

## A Dialogue with Directors

# Nitto

Innovation for Customers



**Hideo Takasaki**  
Representative Director,  
President,  
CEO, COO



**Michitaka Sawada**  
Outside Director



Placing ESG at the Core of Our Management to Become an “Irreplaceable Company” for the Global Environment, Humankind, and Society

### Nitto Group’s Business in Fiscal 2022

— How do you look back on fiscal 2022?

**Takasaki:** With so many things happening, it is hard to give a general overview. Amidst the drastically changing external environment, we were able to make our advantages felt at some points but not others. As prices of raw materials and energy continued to soar, we were kept busy dealing with this and that.

As I felt things changing fast around me, it made me consider what sets Nitto apart from others. Ultimately, it’s our Niche Top Strategy. The fact that this strategy still works suggests that there’s something that insulates us from changes in the macroeconomy. It could be the circumstances we find ourselves in or our corporate culture. To be sure, our businesses that can execute the Niche Top Strategy are generally doing well, as are our current Niche Top products.

**Sawada:** Let me take a slightly different approach to the question of what makes Nitto unique. I find many in the Nitto Group full of curiosity. I’m always amazed at how creatively they can think, which I attribute to their curiosity. Another trait of theirs I wish to mention here is the intensity of their desires, and I believe that motivates them to take on challenges. The business foundation and cultural base laid by your forerunners have taken firm roots over time. As an outsider myself, I keenly feel that’s

why you have very creative and ambitious persons in the company. This creative thinking and the urge to challenge themselves are, among others, what makes Nitto unique. And I must add “speed” to the list of what makes Nitto so competitive. This is my interpretation.

Fiscal 2022 was a year of complex factors: It started with the extreme depreciation of the yen and the rise in raw material costs, and anti-inflation programs taken to mitigate them dampened the economy in the second half. All the more because of this, Nitto’s strengths were felt more keenly. I believe this is reflected in our business performance.

### Placing ESG at the Core of Our Management

— It’s been about a year since you went public with your determination to “place ESG at the core of our management.” Would you be kind enough to reiterate the reasons and background that led you to uphold such a policy?

**Takasaki:** When we celebrated our first centennial foundation day five years ago, I thought hard about what we should be doing in the next 100 years, and I sent out a message on my musings. So far, Nitto has successfully served society by providing products that would increase convenience for our direct customers or their customers.

In the next 100 years, we want to become a company that contributes to society in a larger context, say, planet Earth or humankind, and I put this goal in words.

The shift to ESG management is the first step to realizing all this, but we decided to make this known to the public at this stage, not only because we thought it would be an opportune time to do so, but because Mr. Sawada and other Outside Directors advised us to.

**Sawada:** It wasn’t just me, but all board members reached a consensus and just went for it. As much as Nitto Group’s technological level is stellar, Nitto is more than that; it is an organization that cherishes customers’ trust dearly. This being the case, if we adopt a new doctrine like ESG, it has to be led by management, not from the bottom up. That discussion was beginning just when I took the position of Outside Director. I knew that the Nitto Group is an organization that, once it has made a decision, can unite and carry it through. So, I remember suggesting, “Why don’t we tackle ESG head-on by situating it at the center of management?”

**Takasaki:** Another thing I can think of is the impressions I got from investor relations activities. I travel to Europe and the U.S. for a “CEO’s roadshow” twice a year. In the past, we mostly talked about our performance and return on investment, but at a certain point, I was asked to explain Nitto’s ESG policies. At first, I thought that investors were going to start looking at ESG initiatives more seriously, but then they returned to asking me performance-centered questions with some harsh comments on the downward revisions to our forecasts due to COVID-19.

But that experience led me to conclude that we will be required to do two things simultaneously at a high level. I began to wonder, “What kind of approach do we need to pursue two hares?” To achieve this, we have concluded that we need to make ESG, or environmental initiatives themselves for that matter, part of our business. It is not sufficient to merely be environmentally conscious or reduce environmental impact; we need to go all out to make investments and recoup them over the mid- and long-term. I felt like we must keep this cycle going.

**Sawada:** True, it’s management that makes the decision, but we cannot expect to achieve anything without the understanding and implementation of those in the field. The Nitto Way indicates the values that members of the Nitto Group should respect, and if we place ESG at the basis of The Nitto Way, we can make it known that it’s not simply “promoting ESG” but “placing ESG at the core of our management.” Also, that way, each and every employee can make it personal, so to speak, and think about ESG as their own business.

As Mr. Takasaki has correctly mentioned, if they’re not linked to business, any ESG initiatives will end

up being superficial attempts or sporadic social engagement activities. For us to “place ESG at the core of management,” we must have a solid technological infrastructure that allows us to realize and lead innovation, rather than just wishing that it will happen. I thought that, having both the desire and technology at a high level, the Nitto Group should be able to place ESG itself at the core of Nitto’s management.

— I think it was clever of you to come up with a concrete scheme of recognizing PlanetFlags/ HumanFlags and to narrow down development projects to those that meet these standards, instead of simply giving images or directions, that was likely instrumental in changing the way Nitto employees think about the issue.

**Takasaki:** We’ve just begun, and so people in the field are going through some growing pains. For existing products that are not selected, we will have to ask relevant customers to ensure that they meet the standards we have set. I think it will be very difficult to ask this of them.

Once you start compromising with this, though, saying, “A failure to meet the standards by a small margin is fine,” you will take the easy road and never come back. Once the decision is made, we will only make what meets the concept of PlanetFlags/HumanFlags. We are unwavering in this commitment.

### Human Capital Management

— In recent years, how human capital—one of the key elements of “S (Social)”—should be treated and how it should be invigorated has posed a significant issue to be considered. Could you enlighten me on Nitto’s approaches to human capital management?

**Takasaki:** Many business managers, including myself, have made management decisions and steered their businesses by prioritizing human resources. Because the general practice among Japanese companies has been lifelong employment, the basic stance was raising the level of their personnel by developing existing employees and providing them with opportunities to develop their skills, even though they may supplement their shortage of specialists in novel fields by hiring mid-career employees or conducting M&As. The Nitto Group has long provided opportunities for learning and personal growth by organizing study programs in accordance with the training curriculum as well as providing opportunities to create new businesses.

In addition, if and when we realize that we lack something, say, a low ratio of female leaders, or get to know relatively new terminology and ideas, such

as diversity, equity, inclusion, and engagement, and conclude that we have not done enough, we make it a rule to improve and correct our deficiencies. We know that employees feel engaged and fulfilled when they see that they are doing good things for their company and its business and, as a result, contributing to customers, including the global environment and society in general, so the Nitto Group places greater emphasis on “making the most of people” in addition to “treating people well.” Going forward, we will forge ahead with such subjects related to human resources as part of future-financial initiatives by setting quantitative targets.

**Sawada:** As far as I know, the Nitto Group has long dedicated itself to valuable initiatives out of the belief that human resources are the most important assets for a company. If I were to add one thing, you should be more strategic in this regard in the future.

There are two key points to do this. The focus needs to be not only on their apparent abilities but also their potential, that is, what possibilities they have to offer. Based on these perspectives, ask yourself if you are getting the most out of them as assets of the company. The other point is that, rather than seeking human resource development (through personnel management services) and strategies separately, always consider how to integrate human resource development with management strategies. If these two are added together, the sky is the limit.

