of Medical Division	In charge of medical business
Yasuhiro Iseyama	Director, Senior Vice President CFO General Manager of Corporate Accounting & Finance Division Chairperson, J-SOX Committee; Chairperson, Timely Disclosure Committee	Supervisor of compliance In charge of accounting & finance
Atsushi Ukon	Vice President President, Nissho Corporation	In charge of management of business companies
Bae-Won Lee	Vice President General Manager, Korean region President, Korea Nitto Optical Co., Ltd.	In charge of management of Korean region and information fine materials business
Norio Sato	Vice President General Manager of Functional Base Products Sector	In charge of functional base products business
Katsuyoshi Jo	Vice President General Manager, China region Chairman/President, Nitto Denko (China) Investment Co., Ltd.	In charge of management of China region
Tatsuya Osuka	Vice President	In charge of management of offices/plants
Mehrdad Tabrizi	Vice President Director, Nitto, Inc.	In charge of management of North and South American regions
Tatsuya Akagi	Vice President General Manager of Information Fine Materials Sector	In charge of information fine materials business
Kenjiro Asuma	Vice President CPO General Manager of Corporate Strategy Management Division	In charge of corporate strategy, public relations, investor relations and procurement
Norikane Nabata	Vice President General Manager of Quality, Environment & Safety Management Sector Chairperson, Environment & Safety Committee	In charge of quality, environment, and safety
Scott Shu	Vice President General Manager, South Asian and Oceanian region General Manager, Indian region Chairman/President, Nitto Denko (HK) Co., Ltd.	In charge of South Asian and Oceanian regions, and Indian region
Yukihiro Horikawa	Vice President General Manager, Transportation Business Sector	In charge of transportation business
Nobuyuki Aoki	Vice President General Manager, Human Resources Management Division	In charge of human resources & training

# Corporate Governance

## Topic

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.

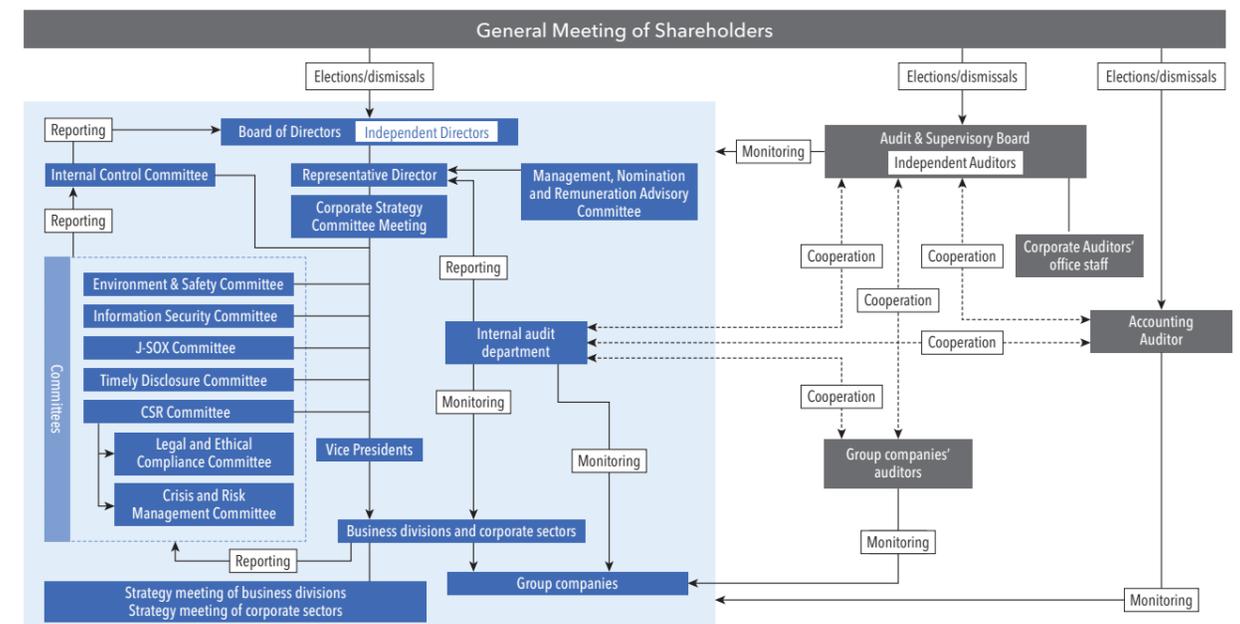
Meanwhile, two outside directors were appointed in 2007, and the number of seats for such directors was subsequently increased to three in 2015. By the beginning of fiscal 2020, one additional seat on the board was given to a foreign-national woman, with the result that half of the board members are now outside directors.

