

This document has been translated from a part of the Notice of the 159th Ordinary General Meeting of Shareholders and is provided for your reference and convenience only, without any warranty as to its accuracy or as to the completeness of the information. The Japanese original of the document is the sole official version.

Securities Code: 3110

June 9, 2020

To Our Shareholders:

Yuichi Tsuji
Director, Representative and Chief Executive Officer
Nitto Boseki Co., Ltd.
Aza Higashi 1, Gonome, Fukushima-shi, Fukushima

Notice of the 159th Ordinary General Meeting of Shareholders

We hereby provide notice of the 159th Ordinary General Meeting of Shareholders (the “Meeting”) of Nitto Boseki Co., Ltd. (the “Company”), which will be held as indicated below.

To minimize the risk of infection from the novel coronavirus disease (COVID-19), the Company has decided to hold the Meeting with appropriate measures put in place to prevent infection.

In order to prevent the spread of infection, we request that if at all possible you exercise your voting rights prior to the Meeting in writing (by postal mail) or via the internet, etc., and regardless of your own state of health, you refrain from attending the Meeting in person.

Please note that the Company’s Ordinary General Meeting of Shareholders is usually held in Fukushima Prefecture, but in order to eliminate COVID-19 infection risks related to preparations for the Meeting and shareholders traveling to attend the Meeting, and giving serious regard to the stable use of the venue, etc., **the Meeting will be held at the Company’s Tokyo headquarters.**

When exercising your voting rights in writing (by postal mail) or via the internet, etc., in advance, please review the attached Reference Documents for the General Meeting of Shareholders, and while referring to “Instructions Concerning Exercise of Voting Rights” on page 3, exercise your voting rights by 5:25 p.m. on Wednesday, June 24, 2020 (JST).

Request Concerning Measures Against COVID-19

- **Changes may still be made to the aforementioned response to reflect the circumstances surrounding the spread of COVID-19, etc. We will provide the latest information on the Company’s website (<https://www.nittobo.co.jp/>). Before attending please check the website for updates.**
- We will take all the necessary precautions at the Meeting in the interest of protecting the safety of shareholders and preventing the spread of infection, which may include body temperature checks and a requirement to use hand sanitizer upon entry. In addition, shareholders who attend in person will be asked to wear a mask.
- The Company’s officers attending the Meeting and event staff will wear masks when interacting with shareholders.
- **Note that shareholders will be seated at a distance from each other, and it may therefore be impossible to provide sufficient seating for all attendees. Please be aware that, if all seats are filled, even shareholders who come to the venue will not be allowed to enter.**

1. **Date and Time:** Thursday, June 25, 2020, at 10:00 a.m.
2. **Venue:** Meeting Room at Tokyo Headquarters of Nitto Boseki Co., Ltd.
Kojimachi Odori Bldg., 2-4-1, Kojimachi, Chiyoda-ku, Tokyo
- Note: Unlike in previous years, the Meeting will be held at the Company's Tokyo Headquarters.
Gifts will not be provided at the Meeting.**

3. **Purpose of the Meeting**

Matters to be reported

1. The Business Report and the Consolidated Financial Statements for the 159th fiscal year (from April 1, 2019 to March 31, 2020), and the results of audits of the Consolidated Financial Statements by the Accounting Auditor and the Audit Committee
2. The Non-consolidated Financial Statements for the 159th fiscal year (from April 1, 2019 to March 31, 2020)

Matters to be resolved

Proposal No. 1: Dividends of Surplus

Proposal No. 2: Election of Seven Directors

4. **Disclosure on the Internet**

If any changes are made to items in the Reference Documents for the General Meeting of Shareholders, such changes will be posted on the Company's website.
(<https://www.nittobo.co.jp/eng/>)

Supplementary information for English readers

The Consolidated Financial Statements and an introduction to the Company's business operations are available on the Company's website.

Investor Relations: <https://www.nittobo.co.jp/eng/ir/index.htm>

Introduction to the Company's business operations (Business Intro): <https://www.nittobo.co.jp/english/business/index.htm>

Instructions Concerning Exercise of Voting Rights

Voting rights at the General Meeting of Shareholders are an important right of all shareholders.

Please exercise your voting rights after reviewing the attached Reference Documents for the General Meeting of Shareholders.

In order to minimize the spread of COVID-19, we request that shareholders, if at all possible, exercise their voting rights in writing (by postal mail) or via the internet, etc.

Exercising Voting Rights in Writing (by Postal Mail) or via the Internet, etc.

1. Exercising Voting Rights in Writing (by Postal Mail)

Please indicate, on the enclosed voting card, your approval or disapproval with respect to each proposal and then return the card by postal mail.

If you submit a voting card without indicating your approval or disapproval with respect to each proposal, it will be deemed as an approval.

Deadline for exercising voting rights: To be received by Wednesday, June 24, 2020, at 5:25 p.m. (JST)

2. Exercising Voting Rights via Smartphone or the Internet, etc.

To exercise voting rights via the internet, please access the “smart voting” website or “website for the exercise of voting rights (<https://soukai.mizuho-tb.co.jp/>)” designated by the Company from your smartphone or personal computer, and enter your approval or disapproval with respect to each proposal by following the instructions displayed on the screen by the deadline for exercising voting rights.