**Takasaki:** Admittedly, we were in the habit of placing priority on designing personnel assignments and training for Japanese employees. But that is changing gradually. For instance, employees in leadership positions are being rotated proactively throughout Europe. To develop leaders of the next generation for the Nitto Group, we give them opportunities to work in various countries and markets to bring out what they have to offer rather than limiting them to certain businesses or regions.

We have a global leadership development program called the Nitto Global Business Academy (NGBA). There, we organize teams that contain foreign nationals and ask them to present the findings of their intensive discussions to us. Now, we are increasingly confident that programs geared toward developing global human resources and leaders have begun to bear fruit.

## Congenial but Always Candid and Frank Discussions at Board Meetings

— **Now that you have achieved the previous mid-term management plan ahead of schedule, you’ve announced a new one, “Nitto for Everyone 2025.” Could you tell me what its key concepts are?**

**Takasaki:** Basically, it shows how we will go about realizing ESG management, which we had previously announced. First, we sat down to think about “2030 Ideal State” and we decided that we should aim to become an “irreplaceable top ESG company” that continues to provide amazement and inspiration,” not a “company that is nice to have.”

Then, we set the three focus domains of power & mobility, digital interface, and human life. Going forward, we will focus on firmly establishing the concept of ESG as we involve our customers as well as other players and people in the supply chain. The new mid-term management plan serves as an action plan for the coming three years as we work toward the ultimate goal.

**Sawada:** To prepare for the shift to ESG management, including the new mid-term management plan, the board has exchanged many opinions. The Nitto Group’s Corporate Philosophy is three-tiered: at the base is The Nitto Way, the Vision comes in between, and the Mission is at the top. While the Mission, which denotes our duty and *raison d’être*, is rather universal, the Vision needs to change boldly as times change. But then again, there are things that we should change and things that we shouldn’t. With all this in mind, the board has discussed how ESG management can be possible at Nitto.

— **What is the atmosphere of board meetings really like?**

**Sawada:** I think Nitto should be proud of how effective its board meetings are. Every attendee shares the goal of “having good discussions” and “reaching good conclusions” and offers their opinions freely from not one but multiple angles.

It’s not just Directors who are outspoken. Auditors are, too. There’s no room to be reserved. Also, at board meetings, seats are usually assigned, but at Nitto, seats are decided by lot at each meeting.

**Takasaki:** It has been like that for a long time at Nitto and it means I could sit at a seat commonly regarded as a subordinate’s position. We don’t call each other by title but by “san.” By the way, seats at Corporate Strategy Meetings are decided by lot, too.

**Sawada:** You may think it’s just seat arrangements, but the course of discussions and the atmosphere of meetings can differ slightly depending on who is sitting in front of or beside you. Thanks to this house rule, I can participate in each meeting with a fresh perspective. Plus, during breaks such as lunch, etc., I always find it meaningful to have a small conversation with different persons every time, which helps to foster mutual understanding and fruitful discussions. What is important here is who you select as members of the board, and I think Nitto has done a fantastic job of making a well-conceived list of members.

**Takasaki:** We deliberately selected board members to invite as many diverse opinions as possible. Some have served the office for many years, and others are new. They come from different areas of expertise and backgrounds, and we have female and foreign members too. We tell them to say everything that comes to mind as we endeavor to provide the most suitable environment and atmosphere where they find it easy to do so, including seat assignment by lot.

— **What do you take note of during discussions at board meetings?**

**Sawada:** I think it’s important that each member with diverse backgrounds make their distinct attributes felt candidly. In my case, there are four things that set me apart from other members. First, my experience as a business manager. Second, a good understanding of technology, as I come from a technical background. Third, the experience of listening closely to requirements on ESG from investors and other stakeholders or social demand. Lastly, deliberately trying to see things from the viewpoint of those in the field throughout my career as a businessperson. Whenever we have a proposal, I make it a rule to think from these four perspectives and offer opinions of my own.

I believe other Outside Directors think in a similar way. Being conscious of fields where they have abundant knowledge and experience and trying to cover points that internal Directors may miss, they all try to offer something meaningful to discussions. After all the opinions have been aired, Takasaki-san wraps up the meeting. As was the case when we discussed “future-financial elements,” once a decision is made, everyone changes course together in the blink of an eye to head in a new direction, which never fails to surprise me.

**Takasaki:** I believe that speed and integrity also form

part of Nitto’s DNA. Once I’m convinced, I’m quick. When someone suggests something, and I think, “Bingo!” I act the following day.

— **Now that ESG has been placed at the core of Nitto’s management, I’m sure the public’s perception of the Nitto Group will be different and, for that matter, the way you see the world around you may change. What do you envision in this regard?**

**Takasaki:** For us to become an “ESG top company,” I think it practical to use external ESG ratings, for example, to indicate how far we have reached and aim higher. Yet, if it’s just us trying hard, the value we can offer to society is naturally limited. We purchase raw materials from numerous suppliers and provide products, but many are not end products. As such, we need to produce results as we cooperate with other players in the supply chain to which the Nitto Group belongs. There may be some initial reluctance, but we will do our best, hoping to hear them someday say, “Thanks to your leadership, we have been able to pull ahead of our competitors in terms of ESG.”

**Sawada:** You never assume that all is well just because you are doing fine, and such a human touch is what I appreciate about the Nitto Group. When such an attitude and innovation are combined, Nitto can provide amazement and inspiration to customers, and if you keep shifting to products certified for PlanetFlags/HumanFlags, you will have more niche top products, which in turn further consolidate your business foundation. That is the Nitto I want to see.



# Directors and Auditors (As of June 23, 2023)



**Mitsuhide Shiraki**  
Outside Corporate Auditor

**Shin Tokuyasu**  
Corporate Auditor

**Yasuhiro Iseyama**  
Director, Senior Executive  
Vice President

**Michitaka Sawada**  
Outside Director

**Yosuke Miki**  
Director, Senior Executive  
Vice President

**Tamio Fukuda**  
Outside Director

**Yoichiro Furuse**  
Director  
(part-time service)

**Masashi Teranishi**  
Outside Corporate Auditor

**Toshihiko Takayanagi**  
Corporate Auditor

**Mariko Eto**  
Outside Director

**Hideo Takasaki**  
Representative Director, President

**Wong Lai Yong**  
Outside Director

**Yasuhito Ohwaki**  
Director, Senior Executive  
Vice President

**Yasuhiro Yamada**  
Outside Director

**Yasuko Kobashikawa**  
Outside Corporate Auditor

# 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 (present)

## Yasuhiro Iseyama

Director, Senior Executive Vice President

June	1991	Joined Nitto Denko Corporation
June	2017	Vice President, General Manager of Corporate Accounting & Finance Division
June	2020	Director, Senior Vice President, CFO
June	2021	Director, Executive Vice President, CFO
June	2023	Director, Senior Executive Vice President, CFO (present)

## Yoichiro Furuse

Director (part-time service)

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 (retired in December 2020)
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)
January	2021	Consultant of Japan, Permira Advisers KK (retired in December 2022)
June	2023	Director (part-time service), Nitto Denko Corporation (present)

## Tamio Fukuda

Outside 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)

## Michitaka Sawada

Outside Director

April	1981	Joined Kao Soap Co., Ltd.
June	2008	Director, Executive Officer, Kao Corporation
June	2012	Representative Director, President and CEO, Kao Corporation
June	2020	Outside Director, Panasonic Corporation (present)
January	2021	Director and Chair of the Board of Directors, Kao Corporation (present)
June	2021	Outside Director, Nitto Denko Corporation (present)
June	2022	Outside Director, Komatsu Ltd. (present)