	2007	2015	2020
Outside Directors	Two Outside Directors appointed	Seats of Outside Directors increased to three (one third or more of the board members are Outside Directors)	Foreign national female Outside Director elected (half of the board members are Outside Directors)
Advisory committee	2003 Management Advisory Committee established	2011 Reorganized into Management and Remuneration Advisory Committee	2018 Reorganized into Management, Nomination and Remuneration Advisory Committee
Compensation system	2004 Equity-based compensation stock options introduced	2018 Restricted share remuneration and performance-linked share-based remuneration introduced	

## Corporate Governance System

Our system of corporate governance is structured as follows.

### Corporate Governance System



# Corporate Governance

## Board of Directors

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

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

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

## Management, Nomination and Remuneration Advisory Committee

Please see the next section.

## Board of Corporate Auditors

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

## Internal Control Committee and Expert Committees

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

## Internal Audits

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

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

### Structure and roles of 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\*1 as an advisory body of the Representative Director.\*2

\*1. As of July 2020, it consists of eight members: one Representative Director, four Outside Directors, and three Outside Corporate Auditors (Chairman: President).  
\*2. Items on the agenda of the general meetings of shareholders concerning nomination and remuneration are determined at the Board of Directors meetings based on inquiries and opinions of the Committee.

### 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:

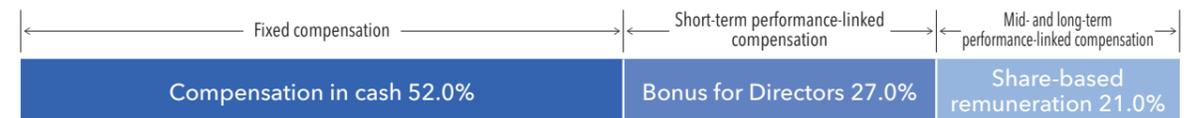
- The Company's course of action based on the global situation, industry trends, new research, etc.
- Current remuneration structure, level and future stance based on trends in other companies, stakeholders including shareholders, etc.
- Current status of securing candidates for management position and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

## Compensation of Full-time (Corporate) Directors

Fixed compensation**2	Short-term performance-linked compensation	Mid-term performance-linked compensation	Mid- and long-term performance-linked compensation	How the specific amount of compensation is determined
<b>Compensation in cash</b> By-position fixed monthly compensation The upper limit of the total amount was approved at the 155th Ordinary General Meeting of Shareholders: 30 million yen/month (4 million yen/month of which is for Outside Directors)	<b>Bonus for Directors</b> The upper limit of the total amount to be approved at a general meeting of shareholders each year	<b>Performance-linked share-based remuneration</b> Shares to be provided in a number within the range of 0% to 150% of the standard number of shares in accordance with the achievement of numerical targets for three business terms The upper limit of the total amount and number of shares was approved at the 153rd Ordinary General Meeting of Shareholders: 364 million yen/year 48,400 shares/year	<b>Restricted share remuneration</b> Shares whose transfer is restricted until retirement to be provided in lieu of retirement benefits The upper limit of the total amount and number of shares was approved at the 153rd Ordinary General Meeting of Shareholders: 243 million yen/year 32,000 shares/year	<b>Total amount</b> The upper limit to be approved at a general meeting of shareholders  <b>The amount paid to each Director</b> The Representative Director determine 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 by a separately specified formula.)

\*1. In light of the nature of Outside Directors' roles, which is to supervise management by making important decisions at Board of Directors meetings and otherwise, the compensation paid to Outside Directors of the Company does not include equity-related compensation, and instead consists of only compensation in cash which is fixed compensation. The upper limit of the total amount was approved as 4 million yen per month at the 155th Ordinary General Meeting of Shareholders.  
\*2. In light of the nature of Corporate Auditors' duties, which is to audit and otherwise examine the execution of duties by Directors, the compensation paid to Corporate Auditors of the Company does not include equity-related compensation and other performance-linked elements, and instead consists of only compensation in cash which is fixed compensation. The upper limit of the total amount was approved as 12 million yen per month at the 139th Ordinary General Meeting of Shareholders. The specific amount of compensation paid to each Corporate Auditor is determined through consultation among Corporate Auditors in accordance with their respective duties and responsibilities.