- (1) If you exercise your voting rights both in writing (by postal mail) and via the internet, etc., the exercise of your voting rights via the internet, etc. will be treated as valid.
- (2) If you exercise your voting rights multiple times via the internet, etc., the last exercise of your voting rights will be treated as valid.

Deadline for exercising voting rights: To be exercised by Wednesday, June 24, 2020, at 5:25 p.m. (JST)

Exercising Voting Rights via the Voting Rights Exercise Platform (For Institutional Investors)

Institutional investors can utilize the electronic voting platform operated by ICJ, Inc.

When Attending the General Meeting of Shareholders in Person:

Please present the enclosed voting card at the reception.

Date and Time: Thursday, June 25, 2020, at 10:00 a.m. (Reception will open at 9:00 a.m.)

Supplementary information for English readers

The website that the Company uses for the exercise of voting rights (<https://soukai.mizuho-tb.co.jp/>) is available in Japanese only.

Reference Documents for the General Meeting of Shareholders

Proposals and Reference Information

Proposal No. 1 Dividends of Surplus

The Company regards its policy of paying dividends to its shareholders as one of the top priorities, and it maintains a basic policy to improve stable dividend payment while giving consideration to a comprehensive range of matters including enhancement of internal reserves to strengthen the financial structure and for stable future growth.

In line with this policy, the Company proposes to pay year-end dividends for the 159th fiscal year of ¥25 per share, ¥5 higher than the year-end dividend of the previous year.

As the Company has already paid an interim dividend of ¥20 per share, the annual dividend will be ¥45 per share.

- (1) Type of dividend property
Cash
- (2) Allotment of dividend property to shareholders and their aggregate amount
¥25 per common share of the Company
The total dividends: ¥969,986,075
- (3) Effective date of dividends of surplus
June 26, 2020

[Reference]

Trends in Dividends

Item	155th fiscal year (Fiscal year ended March 31, 2016)	156th fiscal year (Fiscal year ended March 31, 2017)	157th fiscal year (Fiscal year ended March 31, 2018)	158th fiscal year (Fiscal year ended March 31, 2019)	159th fiscal year (Fiscal year ended March 31, 2020)
Annual dividend per share (Yen)	30	35	40	40	45
Annual dividend (Millions of yen)	1,195	1,379	1,552	1,552	1,746
Consolidated dividends payout ratio (%)	21.4	18.6	15.2	19.4	30.3
Amount used to acquire the treasury shares (Millions of yen)	15	1,742	780	6	10
Total return ratio (%)	21.6	41.7	22.8	19.5	29.6

(Note) The Company conducted a consolidation of common shares at a rate of one share for every five shares as of October 1, 2017. The amounts of annual dividend per share from the 155th fiscal year to the 157th fiscal year reflect the values after the consolidation of shares.

Proposal No. 2 Election of Seven Directors

The terms of office of all currently serving six Directors will expire at the conclusion of the Meeting. In this regard, in accordance with the decision made by the Nominating Committee, the Company proposes to elect seven new Directors (including four External Directors).

To ensure a system by which the whole of the Board of Directors is able to suitably supervise the execution of the Company's business, the basic policy is to have the Board of Directors comprised of Internal Directors, who have capabilities and insight with respect to respective businesses and overall management, and External Directors, who are in number at least the same as Internal Directors and are able to provide valuable opinions concerning the enhancement of governance, etc. from the multiple perspectives of the stakeholders, etc.

If this proposal is approved and adopted as originally proposed, the number of External Directors in the Board of Directors of the Company increases by one to become four compared with three Internal Directors, making a composition of seven Directors with four External Directors.

All of the four candidates for External Directors satisfy the "Independence Criteria for External Directors" established by the Company and the requirements for independence stipulated by Tokyo Stock Exchange, Inc.

Please refer to the activities of External Directors during the fiscal year under review on page 19.

The candidates for Director are as follows:


Candidate No.		Name	Current Position and Responsibility in the Company	Attendance at meetings of Board of Directors
1	<input checked="" type="checkbox"/> Reelection	Yuichi Tsuji	Director Member of Nominating Committee, Member of Compensation Committee Representative and Chief Executive Officer	15/15
2	<input checked="" type="checkbox"/> Reelection	Toyoshi Nishizaka	Director Member of Audit Committee	15/15
3	<input checked="" type="checkbox"/> Reelection	Yu Nozaki	Director	14/15
4	<input checked="" type="checkbox"/> Reelection <input type="checkbox"/> External <input type="checkbox"/> Independent	Masamichi Ouchi	External Director Chairman of Audit Committee, Member of Nominating Committee, Member of Compensation Committee	15/15
5	<input checked="" type="checkbox"/> New election <input type="checkbox"/> External <input type="checkbox"/> Independent	Sadayoshi Fujishige	—	—
6	<input checked="" type="checkbox"/> New election <input type="checkbox"/> External <input type="checkbox"/> Independent	Hiroshi Kagechika	—	—
7	<input checked="" type="checkbox"/> New election <input type="checkbox"/> External <input type="checkbox"/> Independent	Agasa Naito	—	—
<input type="checkbox"/> External : Candidate for External Director <input type="checkbox"/> Independent : Independent Officer				