## Yasuhiro Yamada

Outside Director

April	1987	Joined Bank of Japan
May	2018	Executive Director, the Bank of Japan (retired in May 2022)
June	2022	Outside Director, Nitto Denko Corporation (present)
September	2022	Outside Director, SUSMED, Inc. (present)

## Yosuke Miki

Director, Senior 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
June	2019	Director, Senior Vice President
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
April	2021	Director, Executive Vice President, CTO
June	2022	Director, Senior Executive Vice President, CTO (present)

## Yasuhiro Ohwaki

Director, Senior Executive Vice President

April	1984	Joined Nitto Denko Corporation
June	2006	General Manager of Printed Circuits Department, Industrial Business Division
April	2010	General Manager of Planning & Management Department, Information and Communication Technology Division
April	2011	General Manager of Planning & Management Division, Tape Products Sector and General Manager of Planning & Management Department Industrial Products Division
April	2012	General Manager of Strategy Management Division, Functional Base Products Sector
June	2012	Vice President, General Manager of Functional Base Products Sector
October	2013	Vice President, General Manager of Automotive Products Sector
April	2015	Vice President, General Manager of Quality, Environment & Safety Management Sector
April	2017	Vice President, Director of Nitto Denko India Private Limited
June	2017	Senior Vice President
October	2018	Senior Vice President, CPO
October	2019	Senior Vice President, CIO, CPO
June	2020	Executive Vice President, CIO, General Manager of Corporate Sustainability Division
June	2021	Senior Executive Vice President
April	2022	Senior Executive Vice President, General Manager of Human Resources Management Division
June	2023	Director, Senior Executive Vice President, General Manager of Human Resources Management Division (present)

## Wong Lai Yong

Outside Director

September	2013	Founder, Principal Trainer and Consultant, First Penguin Sdn. Bhd. (present)
July	2018	Director, Penang Women's Development Corporation (present)
October	2019	Adjunct Associate Professor, Graduate School of Leadership and Innovation, Shizenkan University Deputy Center Leader, Center for Sustainability and Innovation (present)
June	2020	Outside Director, Nitto Denko Corporation (present)
November	2022	Outside Director, Farmnote Holdings, Inc. (present)

## Mariko Eto

Outside Director

April	1994	Joined MITSUI & CO., LTD.
October	2003	Resistered with Daini Tokyo Bar Association
April	2015	Joined TMI Associates
January	2017	Partner of TMI Associates (present)
March	2019	Outside Corporate Auditor, OTSUKA KAGU LTD. (retired in August 2021)
June	2022	Outside Director, Starzen Co., Ltd. (present)
June	2023	Outside Director, Nitto Denko Corporation (present)

# Corporate Auditors

## Shin Tokuyasu

Corporate Auditor

April	1985	Joined Nitto Denko Corporation
June	2017	Vice President, Representative Director, 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, UFJ Bank Limited
June	2002	Director, UFJ Holdings, Inc. (retired in June 2004)
May	2004	Representative Director, UFJ Bank Limited (retired in May 2004)
July	2004	Honorary Advisor, UFJ Bank Limited
January	2006	Honorary Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (present)
June	2008	Outside Corporate Auditor, Nitto Denko Corporation (present)
June	2011	Outside Director, Tsukishima Kikai Co., Ltd. (retired in June 2018)

## 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
October	2009	Vice President of Japan Academy of International Business Studies
June	2012	Outside Corporate Auditor, 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
October	2021	Permanent Director of Japan Academy of International Business Studies (present)
April	2022	Professor Emeritus, Waseda University
April	2022	Visiting Professor, Kokushikan University (present)

## Toshihiko Takayanagi

Corporate Auditor

April	1981	Joined Nitto Denko Corporation
June	2009	Representative Director, Nitto Shinko Corporation
August	2014	Vice President, Chairman, Nitto Denko (China) Investment Co., Ltd.
April	2018	Vice President, General Manager of Sales Management Sector & Manager of Tokyo Sales Branch
June	2018	Senior Vice President
June	2020	Executive Vice President, General Manager of Sales Management Sector, General Manager of Taiwan
June	2023	Corporate Auditor (full-time service) (present)

## Yasuko Kobashikawa

Outside Corporate Auditor

February	2001	Registered as a Certified Public Accountant
June	2006	Established MIKASA&Co
June	2015	Outside Director, ARTNATURE INC. (retired in June 2022)
December	2017	Established JK & CREW Tax Accountant's Corporation (present)
June	2023	Outside Corporate Auditor, Nitto Denko Corporation (present)

## Skills Matrix

Name	Title	Gender	Length of service	Leadership	Technology	Finance	Governance	Sustainability
Hideo Takasaki	Representative Director	Male	15	●				
Yosuke Miki	Director	Male	6	●	●			
Yasuhiro Iseyama	Director	Male	3			●	●	
Yasuhiro Ohwaki	Director	Male	—	●			●	●
Yoichiro Furuse	Director	Male	16	●		●	●	
Tamio Fukuda	Outside Director	Male	5	●	●			●
Wong Lai Yong	Outside Director	Female	3				●	●
Michitaka Sawada	Outside Director	Male	2	●	●			●
Yasuhiro Yamada	Outside Director	Male	1		●	●	●	
Mariko Eto	Outside Director	Female	—				●	●
Shin Tokuyasu	Corporate Auditor (full-time service)	Male	4			●		●
Toshihiko Takayanagi	Corporate Auditor (full-time service)	Male	—	●			●	
Masashi Teranishi	Outside Auditor	Male	15	●		●	●	
Mitsuhide Shiraki	Outside Auditor	Male	11				●	●
Yasuko Kobashikawa	Outside Auditor	Female	—			●	●	

\*The table above shows skills specifically expected and is not all-inclusive.

\*Director Hideo Takasaki is designated as Leadership only from the viewpoint that it is most important for him to oversee management as President-Director.

## Policies and Procedures for Electing and Dismissing Directors and Corporate Auditors

### Appropriate structure of the Board of Directors and Board of Corporate Auditors

Given the current scale of business, the need to facilitate substantial discussions at Board of Directors meetings and Board of Corporate Auditors meetings and to ensure an appropriate number of Outside Directors, and so forth, the Company believes that the appropriate size of the Board of Directors is not more than ten (10) Directors (one third (1/3) or more of whom are Independent Outside Directors). Likewise, the Articles of Incorporation set an upper limit of ten (10). The Company also believes that the appropriate size of the Board of Corporate Auditors is not more than five (5) members (half or more of whom are Independent Outside Corporate Auditors), who are individuals having appropriate experience and ability as well as necessary knowledge in finance, accounting, and legal affairs, with at least one (1) Corporate Auditor who has sufficient expertise in finance and accounting. Likewise, the Articles of Incorporation set an upper limit of five (5). Furthermore, in order to make important policy decisions in an ever-changing business environment and to exercise a sustained supervisory function, we have identified five qualities, knowledge, experience, etc. (hereinafter collectively referred to as "skills") in "leadership," "technology," "finance," "governance," and "sustainability" for the Board of Directors and Board of Corporate Auditors and believe that a composition that ensures a good balance of such skills will contribute to management.

