Nitto Group's Financial Strategy as per the Chief Financial Officer

Toward achieving a transformation of our business portfolio through the creation and expansion of double recognized products and services, we will simultaneously pursue high levels of growth investments and shareholder returns under disciplined cash allocation and balance sheet management.

Yasuhiro Iseyama

Director,
Senior Executive Vice President, CFO
General Manager of Corporate Accounting & Finance Division

To Realize our "Target State 2030," We Will Drive Sustainable Growth and Enhance Corporate Value Through Flexible Financial Management that Prioritizes Earnings Growth and Capital Efficiency

The Previous Medium-Term Management Plan in Review

In the final year of the previous medium-term management plan, "Nitto for Everyone 2025," revenue amounted to 1,028.2 billion yen and operating profit to 183.6 billion yen (operating margin: 17.9%). Of the financial targets set out in that medium-term management plan, we again exceeded those for operating profit (170.0 billion yen) and operating margin (17%), following fiscal 2024.

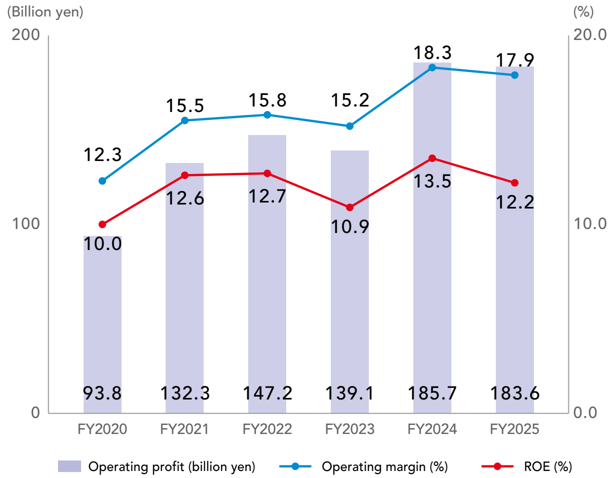
By business segment, in the Optronics segment, demand for optical films increased on the back of strong unit production of high-end laptop PCs and tablets. Demand for high-precision circuits also grew strongly, driven by expanding production of high-end smartphones, as did demand for high-capacity hard disk drives (HDDs) from data centers as generative AI continued to spread, with CISFLEX™ making additional contributions to segment performance. In the Industrial Tape segment, our battery bonding electrical release tape has been adopted across more models, and demand for process materials used in the production of semiconductor memories and ceramic capacitors increased. In the Human Life segment, sales of oligonucleotide contract manufacturing and nucleic acid synthesis material used within the manufacturing process saw an uptake and production for the large-scale project expected to be commercialized in the future began in the second quarter of the current fiscal year.

The strong performance owes much to the Niche Top Strategy, under which we aim for the No. 1 market share based on our technological advantages and solid customer relationships. Our ability to generate cash has grown as well.

Our cash flows from operating activities during the three-year period of the previous medium-term management plan totaled 565.6 billion yen, surpassing the original plan of 500.0 billion yen. This robust cash generation allowed us to pursue disciplined capital allocation, investing 263.3 billion yen to support future growth while also delivering substantial shareholder returns through stable dividends and 142.0 billion yen in share repurchases over the course of the three years.

On the other hand, with respect to ROE, although we implemented a certain level of shareholder returns, the steady accumulation of shareholders' equity resulting from strong business performance led to an ROE of 12.2% in fiscal 2025, falling short of our medium-term management plan target of 15%. Our business portfolio, which remains heavily weighted towards the Optronics business, is another area we will address in the new medium-term management plan.

Earnings Trends



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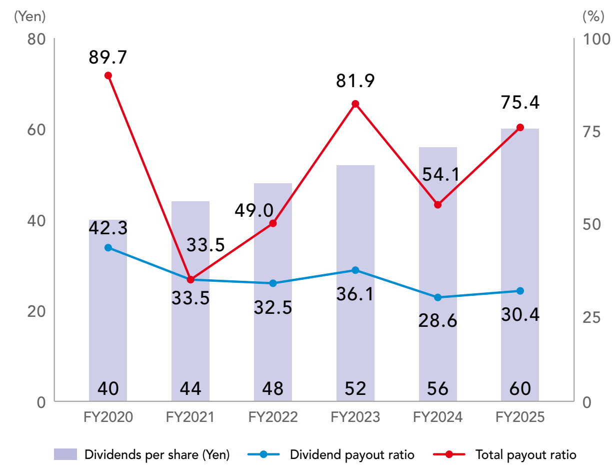
Shareholder Returns



Financial Initiatives in the New Medium-Term Management Plan

Over the three years of "Nitto RISE 2028," the new medium-term management plan, we will pursue a strategic approach of transforming our business portfolio by creating and expanding double recognized products and services, with the aim of improving our growth trajectory toward 2030. Our financial targets for fiscal 2028 include operating profit of 220.0 billion yen, operating margin of 20%, and ROE of 14%. We will place particular emphasis on ROE, whose target was unmet in the previous medium-term management plan. As CFO of the Nitto Group, I will ensure a renewed focus on achieving this target. To do so, I believe it is crucial to remain flexible in managing financial affairs with a focus on profit growth and capital efficiency, which means allocating cash and managing the balance sheet in a disciplined manner.