[Reference]


Independence Criteria for External Directors


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


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



Candidate No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the Company, and Significant Concurrent Positions outside the Company	Number of the Company's Shares Owned
1	<p>Yuichi Tsuji (Oct. 25, 1959)</p> 	<p>Oct. 2013 Joined the Company General Manager of Accounting and Finance Dept.</p> <p>Apr. 2014 Operating Officer and General Manager of Accounting and Finance Dept.</p> <p>Jun. 2014 Executive Officer, General Manager of Corporate Business Planning Dept. and Responsible for Corporate Risk Management</p> <p>Nov. 2014 Executive Officer, General Manager of Corporate Business Planning Dept., Responsible for Corporate Risk Management, Human Resources Dept., Information System Dept., Compliance Management Dept., Purchasing Dept., Osaka Branch and Nagoya Branch</p> <p>Jun. 2015 Director and Executive Officer (current)</p> <p>Feb. 2016 Representative Executive Officer</p> <p>Jun. 2016 Representative and Chief Executive Officer (current)</p>	3,000
Reelection	<p>Attendance at meetings (Fiscal year ended March 31, 2020)</p> <p>Board of Directors: 15/15 Nominating Committee: 4/4 Compensation Committee: 4/4</p>	<p>Current Status in the Board: Member of Nominating Committee and Compensation Committee</p>	
<p>Reason for nomination as candidate for Director:</p> <p>Mr. Yuichi Tsuji assumed his office as Executive Officer in 2014 and was responsible for overall headquarters functions, including the Corporate Business Planning Dept. and Human Resources Dept.</p> <p>Since 2016, Mr. Tsuji has presided over the entire Nitto Boseki Group as Representative and Chief Executive Officer, and he currently is promoting the four-year Mid-term business plan “Go for Next 100” which began in the fiscal year ended March 31, 2018. He has ample business experience befitting a Director of the Company, and has a broad range of knowledge and deep insight into the Company's business. Therefore, the Company once again nominates him as a candidate for Director.</p> <p>If this proposal is approved and adopted, the Company plans to once again appoint Mr. Tsuji as Representative and Chief Executive Officer at a meeting of the Board of Directors after the conclusion of the Meeting.</p>			

Candidate No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the Company, and Significant Concurrent Positions outside the Company	Number of the Company's Shares Owned
2 Reelection	<p>Toyoshi Nishizaka (May 8, 1958)</p>  <p>Attendance at meetings (Fiscal year ended March 31, 2020) Board of Directors: 15/15 Audit Committee: 13/13</p>	<p>Apr. 1981 Joined the Company</p> <p>Jun. 2003 General Manager of Planning & Administration Dept., Glass Fiber Division</p> <p>Feb. 2007 General Manager of Human Resources Dept.</p> <p>Jun. 2008 Director and General Manager of Human Resources Dept.</p> <p>Oct. 2008 Operating Officer and President of Building Materials Division</p> <p>Apr. 2010 Managing Operating Officer and President of Environmental Division</p> <p>Jan. 2011 Managing Operating Officer and stationed at Main Branch (Fukushima)</p> <p>May 2012 President, Representative Director of Nittobo Allied Service Co., Ltd.</p> <p>Apr. 2013 Advisor and Head of Fukuyama Center of the Company</p> <p>Jun. 2014 Director (current)</p> <p>Current Status in the Board: Member of Audit Committee</p>	5,400
<p>Reason for nomination as candidate for Director:</p> <p>Mr. Toyoshi Nishizaka served as General Manager of Human Resources Dept. and President of Environmental Division and has experience in starting up overseas subsidiaries. Mr. Nishizaka was responsible for his office as Head of Fukuyama Center in 2013, and now serves as a Member of Audit Committee as a non-executive Director not concurrently serving as an Executive Officer. He has ample business experience befitting a Director of the Company, and has a broad range of knowledge and deep insight into the Company's business. Therefore, the Company once again nominates him as a candidate for Director.</p>			