### Five skills identified by the Company

Skill	Reason for selection
Leadership	For a company to keep growing in a dramatically changing business environment, it needs to make bold business decisions. For this reason, we have chosen leadership qualities and experience in a global organization, such as being part of a management team or a person responsible for a large project at a listed company, or a manager of a venture company, or having a key role in a government, as a skill we seek in our Board members.
Technology	To achieve Nitto's mission, "Contribute to customers' value creation with innovative ideas," we need to keep investing in innovation. For this reason, we have chosen in-depth knowledge in science and technology not only in relation to our existing businesses but also in relation to IT, DX, quality, the environment, safety technologies, and new areas as a skill we seek in our Board members.
Finance	To manage a company, we need scientific investment measures based on financial indicators. For this reason, we have chosen knowledge in finance and accounting as a skill we seek in our Board members.
Governance	The statement, "We place safety before everything else," which is one of the principles of "The Nitto Way," also encompasses "safety in business management." For this reason, we have chosen insights into and board experience in areas such as legal matters, risk management, and labor as a skill we seek in our Board members.
Sustainability	For a company to keep growing, it needs to help build a sustainable society in addition to achieving its own growth. For this reason, we have chosen a background in areas, such as diversity, environmental contribution, and brand value, as a skill we seek in our Board members.

### Appointment and Dismissing of Directors and Corporate Auditors

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

#### <Officer Appointment Standards>

1. A person who practices the Nitto Way\*
2. A person who can contribute to the Company with the five skills identified by the Company.

\*Our values, attitudes and mindset, and code of conduct are based on placing safety before everything else, amazing and inspiring our customers, anticipating and leveraging change, taking on challenges for new value creation, acting promptly and following through on decisions with determination, transforming ourselves constantly, and having an attitude of integrity, and understanding and respecting diversity.

#### <Officer Dismissal Standards>

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

## Vice Presidents (As of June 23, 2023)

Name	Title (Position)	Responsibilities
Hideo Takasaki	Representative Director, President CEO, COO	
Yasuhiro Ohwaki	Director, Senior Executive Vice President General Manager of Human Resources Management Division	Human resources & education, diversity & inclusion promotion, and management of plants in Japan
Yosuke Miki	Director, Senior Executive Vice President, CTO General Manager of Corporate Technology Sector	Corporate technology (R&D)
Yasuhiro Iseyama	Director, Senior Executive Vice President, CFO General Manager of Corporate Accounting & Finance Division, General Manager of Export Control Center	Accounting & finance, IR, export control, and internal audit
Sam Strijckmans	Executive Vice President General Manager of EMEA (Europe, the Middle East, and Africa) President & CEO, Nitto EMEA NV	Management of EMEA (Europe, the Middle East, and Africa)
Seiji Fujioka	Executive Vice President General Manager of Human Life Solutions Sector	Human life solutions business
Kazuki Tsuchimoto	Executive Vice President, CIO General Manager of Production Division	IT, manufacturing & production engineering, and environment & safety management
Atsushi Ukon	Senior Vice President President, Nissho Corporation	Management of business companies
Bae-Won Lee	Senior Vice President General Manager of South Korea Representative Director and President, Korea Nitto Optical Co., Ltd.	Management of South Korea and information fine materials business
Norio Sato	Senior Vice President General Manager of Advanced Film Solution Division	Advanced Film Solution
Katsuyoshi Jo	Senior Vice President General Manager of PRC Chairman and President, Nitto Denko (China) Investment Co., Ltd.	Management of PRC
Tatsuya Akagi	Senior Vice President General Manager of Information Fine Materials Sector	Information fine materials business
Yukihiro Horikawa	Senior Vice President General Manager of North America and South America President, Nitto, Inc.	Management of North America and South America
Nobuyuki Aoki	Senior Vice President General Manager of Corporate Strategy & ESG Management Division	Corporate strategy, ESG promotion, and PR
Kenjiro Asuma	Senior Vice President Deputy General Manager of Advanced Film Solution Division	Advanced Film Solution and Management of EMEA (Europe, the Middle East, and Africa)
Yasuhiro Hayashi	Senior Vice President General Manager of Legal & Compliance Division, Deputy General Manager of Corporate Strategy & ESG Management Division	Legal & general affairs, compliance, risk management, and ESG promotion
Scott Shu	Vice President General Manager of South Asia, India, and Oceania Chairman and President, Nitto Denko (Singapore) Pte. Ltd.	Management of South Asia, India, and Oceania
Shingo Suita	Vice President General Manager of Functional Base Products Sector	Functional base products business
Yoshihiko Terada	Vice President General Manager of Medical Division, Human Life Solutions Sector	Medical business
Hitoki Kanagawa	Vice President Deputy General Manager of Information Fine Materials Sector	Information fine materials business
Yoichiro Sugino	Vice President General Manager of Information and Communication Technology Sector	ICT business
Nao Murakami	Vice President General Manager of New Business Development Division, Corporate Technology Sector	Corporate Technology (New Business)
Hisataka Ishida	Vice President General Manager of Sales Management Division, General Manager of Taiwan	Sales management & sales support and management of Taiwan
Naoki Makino	Vice President Representative Director, Nitto Shinko Corporation	Management of business companies
Michihiro Hagiwara	Vice President General Manager of Quality Assurance Division	Quality
Junichi Matsumoto	Vice President, CPO General Manager of Procurement Business Division, General Manager of Business Reform Promotion Division	Procurement, logistics, and business reform
Hiroyuki Katayama	Vice President General Manager of Membrane Division, Human Life Solutions Sector	Membrane business

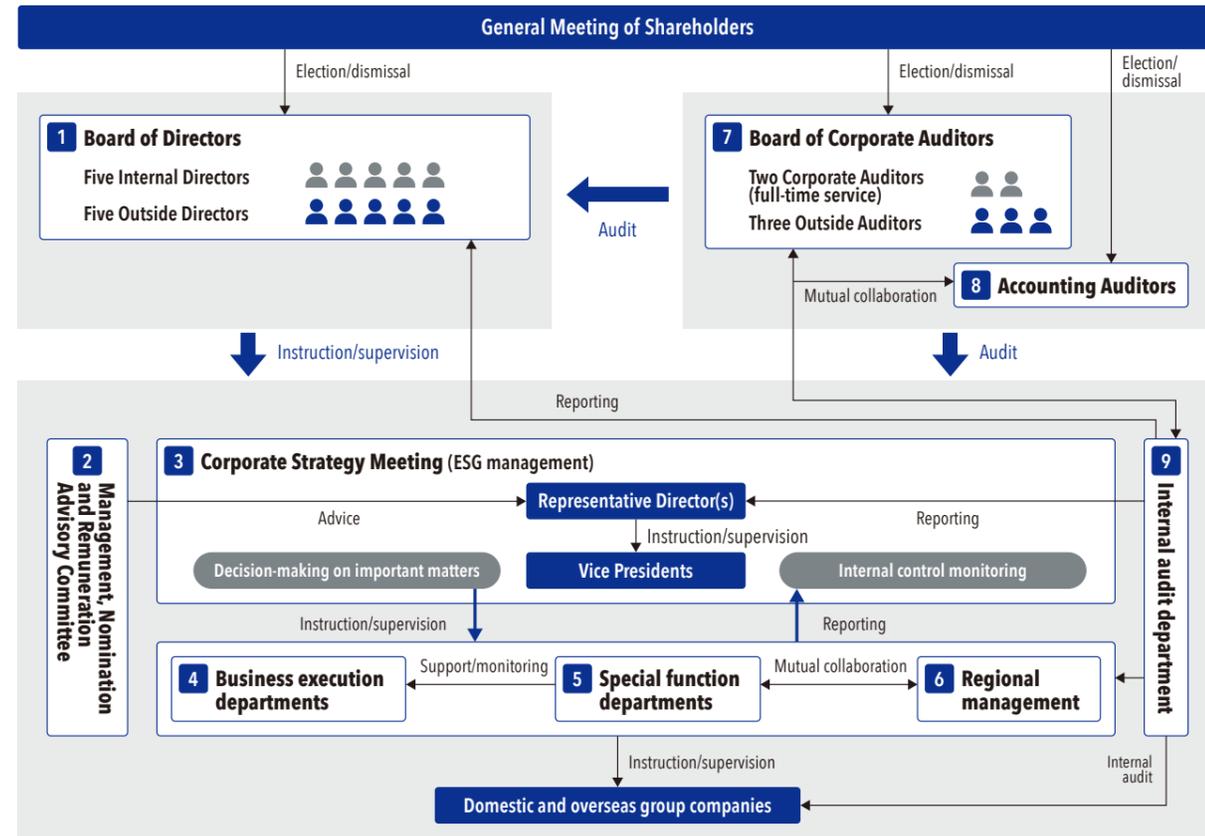
\*CEO: Chief Executive Officer, COO: Chief Operating Officer, CTO: Chief Technology Officer, CFO: Chief Financial Officer, CIO: Chief Information Officer, CPO: Chief Procurement Officer