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



## 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 discussions, which was distributed to the Directors and Corporate Auditors.
- (7) At the March Board of Directors meeting, the Board went over the discussion outcomes, reviewed the details of the Board effectiveness evaluation, and approved the timely disclosure document.

# Corporate Governance

## 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.

## 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.

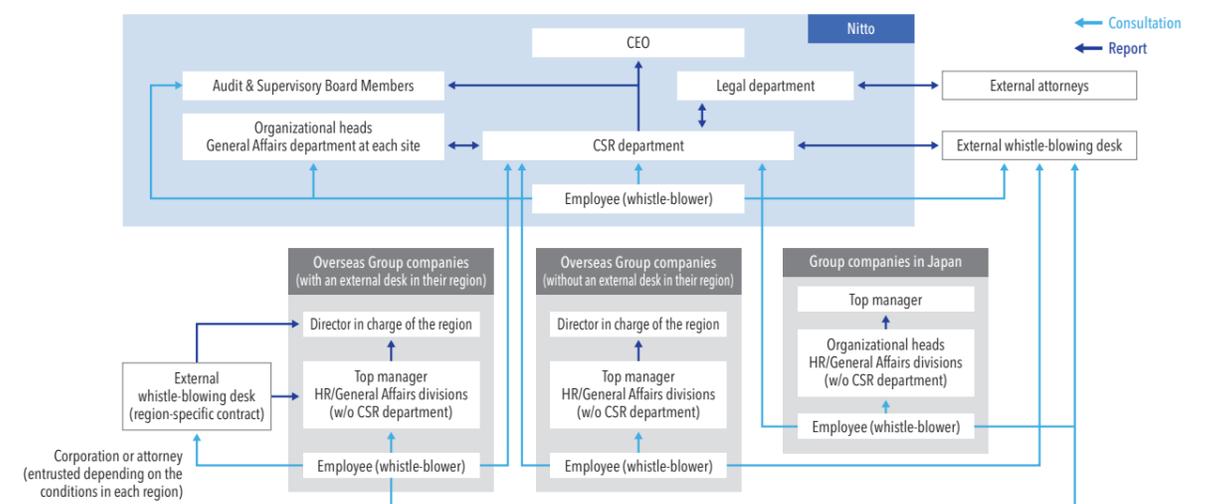
## Initiatives Focusing on Serious Compliance Risks

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.

## 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.

### Whistle-Blowing System



# Risk Management

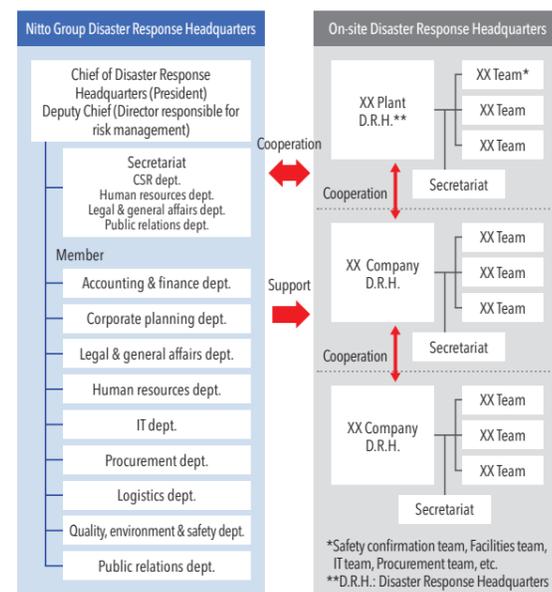
## Risk Management System

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.

### Organization of Disaster Response Headquarters



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 BCM 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)

(as of May 31, 2020)

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 from the Onomichi City Government, Hiroshima, we donated spectacle-type eye guards manufactured by Nissho Corporation to the Onomichi 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 USD100,000 (approx. JPY 11million).



Donation to the Shanghai Health and Medical Development Foundation



Director Dr. Oeda (left) and a staff member trying an eye guard (Onomichi Municipal Hospital)

## 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.