Candidate No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the Company, and Significant Concurrent Positions outside the Company	Number of the Company's Shares Owned
3	<p>Yu Nozaki (Nov. 29, 1959)</p> 	<p>Apr. 1983 Joined the Company</p> <p>Mar. 2010 General Manager of Accounting and Finance Dept.</p> <p>Jun. 2010 Director and General Manager of Accounting and Finance Dept.</p> <p>Jan. 2011 Director and Deputy Senior General Manager of Corporate Business Planning Dept.</p> <p>Apr. 2011 Managing Director, Deputy Senior General Manager of Corporate Business Planning Dept. and General Manager of Human Resources Dept.</p> <p>Jun. 2013 President and Representative Director of Paramount Glass Manufacturing Co., Ltd.</p> <p>Jun. 2015 President and Representative Director of Soyo Co., Ltd.</p> <p>Oct. 2016 Executive Officer, Responsible for Human Resources Dept., Accounting and Finance Dept. of the Company</p> <p>Apr. 2017 Managing Executive Officer, Responsible for Human Resources Dept., Corporate Business Planning Dept., Corporate Communication Dept., Accounting and Finance Dept.</p> <p>Jun. 2017 Director (current)</p> <p>Apr. 2018 Managing Executive Officer, Responsible for Human Resources Dept., General Affairs Dept., Corporate Communication Dept., Accounting and Finance Dept. and President of Environment & Health Division</p> <p>Jun. 2018 Managing Executive Officer, Responsible for Human Resources Dept., General Affairs Dept., Corporate Communication Dept., Accounting and Finance Dept., Risk Management Dept. and President of Environment & Health Division</p> <p>Oct. 2018 Managing Executive Officer, Responsible for Human Resources Dept., General Affairs Dept., Corporate Communication Dept., Accounting and Finance Dept., Risk Management Dept.</p> <p>Apr. 2019 Managing Executive Officer, Responsible for Human Resources Dept., Corporate Business Planning Dept., General Affairs Dept., Centenary Project, Corporate Communication Dept., Accounting and Finance Dept., Information System Dept., Risk Management Dept.</p> <p>Aug. 2019 Managing Executive Officer, Responsible for Audit Office, Risk Management Dept.</p>	6,900
Reelection	<p>Attendance at meetings (Fiscal year ended March 31, 2020) Board of Directors: 14/15</p>	<p>Reason for nomination as candidate for Director:</p> <p>Mr. Yu Nozaki served as Deputy Senior General Manager of Corporate Business Planning Dept. as a Managing Director. Mr. Nozaki then served as President and Representative Director at multiple consolidated subsidiaries. Mr. Nozaki was a Director from 2017, and from 2018 until March 2020, he has worked as a Director concurrently serving as a Managing Executive Officer mainly in charge of headquarters functions. Currently Mr. Nozaki is a non-executive Director not concurrently serving as an Executive Officer. He has ample business experience befitting a Director of the Company, and has a broad range of knowledge and deep insight into the Company's business. Therefore, the Company once again nominates him as a candidate for Director.</p>	

Candidate No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the Company, and Significant Concurrent Positions outside the Company		Number of the Company's Shares Owned
4 Reelection	Candidate for External Director Independent Officer Masamichi Ouchi (Jun. 15, 1942) 	Sep. 1975	Registered as a certified public accountant	0
		Jun. 1977	Registered as a tax accountant	
		Aug. 1983	Guest Researcher of Mitsubishi Research Institute, Inc.	
		Jun. 2007	Chairman and President of Tokyo Chapter, the Japanese Institute of Certified Public Accountants	
	Jul. 2007	Deputy President of the Japanese Institute of Certified Public Accountants		
	Jul. 2010	Auditor of the Japanese Institute of Certified Public Accountants		
	Jun. 2013	External Auditor of Tsukishima Kikai Co., Ltd. (current)		
	Jan. 2015	Established MO Partners, Public Tax Accountant Corporation Representative for MO Partners Public Tax Accountant Corporation (current)		
	Jun. 2015	External Director of the Company (current)		
	Tenure as External Director: 5 years (at the conclusion of the Meeting) Attendance at meetings (Fiscal year ended March 31, 2020) Board of Directors: 15/15 Nominating Committee: 4/4 Compensation Committee: 3/3 Audit Committee: 13/13	Current Status in the Board: Chairman of Audit Committee, Member of Nominating Committee and Compensation Committee (Note) The number of meetings of Compensation Committee attended by Mr. Masamichi Ouchi refers to the meetings of the committee held on and after June 26, 2019, when he assumed office.		
Reason for nomination as candidate for External Director: Mr. Masamichi Ouchi has a wealth of experience and a high level of insight as an expert in accounting and finance and as an outside officer of another company, and has contributed to the decision-making of the Board of Directors of the Company and supervising the execution of business from a standpoint of promoting the sustainable growth of the Company and improving the medium- and long-term corporate value. Also, as Chairman of the Audit Committee, he has attended the meetings of the committee and actively expressed opinions. Mr. Ouchi has never been involved in the management of a company, except as an external director or external corporate auditor. However, the Company judges he will appropriately fulfill his duties as an External Director based on the above reasons. Therefore, the Company once again nominates him as a candidate for External Director. He satisfies the “Independence Criteria for External Directors” established by the Company and the requirements for independence stipulated by Tokyo Stock Exchange, Inc.				