# Corporate Governance System

Nitto recognizes that the structure we choose to build for corporate governance is vitally important to facilitate the promotion of business activities. Dedicated wholeheartedly to addressing social challenges, not to mention being careful not to do something illegal, we make constant efforts to improve corporate governance to realize a better management system.

As part of this initiative, Nitto maintains the corporate governance structure as below.

## Corporate Governance System



### System for Ensuring the Effectiveness of Internal Control Monitoring

The Company has appointed a Director or Vice President in charge of compliance and risk management and established a department in charge within the specialized functional departments. These systems promote compliance and risk management. In addition, the department in charge puts together the status of compliance and risks and reports to the Board of Directors and Corporate Strategy Meeting on a regular basis. Representative Directors and Vice Presidents, who are members of the Board of Directors and the Corporate Strategy Meeting, instruct the responsible business execution departments and Group companies in their respective areas to make improvements, thereby ensuring the effectiveness of internal control monitoring.

### System for Ensuring the Effectiveness of ESG Management Promotion

The Company has appointed a Director or Vice President in charge of ESG promotion and established a department in charge within a specialized functional department. The relevant department makes proposals on sustainability, including the identification of materiality issues, based on which the Board of Directors and the Corporate Strategy Meeting make decisions. The Representative Directors and Vice Presidents, who are members of the Board of Directors and the Corporate Strategy Meeting, instruct the responsible business execution departments and Group companies in their respective areas to implement the proposals, ensuring the effectiveness of ESG management promotion.

## Descriptions and Roles of the Organizations

Institution	Roles, etc.
<b>1 Board of Directors</b> [Chairperson] Hideo Takasaki, President-Director	<b>[Composition] Five (5) Internal Directors and five (5) Outside Directors (ten (10) in total)</b> <ul style="list-style-type: none"> <li>Decision-making on important matters such as basic policies and strategic management decisions, including management policy, mid-term management plan, and ESG management</li> <li>Supervision of business execution by Representative Directors, Vice Presidents, etc.</li> <li>Establishment of internal controls and supervision of its operational status</li> <li>Decision-making on other legal resolutions</li> </ul>
<b>2 Management, Nomination and Remuneration Advisory Committee</b> [Chairperson] Hideo Takasaki, President-Director	<b>[Composition] One (1) Representative Director, five (5) Outside Directors, three (3) Outside Corporate Auditors (nine (9) in total)</b> <ul style="list-style-type: none"> <li>Voluntary advisory committee</li> <li>A structure where Representative Director receives appropriate engagement and advice from Outside Directors and Outside Corporate Auditors in advance and important matters are deliberated at the Board of Directors thereafter</li> <li>Advice on important issues including important management themes, nomination of Directors, and executive remuneration</li> </ul>
<b>3 Corporate Strategy Meeting</b> [Chairperson] Hideo Takasaki, President-Director	<b>[Composition] Twenty-six (26) Directors and Vice Presidents (including those concurrently serving as Directors; twenty-seven (27) in total)</b> * Members may be limited for discussion of urgent/technical agenda items. <ul style="list-style-type: none"> <li>Decision-making on important management matters</li> <li>Discussion and decision-making on measures to promote ESG management</li> <li>Internal control monitoring and decision-making on corrective measures</li> </ul>
<b>4 Business execution departments</b>	<ul style="list-style-type: none"> <li>Execution of business delegated by the Representative Director(s)</li> <li>Decision-making on important business operations through meetings hosted by the business execution departments (chaired by the Head of said department).</li> </ul>
<b>5 Special function departments</b>	<ul style="list-style-type: none"> <li>Support for business execution departments from a professional perspective by special function departments organized by function, such as management strategy, human resources, accounting and finance, etc.</li> <li>Control and monitor compliance of business execution departments through the formulation of rules and regulations, etc.</li> </ul>
<b>6 Regional management</b>	<ul style="list-style-type: none"> <li>Established in major overseas regions (Americas, EMEA, China, Korea, Taiwan, South Asia/India/Oceania)</li> <li>Support, control and monitoring based on the characteristics of each region, implemented in cooperation with special function departments</li> </ul>
<b>7 Board of Corporate Auditors</b> [Chairperson] Shin Tokuyasu, Corporate Auditor (full-time service)	<b>[Composition] Two (2) Corporate Auditors (full-time service) and three (3) Outside Auditors (five (5) Auditors in total)</b> <ul style="list-style-type: none"> <li>Monitoring of directors' execution of duties through attendance at Board of Directors meetings</li> <li>Attendance at important meetings, interviews with Directors and employees on the status of their activities, inspection of approved documents and other important documents, inspection of the head office, technology and business divisions and offices, and domestic and overseas group companies, as well as interviews with the Accounting Auditors on their audit reports and exchanges of opinions.</li> </ul>
<b>8 Accounting Auditors</b>	<b>KPMG AZSA LLC</b> <ul style="list-style-type: none"> <li>Audit of appropriateness and legality of accounting and internal control over accounting</li> </ul>
<b>9 Internal audit department</b>	<ul style="list-style-type: none"> <li>Internal audits of the accuracy, legitimacy, and reasonableness of management activities at each Group company for the purpose of contributing to the improvement of operations and business performance, independent of the execution of those activities.</li> <li>Internal audits include QES audits for quality, environment, and safety, and external evaluations on a regular basis.</li> </ul>

## Findings on the Nitto Board Effectiveness Evaluation

Nitto Denko Corporation (hereinafter "Nitto") conducted an effectiveness analysis and evaluation of its Board of Directors for the fiscal year 2022 (FY2022), which confirmed that the Board is effective. The following shows a summary of the evaluation process and findings.

### 1. An outline of the evaluation process

Nitto engaged a third party organization to conduct a survey of all its Directors and Corporate Auditors. And based on the results of this survey, it analyzed and evaluated the effectiveness of its Board of Directors, following discussions at the Board. In this survey, to stimulate discussions at the

Board of Directors, the number of items presented in a five-point scale was reduced while the number of items requesting free statements was increased.

### 2. Questions

The current state of the Board of Directors, the composition of the Board, the operations of the Board, discussions at the Board meetings, monitoring functions of the Board, the performance of internal and outside directors, officer training, dialogues with shareholders (investors), an overview

### 3. Overview of the analysis/evaluation results

Nitto has confirmed that the strength of its Board of Directors is the open and robust discussions it has on all management issues, which was also found in the FY2021 evaluation.