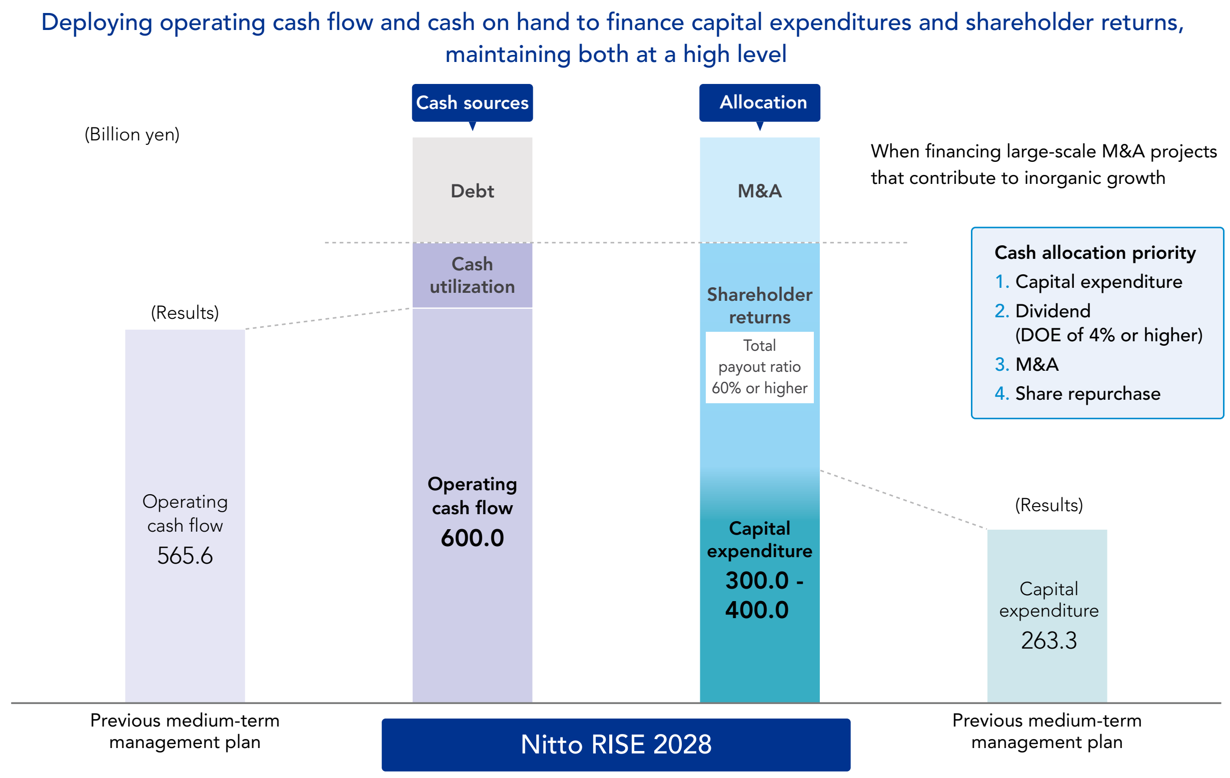
■ Cash allocation

The order of priority for cash allocation remains as follows: capital expenditures, dividends, M&As, and share repurchase. Our fundamental policy is to fund capital expenditures and shareholder returns from operating cash flows and cash on hand. For large-scale M&A transactions that could help transform our business portfolio, we will use debt financing flexibly to capture opportunities in a timely manner. On capital expenditures, we plan to invest in the semiconductor-related business in anticipation of its medium- and long-term growth, in addition to electrical release tape, information tapes, and CISFLEX™, in order to create and expand double recognized products and services. We expect total capital expenditure to be higher than the previous medium-term management plan, ranging between 300.0 and 400.0 billion yen.

Our shareholder return policy also remains unchanged: a DOE of 4% or higher and a total payout ratio of 60% or higher, while maintaining stable dividends. Meanwhile, as shareholders' equity has continued to accumulate, we aim to maintain a high level of shareholder returns from a capital efficiency perspective, while balancing returns to shareholders with ongoing capital expenditure.