Candidate No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the Company, and Significant Concurrent Positions outside the Company	Number of the Company's Shares Owned
5 New election	<p>Candidate for External Director Independent Officer</p> <p>Sadayoshi Fujishige (Jan. 1, 1947)</p> 	<p>Mar. 1969 Joined Lion Fat & Oil Co., Ltd. (currently: Lion Corporation)</p> <p>Mar. 1996 Director, Executive General Manager of International Division of Lion Corporation</p> <p>Mar. 2000 Executive Director, Executive General Manager of Home Products Sales Headquarters of Lion Corporation</p> <p>Mar. 2002 Representative Director, Senior Executive Director, Responsible for Home Products Business, Executive General Manager of Home Products Sales Headquarters of Lion Corporation</p> <p>Mar. 2004 Representative Director, President and CEO of Lion Corporation</p> <p>Mar. 2006 Representative Director, President and CEO, Chairman of the Board of Directors, Responsible for Home Products Business of Lion Corporation</p> <p>Jan. 2012 Representative Director, Chairman and CEO, Chairman of the Board of Directors of Lion Corporation</p> <p>Jan. 2014 Representative Director, Chairman, Chairman of the Board of Directors of Lion Corporation</p> <p>Mar. 2016 Advisor of Lion Corporation (current)</p> <p>Jun. 2020 External Director of SATO HOLDINGS CORPORATION (planned to assume position)</p> <p>* Mr. Sadayoshi Fujishige is expected to be elected as External Director of SATO HOLDINGS CORPORATION at its annual general meeting of shareholders to be held in June 2020, and assume that position.</p>	0
<p>Reason for nomination as candidate for External Director:</p> <p>Mr. Sadayoshi Fujishige has a wealth of experience and a high level of insight as a top manager of listed companies, having served as Representative Director, President and Chairman, etc. at Lion Corporation. The Company expects that he will contribute to the decision-making of the Board of Directors of the Company and supervising the execution of business from a standpoint of promoting the sustainable growth of the Company and improving the medium- and long-term corporate value. Therefore, the Company newly nominates him as a candidate for External Director.</p> <p>He satisfies the "Independence Criteria for External Directors" established by the Company and the requirements for independence stipulated by Tokyo Stock Exchange, Inc.</p>			

Candidate No.	Name (Date of Birth)	Career Summary, Position and Responsibility in the Company, and Significant Concurrent Positions outside the Company		Number of the Company's Shares Owned
6 New election	Candidate for External Director Independent Officer Hiroshi Kagechika (Mar. 12, 1950) 	Apr. 1972 Joined NKK Corporation (currently: JFE Holdings, Inc.) Feb. 2002 Vice President of NKK Corporation Apr. 2003 Vice President of JFE Steel Corporation Apr. 2005 Senior Vice President (Director of Steel Research Laboratory) of JFE Steel Corporation Apr. 2009 President and Representative Director of JFE Techno-Research Corporation Apr. 2015 Advisor of JFE Techno-Research Corporation		0
	Reason for nomination as candidate for External Director: Mr. Hiroshi Kagechika has specialist insight and a wealth of experience in corporate business and the field of research and development in the manufacturing sector, having served as Senior Vice President and Director of Steel Research Laboratory at JFE Steel Corporation, and President and Director of JFE Techno-Research Corporation. The Company expects that he will contribute to the decision-making of the Board of Directors of the Company and supervising the execution of business from a standpoint of promoting the sustainable growth of the Company and improving the medium- and long-term corporate value. Therefore, the Company newly nominates him as a candidate for External Director. He satisfies the “Independence Criteria for External Directors” established by the Company and the requirements for independence stipulated by Tokyo Stock Exchange, Inc.			
7 New election	Candidate for External Director Independent Officer Agasa Naito (Oct. 2, 1976) 	Oct. 2001 Registered as an attorney Joined Nagashima Ohno & Tsunematsu May 2008 Registered as an attorney at New York State Bar Association Jun. 2011 Joined TANABE & PARTNERS Apr. 2013 Partner of TANABE & PARTNERS (current) Jun. 2015 Outside Audit & Supervisory Board Member of BOOKOFF CORPORATION LIMITED Oct. 2018 Outside Audit & Supervisory Board Member of BOOKOFF GROUP HOLDINGS LIMITED (current)		0
	Reason for nomination as candidate for External Director: Ms. Agasa Naito has a wealth of experience and a high level of insight as an expert in law and as an outside officer of other companies. The Company expects that she will contribute to the decision-making of the Board of Directors of the Company and supervising the execution of business from a standpoint of promoting the sustainable growth of the Company and improving the medium- and long-term corporate value. Therefore, the Company newly nominates her as a candidate for External Director. Ms. Naito has never been involved in the management of a company, except as an external director or external corporate auditor. However, the Company judges she will appropriately fulfill her duties as an External Director based on the above reasons. She satisfies the “Independence Criteria for External Directors” established by the Company and the requirements for independence stipulated by Tokyo Stock Exchange, Inc.			