The following was confirmed concerning efforts by the Board to address the challenges recognized in the FY2021 evaluation.

Under the slogan, "Place ESG at the core of our management," the Board had extensive and detailed discussions on measures such as the medium-term management plan and certification schemes for products that contribute to the environment and humankind. In addition, it was confirmed that the Board made efforts to leave no issues unaddressed; for instance, the skills matrix was disclosed, and there were more discussions on human resources at its meetings.

For its challenge for FY2023, it was suggested that the Board should have more in-depth discussions on human resources (especially on the appointment and development of management executives).

### 4. Future actions

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

## Remuneration for Directors and Corporate Auditors

Remuneration for Directors consists of "remuneration in cash" (fixed remuneration), "bonus for Directors in cash" (short-term performance-linked remuneration), "performance-linked share-based remuneration" (medium-term performance-linked remuneration), and "restricted share remuneration" (medium- and long-term performance-linked remuneration). For the purpose of standard evaluation, the target component ratio of remuneration is: Remuneration in cash : Bonus for Directors : Restricted share remuneration = 40% : 40% : 20%. Performance-linked share-based remuneration is provided as additional remuneration when medium-term targets are achieved, but not provided for a standard evaluation.

Part-time Directors, Outside Directors and Outside Corporate Auditors receive "remuneration in cash" (fixed remuneration) only on a monthly basis.

The policy related to the standard amount, calculation method, component ratio among different types of remunerations, timing or conditions of payment, etc. for the remuneration of each Director shall be decided by the Board of Directors, by comprehensively taking into account such factors as the Company's business conditions, management environment, the levels

### Topics discussed at Board of Directors meetings in fiscal 2022

<b>Management</b>	<ul style="list-style-type: none"> <li>Revision in The Nitto Way</li> <li>Drawing up of the mid-term management plan</li> <li>Development of a succession plan for officers</li> <li>Measures against climate change</li> <li>Individual M&amp;A deals</li> </ul>
<b>Monitoring</b>	<ul style="list-style-type: none"> <li>Verification of the implementation status of internal control</li> </ul>
<b>Others</b>	<ul style="list-style-type: none"> <li>Cross-shareholdings</li> <li>Dialogue with investors</li> </ul>

### Major consultations and deliberations discussed in the Management, Nomination and Remuneration Advisory Committee during fiscal 2022

<b>Management</b>	<ul style="list-style-type: none"> <li>Management framework and changes in the external environment</li> <li>Human resources strategy and human capital disclosures</li> </ul>
<b>Nomination</b>	<ul style="list-style-type: none"> <li>Director appointment standards</li> </ul>
<b>Remuneration</b>	<ul style="list-style-type: none"> <li>Revision of the standards for granting performance-linked share-based remuneration</li> <li>Confirmation of consistency between the executive remuneration policy and this fiscal year's director remuneration</li> </ul>

of remuneration to officers at major companies of a similar scale in the same industry as the Company, after receiving a report on the results of deliberations by the Management, Nomination and Remuneration Advisory Committee. The details are as follows:

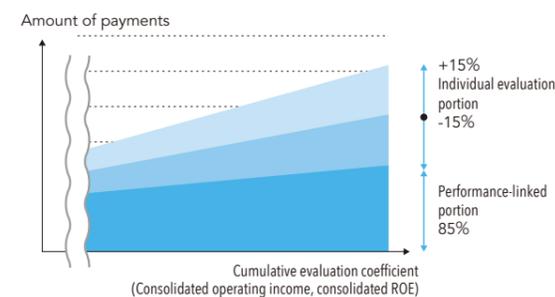
#### Remuneration in cash

Monthly remuneration as determined by position, etc.

#### Bonus for Directors in cash

Comprises the performance-linked portion (85%), which reflects the Group's performance, and the individual evaluation portion (-15% to 15%), which reflects individual performance. The amount of the performance-linked portion is determined based on progress made toward achieving the Group's key performance indicators of consolidated operating income and consolidated ROE.

#### Breakdown of Bonus for Directors



### Performance-linked share-based remuneration

This additional remuneration is designed to incentivize Directors to improve business performance over the mid-term, and share-based remuneration is granted once every three consecutive business terms. The number of shares to be granted ranges from 10% to 150% and depends on the progress made toward achieving the key performance indicators of consolidated operating income, consolidated ROE, and ESG-related items (future-financial targets that the Company deems important).

\* Performance evaluation period: April 1, 2023-March 31, 2026

#### Table of shares issued

Number of shares delivered individually = Number of shares to be issued (1) x Payment rate (2)

\* Any fraction of less than 100 shares resulting from the calculation will be rounded down to the nearest 100 shares.

#### (1) Number of shares to be issued

Position	Number of shares to be issued
President-Director	5,400
Director, Senior Executive Vice President	1,900
Director, Executive Vice President	1,600
Director, Senior Vice President	1,000
Director, Vice President	800

#### Amount of remuneration, etc. for Directors and Corporate Auditors

(Yen in Millions)

Position	Total amount of remuneration, etc.	Remuneration by type				Number of eligible Directors and Corporate Auditors
		Fixed remuneration	Performance-linked remuneration			
		Basic Remuneration (cash)	Bonus paid to Directors (cash)	Performance-linked share based remuneration	Restricted share remuneration	
Directors (excluding Outside Directors)	641	198	365	-	77	4
Outside Directors	103	103	-	-	-	6
Corporate Auditors (excluding Outside Corporate Auditors)	83	83	-	-	-	2
Outside Corporate Auditors	48	48	-	-	-	3

Notes:

- The above includes one Director (not Outside Director) who retired during the fiscal year.
- The maximum amount of base remuneration and bonuses for directors was resolved at the 157th Ordinary General Meeting of Shareholders held on June 17, 2022 to be no more than 1 billion yen per year (including no more than 120 million yen for Outside Directors). The number of Directors at the close of the said Ordinary General Meeting of Shareholders was ten (of which, six were Outside Directors). The maximum amount of basic remuneration for Corporate Auditors was resolved at the 156th Ordinary General Meeting of Shareholders held on June 18, 2021 to be no more than 144 million yen per year. The number of Corporate Auditors at the close of said Ordinary General Meeting of Shareholders is five.
- The above bonuses to Directors, excluding Outside Directors, are the amounts paid by resolution of the Board of Directors based on the resolution of the General Meeting of Shareholders as described in Note 2.
- The upper limits of the total value and the number of shares to be granted to Directors (excluding Outside Directors) in the form of performance-linked share-based remuneration were set at 364 million yen and 48,400 shares a year at the 153rd Ordinary General Meeting of Shareholders held on June 22, 2018. The number of Directors at the close of the said Ordinary General Meeting of Shareholders was nine (of which, three were Outside Directors).
- The upper limit of the total value and the number of shares to be granted to Directors (excluding Outside Directors) in the form of restricted share remuneration were set at 243 million yen and 32,000 shares a year at the 153rd Ordinary General Meeting of Shareholders held on June 22, 2018. The number of Directors at the close of the said Ordinary General Meeting of Shareholders was nine (of which, three were Outside Directors).
- In accordance with the determination process, the Board of Directors has delegated the determination of the specific details of remuneration in cash and bonuses for directors to Hideo Takasaki, President-Director based on a resolution of the Board of Directors.
- Consolidated operating income and consolidated ROE are adopted as indicators based on which bonuses for Directors and performance-linked share-based remuneration are calculated. For the fiscal year, the Company's consolidated operating income was 147,173 million yen and consolidated ROE 12.7%. There will be no payment of performance-linked share-based remuneration as the Company did not achieve its targets. Restricted share remuneration is linked to the market price of the Company's shares. There is nothing that needs to be disclosed in relation to its performance.
- Individual remuneration and so on granted to Directors and others for the fiscal year are (or will be) paid in accordance with the determination process. The Board of Directors considers that their details are in line with the Company's remuneration policy.
- Salaries (including bonuses) of Directors concurrently serving as employees are separate from the above remuneration, etc., but no employee salaries were paid in the fiscal year.