We expect cash flows from operating activities—our primary source of capital—to total 600.0 billion yen, an increase from the previous medium-term management plan. To support both capital expenditures and shareholder returns at a high level, we intend to supplement operating cash flows with surplus cash on hand.

Cash Allocation



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■ Balance sheet management

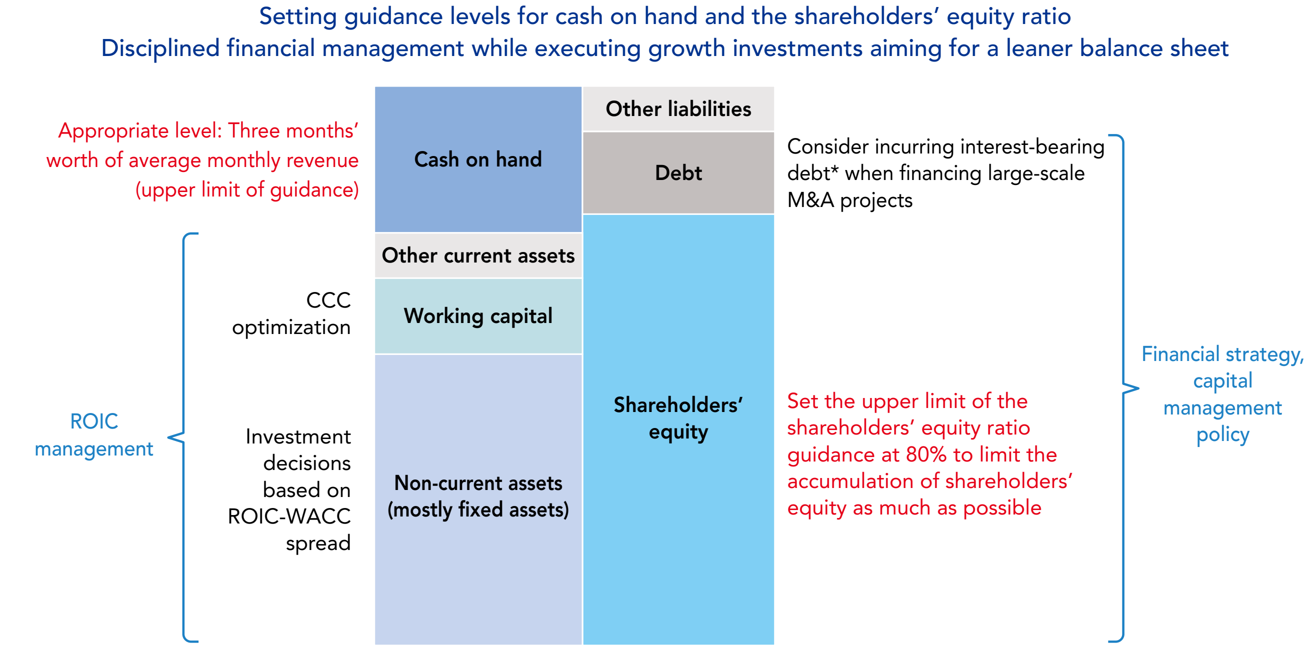
As of the end of fiscal 2025, our shareholders' equity ratio had reached approximately 80%. The steady accumulation of retained earnings over many years has enabled us to maintain a highly stable financial position. At the same time, recognizing the need to balance financial soundness with capital efficiency, we will place greater emphasis on capital-efficient balance sheet management going forward. To achieve the portfolio transformation envisioned in our new medium-term management plan, we will proactively pursue capital expenditures and M&A opportunities that are expected to drive earnings growth. While such investments may lead to an expansion of our balance sheet, we will maintain financial discipline by establishing appropriate target levels for key balance sheet items and optimizing them accordingly. Through these efforts, we aim to build a stronger and more capital-efficient balance sheet. On the asset side, we enforce discipline across business segments and corporate functions primarily through ROIC, while on the liability and equity side, we maintain disciplined financial management through our financing strategy and capital policy.

The Nitto Group has long been committed to ROIC-based management. To further enhance capital efficiency, we will make full use of data and insights from our ongoing data-driven management initiatives to surface key challenges, encourage business segments to improve working capital, such as by reducing inventories, and share best practices for improvement across the Group. In making investment decisions and determining the direction of less-profitable businesses, we prioritize ROIC and the WACC spread set for each business segment, enabling comprehensive decision-making grounded in careful assessment of market growth potential and the competitive landscape. In the new medium-term management plan, rather than setting a fixed capital expenditure target, we have established a range of 300.0 billion yen to 400.0 billion yen to ensure disciplined investment management instead of simply spending against a predetermined budget. This flexibility in the investment budget allows us to allocate capital more dynamically and, when appropriate, deploy it toward M&A and shareholder returns.