- (Notes)
1. There is no special interest between any of the candidates and the Company.
 2. Messrs. Masamichi Ouchi, Sadayoshi Fujishige and Hiroshi Kagechika, and Ms. Agasa Naito are candidates for External Director.
 3. The Company has entered into a limited liability agreement with Mr. Masamichi Ouchi to limit his liability under Article 423, paragraph 1 of the Companies Act to an amount as provided for by Article 425, paragraph 1 of the same Act pursuant to the provisions of Article 26 of the Company's Articles of Incorporation, and if this proposal is approved and adopted as originally proposed, the Company plans to renew this agreement.
Also, if this proposal is approved and adopted as originally proposed, the Company plans to enter into the same limited liability agreements with Messrs. Sadayoshi Fujishige and Hiroshi Kagechika, and Ms. Agasa Naito.
 4. The Company has submitted an Independent Officer Notification Form to register Mr. Masamichi Ouchi as an independent officer at Tokyo Stock Exchange, Inc. If his election is approved and adopted in accordance with this proposal, he will continue to serve as an independent officer.
Also, Messrs. Sadayoshi Fujishige and Hiroshi Kagechika and Ms. Agasa Naito satisfy the requirements for independence stipulated by Tokyo Stock Exchange, Inc., and if their election is approved and adopted in accordance with this proposal, the Company plans to submit an Independent Officer Notification Form to register them as independent officers.
 5. It is planned that after the conclusion of the Meeting, by way of resolutions of the Board of Directors, the respective members and chairman for the Nominating Committee, Compensation Committee, and Audit Committee will be as follows.
In each committee, the majority of members shall be External Directors, and an External Director shall be appointed as chairman.

Committee Structure Within the New System

Name	Position	Nominating Committee	Compensation Committee	Audit Committee
Yuichi Tsuji	Director, Representative and Chief Executive Officer	○	○	
Toyoshi Nishizaka	Director			○
Yu Nozaki	Director			○
Masamichi Ouchi	External Director, Independent Officer	○		●
Sadayoshi Fujishige	External Director, Independent Officer	●	○	
Hiroshi Kagechika	External Director, Independent Officer	○	●	○
Agasa Naito	External Director, Independent Officer	○	○	○

(Note) The black circles (●) indicate the committee chairman and the white circles (○) indicate members.

Attached Documents

(1) Corporate governance

The Company made the transition from a company with Audit & Supervisory Board to a company with a Nominating Committee, etc. in 2014. With the aim of achieving sustainable growth for the Group while enhancing the corporate value over the medium to long term, the Company is enhancing the corporate governance structure and implementing reviews on an ongoing basis, setting various objectives, such as further clarifying the separation of supervision from execution, strengthening the management supervisory function and improving management transparency of the Board of Directors, and ensuring agility of the execution and running of business operations performed swiftly by Executive Officers.

[Principal initiatives carried out in recent years]

- 1) The Company has established the “preliminary briefings” to deepen understanding of agenda items of meetings of the Board of Directors in the interest of further energizing deliberations at meetings of the Board of Directors, and preliminary briefings were held 12 times in the fiscal year. During these preliminary briefings, timely and appropriate explanations were given and opinions were exchanged regarding not only the agenda items to be raised at the meeting of the Board of Directors, but also matters deemed important for the supervision of management, spending about two hours each time. The background of the agenda items, etc. provided at meetings contributed to deepening essential understanding, thereby contributing to the efficient operation of the meetings of the Board of Directors.
- 2) Pursuant to internal rules established by the Board of Directors, the Company commissioned retired officers of the Company, including Chief Executive Officer, Chairmen, and other officers (Directors, or Executive Officers with titles) to serve as Advisors or Special Consultants for a certain period. However, in the interest of building a more efficient and effective management structure for the future, the Company abolished the “Advisor and Special Consultant System” effective June 30, 2017.
- 3) The Company established the Corporate Communication Department on April 1, 2017 with the aim of enhancing the dissemination of information to outside the company. This department works to ensure better transparency and fairness, to disseminate information that is easy to understand and very useful, and to promote constructive dialogue with the shareholders. Beginning with fiscal 2018, the department now augments its IR activities by also engaging in dialogue with the decision makers for voting rights at institutional investors.
- 4) From the standpoint of supervising the business execution of Executive Officers, the Board of Directors determined the “Rules of Executive Committee” at the meeting of the Board of Directors held on December 26, 2017. Concerning deliberations on important matters related to overall management of the Group, the Board of Directors has indicated its intention to promote discussions that are more multifaceted to further energize and deepen the Executive Committee meetings.
- 5) In October 2019, the Company published an integrated report combining financial information and non-financial information including CSR to enable a deeper understanding of the Group’s initiatives for creating value over the medium to long term.
- 6) The Company holds shares of listed companies under its policy on cross-shareholding in cases where it deems such shareholding to be beneficial for building favorable trading relationships with important trading partners of the Group in fields including sales, raw material procurement and finance, smoothly advancing business activities of the Group, and enhancing corporate value in the Group. However, when the Company deems that shares in its cross-shareholding are not contributing to the sustainability and growth of the Group’s corporate value, and that there is insufficient reason to hold them, the Company will sell those shares while paying attention to the effect on the market, and so forth. Moreover, the Company reviews the holding policy for shares individually at a meeting of the Board of Directors on a periodic basis, comprehensively considering qualitative factors such as the materiality of transactions with the trading partner, the existence of any technological cooperation or joint capital investment, whether there are any joint ventures underway, and a quantitative evaluation that compares the total return on investment, calculated by considering dividend yield and business profit, against the cost of capital, as well as the comprehensively considered policy on cross-shareholding. Based on such reviews, the Company

sold three different company shares worth ¥783 million in fiscal 2019, and 14 different company shares worth ¥4,138 million in the three-year period from fiscal 2017.