### (2) Payment rate

		Consolidated ROE	
		Up to 15%	15% and above
Consolidated operating income	Up to 170 billion yen	0%	
	170 billion yen or more - less than 185 billion yen	30%	100%
	185 billion yen and above	50%	120%

+

ESG-related items*	Payment rate
9 items achieved	30%
7-8 items achieved	20%
5-6 items achieved	10%
0-4 items achieved	0%

\* The nine future-financial targets listed under "Management Targets" for the mid-term management plan

### Restricted share remuneration

Share remuneration is granted in the quantity determined by the recipient's position, etc. The amount of remuneration is linked to the market price by setting restrictions on transfer until retirement.

# Message from a New Outside Director



## An Organization That Embodies Reasonable Optimism

Yasuhiro Yamada  
Outside Director

### A Corporate Culture That Enjoys Challenge

Over the past year, I have had the pleasure of exchanging opinions at board meetings and made many discoveries through exchanges with employees when I visited various plants. In doing so, I discovered three things about Nitto's corporate culture. One such discovery, which impressed me profoundly, was Nitto's corporate culture of enjoying challenges.

Humans and companies tend to use pessimistic thinking or risk avoidance as an excuse not to take on challenges. On the other hand, always acting optimistically without deep thought is an act of sheer recklessness, and no business can survive if many of their employees act that way.

To quote the words of my favorite philosopher, commonly known as Alain, "Pessimism of the intellect, optimism of the will." A mindset of evidence-based optimism with due care (reasonable optimism) is something that any organization seeking growth and development cannot do without. Being ever positive and tolerant of new challenges, Nitto is fully aware of this essential mindset and embodies it well. My convictions in this regard have grown stronger over time.

I was also impressed by the strong awareness of playing fields for business growth. You determine things that will grow, that is, business fields with greater potential, incorporate them without hesitation, and attempt to reconfigure your business portfolio. I think that's part of Nitto's culture.

And then inclusion. It takes more than having diverse persons (diversity) to make a competitive organization. The "atmosphere of respecting each other," which is evident throughout the company, is vital to unite individual wisdom. I'm sure that the attractive corporate culture, which

combines inclusion and diversity, contributes to the shining ability to execute business strategies.

### Decision-Making Balanced Between Risks and Opportunities

Being an Outside Director of Nitto who is always willing to take on challenges, I have kept roughly two things in mind.

First of all, for each matter discussed at the Board meeting, I try to determine if the decision-making process itself is free from issues. In many cases, those on the execution side are more versed in the fields of the topics for discussions than I am. Consequently, they might lose the balance between risks and opportunities related to execution because they have strong feelings and abundant knowledge about such topics. I make it a rule to ensure that discussions are not biased toward either side.

The other thing I'm conscious of is introducing other members to new perspectives that they may find worth consideration or informative by saying, "Is there any possibility of this happening?" I try to ask questions by tapping into what I have experienced and learned in my life, as well as my expertise in macroeconomics and financing.

Because most of the Nitto Group's business is B2B, the products it develops and manufactures may not be familiar to the public. Yet, many of its products, be they information equipment, medicines, or filtration membranes, are related to the lifestyle and business of most people in one way or another. I would be most pleased if our stakeholders took an interest in our products to exclaim, "Wow! I didn't realize Nitto's products are used here." At the same time, I am determined to fulfill my responsibilities as a Director, so that the Nitto Group can simultaneously solve social issues and create economic value.

# Compliance

## Ensuring Strict Compliance

For an enterprise to achieve sustainable growth, compliance provides a key foundation. To make compliance part of our corporate culture, the Nitto Group is taking various initiatives.

### Revision of the Nitto Group Business Conduct Guidelines

In 2006, the Nitto Group established the Nitto Group Business Conduct Guidelines (BCG) as a code of conduct for its officers and employees that serves as the foundation and cornerstone of compliance. In September 2022, to make it more compliant with recent social demand and the Nitto Group's ESG management, we made the first complete revision since it was released and disclosed it online (in 17 languages). The revised version is more to-the-point, and reader-friendly, and follows international norms.

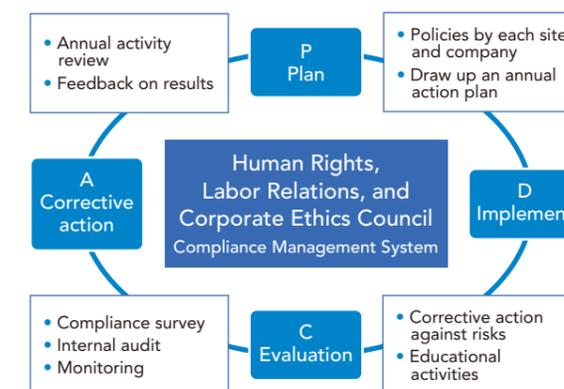
To make the new BCG known throughout the Group, we have produced videos in multiple languages for in-house training and distributed them. By fostering recognition from many angles like this to facilitate deeper understanding, we will ensure that everyone lives up to the BCG.

### Identifying Risks and Making Improvements Based on the Compliance Survey Results

In order to identify risks and take action against them, we began taking a full-fledged compliance survey that complies with the new BCG in fiscal 2023, in the hope that the new BCG will further penetrate throughout the Group and pin-point risks latent at each Group company and site.

The basic flow of the compliance survey is to send one to all employees within the Group once a year, summarize the results, and feed them back to each site and region.

### Nitto Group's Human Rights, Labor Relations, and Corporate Ethics Management System



Based on the findings of the compliance survey, we will draw up an action plan, according to which the Human Rights, Labor Relations, and Corporate Ethics Council will make efforts to reduce the risks. Comprised of members from heads of each Group company and site, this newly-formed council is designed to make the human rights, labor relations, and corporate ethics management system function smoothly.

Furthermore, in order to objectively validate the Council's activities to reduce compliance risks, monitoring is carried out by qualified experts from external organizations. Those experts are assigned to each Group company and site to check the status of their activities.

We will ensure compliance by having the Council implement the PDCA cycle to get the management system going.

## Establishment of the Global Whistle-Blowing System

The Nitto Group has established a system for transparently monitoring the spread of compliance awareness. We have introduced and operated a whistle-blowing system for employees that allows them to file reports to both internal and external contacts. The Partner Hotline, as it is called, is also available for business partners, including those from subcontracting businesses and construction services. Both contacts keep whistle-blowers' privacy strictly confidential, and anonymous reports are allowed. Respondents handle the reports thus made in line with confidentiality obligations. The operational rules of the system stipulate that whistle-blowers should never be treated unfairly and that no threat or reprisal against them should be tolerated.

Since October 2022, we have been working to build a global whistle-blowing system to keep the Nitto Head Office informed of what is going on and where, in order to handle problems in a timely manner. From fiscal 2023, the whistle-blowing system, which served each site and region separately, was unified globally for full-fledged implementation. By sharing information in a prompt manner, we will strengthen our governance further.

