



May 12, 2023

To whom it may concern

Company: Nitta Corporation  
Representative: Yasunori Ishikiriyama, President  
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### **Notice regarding opinion of the Board of Directors on Shareholder's Proposal**

Nitta Corporation (the "Company") hereby announces that it received a letter dated April 26, 2023 from Dalton Kizuna (Master) Fund LP (the "Proposing Shareholder"), a Company shareholder, regarding the exercise of its shareholder right to propose an agenda item for the 94th Ordinary General Meeting of Shareholders (the "94th Ordinary General Meeting") scheduled for June 27, 2023. As its response, the Board of Directors of the Company, at a meeting held May 12, 2023, adopted the following resolution regarding the shareholder's proposal.

1. Proposing Shareholder:

Name of Shareholder: Dalton Kizuna (Master) Fund LP

2. Description of Shareholder's Proposal:

(1) Agenda

Amendment of the Articles of Incorporation Regarding the Proportion of Outside Directors

(2) Description of the proposal

As described in the Appendix, "Description of Shareholder's Proposal."

The Appendix, "Description of Shareholder's Proposal," is a faithful translation of the original Proposing Shareholder's proposal.

3. Opinion of the Board of Directors on the Shareholder's Proposal

(1) Opinion of the Board of Directors of the Company

**The Board of Directors of the Company opposes the shareholder's proposal.**

(2) Reason for opposition

The Company established the Nomination and Compensation Committee, chaired by an independent outside director and consisting of a majority of independent outside directors, as an advisory body for the Board of Directors, to assure impartiality and fairness in selecting directors. The selection of candidates for the Board of Directors is determined by the Board of Directors based on the advice and proposals of the Nomination

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and Compensation Committee. The same procedure has been applied to the selection of the candidates to be presented to the 94th Ordinary General Meeting.

The Company has defined the requisite skills of the members of the Board so that the Board as a whole provides the required skills, knowledge, and experience, while ensuring diversity among its members. The Nomination and Compensation Committee selects candidates for the Board of Directors to strike a satisfactory balance between internal human resources familiar with the Company's duties and outside human resources who provide highly specialized skills and experience. The Committee pays due consideration to the Japan's Corporate Governance Code, as well as the Company's succession plan and skill certification standards and makes recommendations and offers advice to the Board of Directors on such basis.

The composition of our Board of Directors has wide-ranging support among our shareholders. Each proposal for the election of directors at our June 2022 Ordinary General Meeting of Shareholders had an approval rate of 95% or better.

At the 94th Ordinary General Meeting, the composition of the Board of Directors proposed by the Company will consist of three independent outside directors among the nine directors. This meets the Corporate Governance Code requirement for prime market listed companies, requiring at least one-third of directors be comprised of independent outside directors. The three independent outside directors—a corporate executive, an attorney, and a certified public accountant—are highly specialized and experienced professionals who offer deep insights into corporate governance. One is a woman.

Our Board of Directors has confirmed and determined that the Board of Directors composed of the candidates proposed by the Company will maintain adequate independence; is ideally equipped to execute and supervise Company management and to achieve the goals of SHIFT2030, the Company's medium- and long-term management plan, in accordance with the Company's group philosophy; and will contribute to the Company's sustainable growth and enhancement of corporate value over the medium to long term. This is part of efforts to confirm that our governance structure serves the best interests of our shareholders.

We believe the inclusion of a provision in the Articles of Incorporation as proposed by this shareholder may, to the contrary, limit the scope of selection of director candidates and hinder efforts to identify the optimal composition of the Board of Directors.

For these reasons, the Board of Directors opposes this shareholder's proposal.

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(Appendix, “Description of Shareholder’s Proposal”)

\* This is a faithful translation of the original Proposing Shareholder’s proposal.

I. Agenda item proposed

1. Amendment of the Articles of Incorporation Regarding the Proportion of Outside Directors

II. Description of and reasons for the proposal

1. Amendment of the Articles of Incorporation Regarding the Proportion of Outside Directors

(1) Description of the proposal

The proposal is to amend Article 18 of the Company’s Articles of Incorporation as follows to require that the majority of the Company’s directors be outside directors.

(The proposed change is underlined.)

| Before change  | After the proposed change   |
|--|---|
| (Number of directors)<br>Article 18. The Company shall have no more than nine directors.<br><u>2 (Newly Established)</u> | (Number of directors)<br>Article 18. The Company shall have no more than nine directors.<br><u>2 As long as the Company remains a listed company, a majority of the directors of the Company shall be outside directors as defined in Article 2, paragraph 1, item 15 of the Companies Act.</u> |

(2) Reasons for the proposal

We believe that board diversity and independence are essential to the management of today’s listed companies. A board with diversity is able to make management decisions from a broader range of perspectives, resulting from differences in skills, experience, age, nationality, and gender.

Principle 4.8 of Japan’s Corporate Governance Code states the following: “Independent directors should fulfill their roles and responsibilities with the aim of contributing to sustainable growth of companies and increasing corporate value over the mid- to long-term. Companies listed on the Prime Market should therefore appoint at least one-third of their directors as independent directors (two directors if listed on other markets) that sufficiently have such qualities. Irrespective of the above, if a company listed on the Prime Market believes it needs to appoint the majority of directors (at least one-third of directors if listed on other markets) as independent directors based on a broad consideration of factors such as the industry, company size, business characteristics, organizational structure and circumstances surrounding the company, it should appoint a sufficient number of independent directors.” In addition, Principle 4.7 of the Corporate Governance Code states that one of the roles and responsibilities of independent outside directors is “Appropriately representing the views of minority shareholders and other stakeholders in the boardroom from a standpoint independent of the management and controlling shareholders.”

Currently, three of the Company’s nine directors are outside directors. This meets the requirements of the principles of the Corporate Governance Code. However, we believe we would be better positioned to establish a more

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proactive governance structure if the majority of directors were outside directors. Doing so would increase capital efficiency and shareholder returns and more effectively contribute to the Company's sustainable growth and medium- to long-term corporate value.

In addition to their number, the qualifications of the outside directors must be such that they can contribute to the Company's sustainable growth and corporate value over the medium to long term. In this regard, the Company should consider appointing women and highly experienced and skilled analysts.

We believe that the appointment of "highly experienced and skilled analysts" is an effective way to bring the perspective of outside investors and shareholders to the board of directors, while at the same time contributing to the enhancement of corporate value through sound risk-taking. Although the board of directors of a listed company and investors/shareholders share the same goal of long-term enhancement of corporate value, unfortunately in Japan, they are often perceived as being in opposition to each other. Involving directors with the experience and skills mentioned above in board discussions and decision-making would make the relationship between the board and the stock market more constructive through sound risk-taking, capital allocation and better communication with the market. Often it is explained that bankers and accountants are responsible for the finance portion of the skills matrix, but we believe that, from the perspective of promoting "sound risk-taking", expertise in accounting and debt markets alone is not sufficient, and that is where the significance of equity market professionals lies.