[Self-evaluation concerning the effectiveness of the Board of Directors]

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

In the self-evaluation concerning the effectiveness of the Board of Directors in the previous fiscal year, the opinion was expressed that further improvements need to be made to matters such as the suitability of personnel for the Board of Directors; the diversity and term of office of Directors; the activities of the Nominating, Compensation and Audit Committees; and communication with Directors and Executive Officers. In response to this opinion, the following initiatives were adopted in the fiscal year.

- The Nominating Committee's activities were stimulated and the committee held discussions regarding the suitability and diversity of personnel for the Board of Directors. At the Ordinary General Meeting of Shareholders to be held in June 2020, the number of candidates for External Director has been increased by one, and candidates for External Director with diverse backgrounds have been selected.
- The Compensation Committee began discussing the introduction of a share-based compensation system, and held several discussions about this.
- With regard to large-scale capital investment projects and disaster response in Japan and overseas, the Executive Officers provided explanations and reports at the preliminary briefings and individual explanations to the External Directors, and deepened deliberations by the Board of Directors.

In a survey for the fiscal year, some responded that the operation of the Board of Directors and each committee had improved. However, some responded that the following items require improvement.

- Enhancement of feedback from Executive Officers on matters resolved by the Board of Directors
- Deepening of discussion on management policy and management strategy, including from the perspective of ESG and SDGs
- Further strengthening of risk management, such as disaster countermeasures, fraud prevention measures and Group management, etc.
- Review of the balance of items and time for discussion at meetings of the Board of Directors and the distribution of authority with the Executive Officers.

The Company will continue to make improvements to ensure the Board of Directors performs effective supervisory functions.

(2) Amount of compensation, etc. of Directors and Executive Officers

Category of officer	Total amount of compensation, etc. (Millions of yen)	Total amount by category of compensation, etc. (Millions of yen)			Number of recipients (Persons)
		Fixed compensation	Performance-linked compensation	Retirement benefits	
Directors (Excluding External Directors)	61	44	17	—	3
External Directors	78	78	—	—	4
Directors Total	139	122	17	—	7
Executive Officers Total	205	147	58	—	10
Grand Total	345	269	75	—	17

(Notes) 1. The above numbers of recipients include one Director who retired as of the conclusion of the 158th Ordinary General Meeting of Shareholders held on June 26, 2019.

2. The amount paid to Executive Officers does not include the wages paid for service as an employee for Executive Officers who concurrently serve as an employee of the Company.

3. The Company's performance-linked compensation is calculated based on the previous fiscal year's performance, and the amount combined with fixed compensation (basic compensation) is defined as compensation for the current fiscal year, and this is paid as a fixed regular wage.

(3) Policy for the determination of compensation, etc. for Directors and Executive Officers

(i) Deciding policy

The Company determines the policy related to the determination of individual compensation of Directors and Executive Officers on the basis of objective data, etc. from external consultants in the Compensation Committee, composed of a majority of External Directors and chaired by an External Director, based on the provisions of the Companies Act related to a Company with Nominating Committee, etc.

Furthermore, the policy is based on the approach of providing strong motivation for officers to achieve their performance targets while securing transparency and rationality, fostering awareness for medium- to long-term management, and conforming with the interests of stakeholders including shareholders and investors, and the performance targets used for calculating compensation also reflect this approach.

(ii) Outline of the policy

The Company's officer compensation (excluding External Directors) is structured with basic compensation determined by the position and the state of competency expected of each position (behavior evaluation) and the state of performance (performance evaluation), and performance-linked compensation that varies within a range of 0% to 150% according to the level of achievement of company performance targets from the previous fiscal year and individual performance targets based on the activities and performance of the responsible divisions, and the current fiscal year's compensation is based on a combination of these.

Performance-linked compensation is not applicable for External Directors due to the role of supervising management from an independent and objective perspective.