Number of reports via the global whistle-blowing system  
Fiscal 2022: **77**

# Risk Management

## Basic Ideas

The Nitto Group divides the risks that management recognizes as having the potential to have a significant impact on business activities into two categories: "business risks," which are associated with our businesses, and "operational risks," which can generate group-wide impact. Business risks include risks related to business, such as risks associated with business components and overseas business operations; risks based on external factors such as exchange rate fluctuations and geopolitics; and risks related to technological competitiveness such as new technology development capabilities and intellectual property rights. Operational risks include those related to safety, the environment, disasters, and product quality and defects and risks related to information security, responses to antisocial forces, and risks related to antimonopoly laws and export control laws. Accordingly, the Nitto Group properly manages risks.

## Risk Management System

The Nitto Group manages major risks under the risk management system stipulated in the Basic Policy on Internal Control. The business execution departments are responsible for controlling and managing "business risks," and the special function departments are responsible for "operational risks." In order to develop a global risk monitoring system, the regional management located in major overseas areas conduct monitoring on an area basis. Information on risks managed by each responsible department is reported monthly for deliberation to the Corporate Strategy Meeting, which is composed of directors and vice presidents. The results of the deliberations are immediately instructed to each responsible department, and measures to control risks, such as strengthening of control, are promptly implemented. Details of implementation and the status of improvement are reported and checked again at the

### Risk Management System



Corporate Strategy Meeting, thereby enhancing the effectiveness of the Group's risk management.

## Identification and the Management Status of Risks

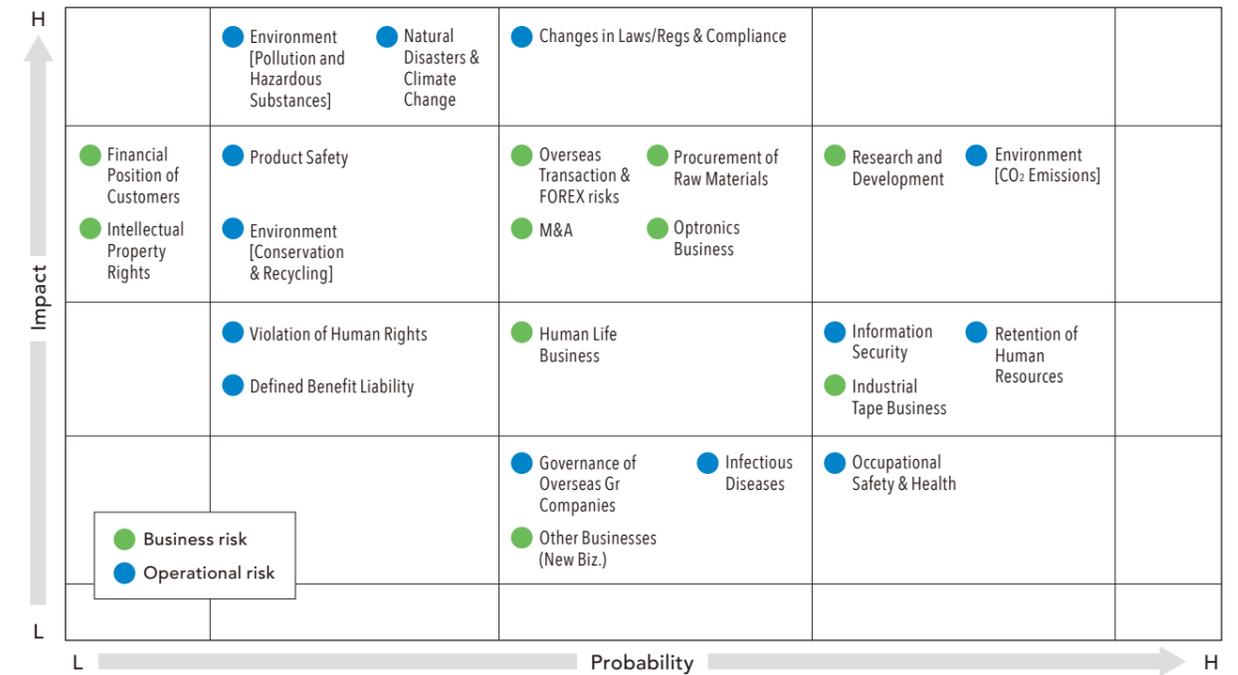
In addition to risks continuing from the previous fiscal years, risks that are to be newly added as subjects to management and reporting in the fiscal year are selected by the officer and department responsible for risk management. The selection is conducted based on interviews with directors, responsible departments, audit firms, etc., as well as analysis of the agenda and details of deliberations at monthly meetings of the Board of Directors and the Corporate Strategy Meeting. The selection is finalized after deliberation at the Corporate Strategy Meeting.

Major risks are recognized and visualized for their relative importance. To do so, we classify risks using a graph with two axes: "degree of impact" on the business in case when the incident, etc. occurs on the vertical axis and the "probability of occurrence" of the incident on the horizontal axis (see right).

At the end of the fiscal year, the responsible departments self-evaluate these major risks (business risks and operational risks) that are reported and deliberated by the Corporate Strategy Meeting, based on evaluation criteria, such as the establishment of an execution system, the implementation of controls and countermeasures, and the occurrence of incidents and responses to them. The department in charge of risk management evaluates the results from an independent standpoint, receives approval from the officer in charge of risk management, and reports the results to the Corporate Strategy Meeting and the Board of Directors as results of independent evaluations.

Shown to the right are the assessment results and the status of each risk at the fiscal-year-end. The fiscal-year-end assessment of each risk is represented by their increase/decrease from the beginning of the fiscal year.

Risk Map in Fiscal 2022



Assessment of Each Risk in Fiscal 2022

	Major Risks	Direction	Assessed Items
Business Risks	Overseas Transactions & Foreign Exchange Risks	→	Deterioration of cash flow Exchange rate fluctuation Customs clearance incidents Russia-Ukraine conflict
	Financial Position of Customers	→	Irrecoverable receivables
	Procurement of Raw Materials	↗	Bankruptcy of supplier Difficult procurement
	Research & Development	→	Delayed/obsolete R&D
	Intellectual Property Rights	→	Intellectual property infringement
	Industrial Tape Business	↗	Changes in semiconductor market Changes in automobile market
	Optronics Business	→	Product or tech obsolescence Changes in external environment Difficult procurement
	Human Life Business	↗	Changes in external environment Difficult procurement
	Other Business M&A	→	Failure of new business Failed M&A and partnerships
	Operational Risks	Product Safety	↗
Environment (CO <sub>2</sub> Emissions)		→	Response to environmental regulations
Environment (Conservation & Recycle)		→	Resource saving/recycling
Environment (Pollution & Hazardous Substance)		→	Pollution/Emission of harmful substances
Information Security		→	Information leakage/illegal use IT system destruction/failure
Changes in Laws, Regulations & Compliance		↗	Revision of laws and regulations Violation of laws Breach of compliance
Governance of Overseas Group Companies		↗	Poor governance of overseas group companies
Natural Disasters & Climate Change		→	Earthquake Typhoon
Infectious Diseases		↘	Infectious diseases
Retention of Human Resources		↗	Loss of human resources
Occupational Safety & Health	↗	Occupational safety and health	
Human Rights	→	Human rights violations	
Defined Benefit Liabilities	↗	Defined benefit liability	

↗ : Increased    → : No Change    ↘ : Decreased

For details of the major risks, please visit our website below:

<https://www.nitto.com/jp/en/sustainability/governance/management/risk/>