

# Nintendo

Nintendo has appointed a woman to its board for the first time in its 130-year history. EOS continues to engage with the company on improving board gender diversity in line with investor expectations, seeking more transformational changes on the executive board and in the talent pipeline over time.

## Background

Since Nintendo was founded in 1889, it had never had a woman or a non-Japanese national on its board in its 130-year history. Beginning as a toy manufacturer in Kyoto, Japan, it is now an international leader in the interactive entertainment industry. The company develops, produces and markets software and hardware. Its games, TV-linked and mobile consoles, such as NES, Game Boy, Wii, Nintendo DS, Wii U, Nintendo 3DS and Nintendo Switch target the family-friendly segment of the entertainment business. Its business purpose is to make people smile - through its entertainment products that suit all ages and genders globally.

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## Our engagement

EOS at Federated Hermes began engaging with Nintendo on gender diversity on its board in 2016 and on board independence in 2017 with the head of legal and company secretary. We met eight times between 2016 and 2020 through videoconference and in-person meetings – such frequent dialogue and access to senior management is still often a rarity in Japan. The board composed only of men of Japanese nationality, despite Nintendo being a global business with a high proportion of female customers. For example, early adopters of the Nintendo Switch system were 70% male, and 30% female. Now, the split is approximately 50:50, especially notable as the system tends to attract more women than comparable systems of its competitors.

## Sustainable Development Goal



Engagement objective

### Governance:

board diversity and board independence

### Top successes:

1. First outside woman appointed to the board in company's 130-year history
2. Retirement of non-independent outside director who came on board in 2016

Aside from gender diversity, we also have concerns about board independence. A long serving director has been with the company for over 14 years, including the period when he was a statutory auditor, followed by joining the board as an outside director and a member of the audit and supervisory committee without a cooling off period in 2016. Although the company has made rapid progress in board independence from a 100% insider board in 2013 to 33% since 2016, there remains room for improvement. Our concern was accentuated by the fact that the company did not have a nomination committee, adding opacity to the nomination process. We encouraged the company to carry out an independent board evaluation and strengthen the search for suitable female candidates to join the board as an independent director.

We have toughened our voting recommendation requirements over the years with regard to gender diversity, making no exception for the Japanese market. In view of the need to accelerate change in board composition, we recommended a vote against the president in June 2019.

In December 2019, we reiterated our expectations of diversity on the board, highlighting the value of international business experience and diversity of thought, in addition to female representation.

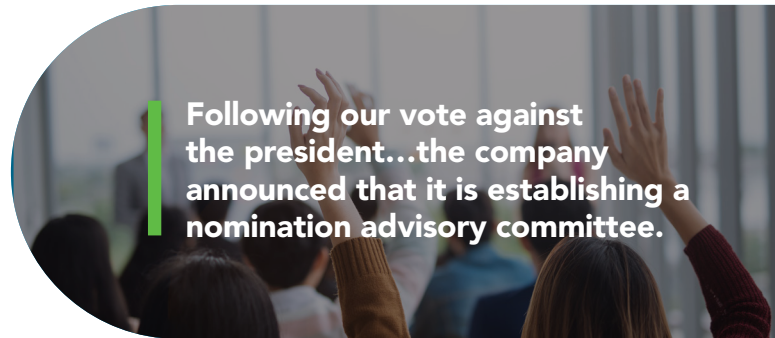
## Changes at the company

Following our engagement, Nintendo carried out its first self-evaluation of the board in 2016 and promised to consider an external board evaluation as the board integrates the evaluation process into its board agenda. The company is working towards strengthening its talent management programme to establish a pipeline of senior female executives, which it expects to take 10 years from 2017.

Following our vote against the president in the 2019 AGM and further engagement later in the year, the company announced that it is establishing a nomination advisory committee in January 2020. The committee is composed of the president and members of the audit and supervisory committee. Three out of the five directors are outside directors.

### **The committee is composed of the president and members of the audit and supervisory committee.**

In May 2020, the company also announced that the long serving director is to retire and that it will appoint a woman to the board for the first time, a practicing lawyer with experience working in the US. We are pleased with the appointment and encouraged the company to improve disclosure of the nomination process and to publish the Terms of Reference of the nomination advisory committee so that investors can better understand the company's working objectives and accountability towards selecting board members, given that it has traditionally relied on the president to nominate candidates.



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### **Next steps**

We continue to seek further clarity in the company's talent management, especially its plans to promote more female executive directors internally as our expectations for diversity of a board go beyond appointment of one female director.



**Dr. Christine Chow**  
Engagement  
EOS



**Sachi Suzuki**  
Engagement  
EOS

**Following our engagement, Nintendo carried out its first self-evaluation of the board in 2016.**



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## Why EOS?

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