<Percentage of compensation by position>

Position	Portion of officer compensation (if the level of achievement of company and individual targets is 100%)		
	Basic compensation	Performance-linked compensation (note)	
		Company performance	Individual performance
Representative and Chief Executive Officer	67%	16.5%	16.5%
Senior Managing Executive Officers	69%	15.5%	15.5%
Other officers (Excluding External Directors)	71%	14.5%	14.5%
External Directors	100%	—	—

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

<Reflection of performance targets and percentage in performance-linked compensation>

Company performance	Operating profit (compared to budget)	Operating profit (year on year)	ROE (year on year)	Dividends (year on year)
	25%	25%	25%	25%
Individual performance	Operating profit of division under charge (compared to budget)		Status of initiatives to address issues in the Mid-term Business Plan for division under charge	
	40%		60%	

<Process of determining compensation>

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

■ Calculation rules

(Basic compensation)

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

(Performance-linked compensation)

- Company performance portion = amount of basic compensation for each previous fiscal year × percentage of company performance portion for each position × level of achievement of company performance portion for the previous fiscal year
- Individual performance portion = amount of basic compensation for each previous fiscal year × percentage of individual performance portion for each position × level of achievement of individual performance portion for the previous fiscal year

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

For reference

Targets and actual values of company performance for the 158th fiscal year used in the calculation of performance-linked compensation in the 159th fiscal year are as follows.

[Operating profit (compared to budget)] target: ¥10,000 million*/actual: ¥8,198 million

[Operating profit (year on year)] target: ¥10,837 million/actual: ¥8,198 million

[ROE (year on year)] target: 9.4% (after adjustment)/actual 9.1%

[Dividends (year on year)] target: ¥40 per share/actual: ¥40 per share

- (Notes) 1. Individual performance targets are set using individual quantitative and qualitative targets, and calculated based on the results thereof.
2. The value indicated with an asterisk is the adjusted target value after the announcement of the financial results for the six months ended September 30, 2019.

The Compensation Committee checks the validity of the level of compensation based on data on officer compensation periodically provided by external consultants.

(4) Matters regarding External Directors

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

(i) Relationships between the Company and organizations where significant concurrent positions are held

There are no special relationships between the Company and the organizations at which the three External Directors have significant concurrent positions.

(ii) Overview of limited liability agreements

The Company has entered into limited liability agreements with each of the External Directors to limit their liability under Article 423, paragraph 1 of the Companies Act pursuant to the provisions of Article 26 of the Company's Articles of Incorporation. The maximum amount of the liability for damages based on such agreements is the amount prescribed in laws and regulations.

(iii) Activities of External Directors during the fiscal year under review

Each of the three External Directors attended all the meetings of the Board of Directors, Nominating Committee, Compensation Committee and Audit Committee held during his term of office in the fiscal year under review. As part of their attendance at the Board of Directors meetings, the External Directors attended the preliminary briefings.

In addition, the External Directors appropriately carried out their supervising activities as independent officers through such activities as conducting hearings from each business division, performing on-site inspections at business locations (6 times), and observing inventory taking (once).

Name	Attendance at meetings during term of office	Principal activities
Kunihisa Hama	Board of Directors: 15/15 Nominating Committee: 4/4 Compensation Committee: 4/4 Audit Committee: 11/11*	Mr. Kunihisa Hama has a wealth of experience and a high level of insight as an expert in law and as an outside officer serving over a period of more than 20 years at other companies. Based on this, he has fulfilled an appropriate role as an External Director of the Company on providing accurate advice to management, supervising the execution of business and others by actively making statements at meetings of the Board of Directors and by other means. Also, as Chairman of the Nominating Committee and a Member of the Compensation Committee and the Audit Committee, he has attended the meetings of these committees and actively expressed opinions.
Hiroshi Kamibayashi	Board of Directors: 15/15 Nominating Committee: 4/4 Compensation Committee: 4/4 Audit Committee: 13/13	Mr. Hiroshi Kamibayashi has a wealth of experience and a high level of insight as an expert in law and as an outside officer of another company. Based on this, he has fulfilled an appropriate role as an External Director of the Company on providing accurate advice to management, supervising the execution of business and others by actively making statements at meetings of the Board of Directors and by other means. Also, as Chairman of Compensation Committee and a Member of the Nominating Committee and the Audit Committee, he has attended the meetings of these committees and actively expressed opinions.
Masamichi Ouchi	Board of Directors: 15/15 Nominating Committee: 4/4 Compensation Committee: 3/3* Audit Committee: 13/13	Mr. Masamichi Ouchi has a wealth of experience and a high level of insight as an expert in accounting and finance and as an outside officer of another company. Based on this, he has fulfilled an appropriate role as an External Director of the Company on providing accurate advice to management, supervising the execution of business and others by actively making statements at meetings of the Board of Directors and by other means. Also, as Chairman of the Audit Committee and a Member of the Nominating Committee and the Compensation Committee, he has attended the meetings of these committees and actively expressed opinions.

- (Notes) 1. The number of meetings of Audit Committee attended by Mr. Kunihisa Hama refers to the meetings of the committee held on and after June 26, 2019, when he assumed office.
2. The number of meetings of Compensation Committee attended by Mr. Masamichi Ouchi refers to the meetings of the committee held on and after June 26, 2019, when he assumed office.

(iv) Relationships with specially related business entities such as main customers

Not applicable

(v) Amount of compensation, etc. received as officers in the fiscal year under review from the Company's subsidiaries, etc.

Not applicable

(Note) Unless explicitly stated, each item in this business report reflects fiscal 2019 (from April 1, 2019 to March 31, 2020) or the end of fiscal 2019 (March 31, 2020).