This disciplined approach will also be applied to our financing strategy and capital policy. Based on a thorough reassessment, we have determined that, except in times of emergency, cash on hand should be capped at approximately three months' worth of average monthly sales. Accordingly, we will minimize cash on hand and put surplus funds to efficient use. Given that our current shareholder equity ratio provides a sufficient level of financial soundness, we have set an upper guideline of approximately 80% for this metric. Going forward, we will seek to limit the accumulation of shareholder equity as much as possible by maintaining appropriate shareholder returns.

Interest-bearing debt is primarily envisioned as a source of funding for large-scale M&A opportunities. We intend to utilize debt within a disciplined financial framework that supports the maintenance of our current credit ratings while preserving financial flexibility and borrowing capacity for future growth opportunities. Furthermore, as a prudent level of leverage can contribute to a lower WACC and improved capital efficiency, we will consider the strategic use of debt when appropriate needs arise.

Rationale Behind Balance Sheet Management



*Consider utilization within a range that maintains the current credit rating and preserves sufficient borrowing capacity

In Conclusion

Fiscal 2026, the first year of the new medium-term management plan, has begun amid increasing uncertainty in the global economic and financial environment, driven in part by rising geopolitical risks. As this elevated uncertainty is expected to persist, we will leverage our strong cash-generation capabilities and solid financial foundation to steadily execute the growth strategies outlined in our new medium-term management plan, striving to achieve profit growth and enhance return on capital.

The Nitto Group has set its Target State 2030 as becoming an Essential ESG Niche Top Company. While recognizing the importance of constructive dialogue with diverse stakeholders, including shareholders and investors, we will strive to simultaneously solve social issues and create economic value through business activities.

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Nitto Group's R&D Strategy as per the Chief Technology Officer

One of the key imperatives for the Nitto Group to become an Essential ESG Niche Top Company and sustain long-term growth is to elevate our core technologies to Best-in-Class by sharing and accumulating hard-earned expertise across the Group. To this end, we will deliver a continuous stream of products and services that contribute to the environment and society by connecting technology, business, and the front lines even more closely.

Hiroyuki Katayama

Director, Senior Vice President, CTO
General Manager of Corporate Technology Sector

Shaping Nitto's Future Core Technologies to Achieve Best-in-Class Performance by Anticipating Customers' Unrecognized Needs and Backcasting from the Society of the Future

Drawing on My Experience in Academia to Connect Technology, Business, and the Front Lines

■ On taking office as Chief Technology Officer (CTO)

In April 2026, I had the honor of assuming the role of CTO of the Nitto Group. My responsibility in this position, I believe, is to connect technology, business, and the front lines in order to further strengthen Nitto's competitiveness for years to come. This conviction stems from the experiences I have gained over the course of my career.

After earning my PhD, I spent eight years as a researcher and instructor at universities in Japan and abroad before joining Nitto Denko Corporation at the age of 35. Having spent my entire career in academia, whose fundamental mission is the creation of knowledge, I took great pride in contributing to the advancement and prosperity of humanity purely through the pursuit of science. Looking back, however, this perspective also led me to underestimate the technological capabilities of industry.

No sooner had I joined Nitto than I realized how mistaken I had been. What I witnessed here was a company delivering numerous innovations to society by harnessing advanced technologies grounded in scientific excellence. I was deeply impressed by Nitto's development infrastructure, which, built over a century of business growth, has leveraged outstanding technologies to produce countless products essential to people's health, convenience, and comfortable living. Today, I take great pride in having the opportunity to lead technology management in such an exceptional environment.

My academic background in scientific research initially shaped my career path. Since joining this company, however, I have gained experience not only in product development but also in launching new businesses, alongside research and development management and business administration. Through the various roles I have held across the manufacturing process, beginning with scientific research, I have come to realize that a company cannot function effectively if any of the three essential elements—technology, business, and the front lines—is missing.

Even if a company is dedicated exclusively to technology development and succeeds in raising the bar, it cannot sustain such efforts unless they ultimately translate into business results. Conversely, if a company becomes so preoccupied with pursuing short-term revenue that it stops enhancing its technologies, it cannot remain competitive, let alone sustain growth. And even when technology development and business strategy are closely aligned, no value reaches customers unless those on the front lines bring them together in an integrated way. If Nitto is to remain competitive into the future, I believe it is vital that technology, business, and the front lines are closely connected and aligned as one. As CTO, my mission is to serve as the key person connecting these three. To fulfill this critical responsibility, I intend to draw on the leadership as a business manager that I have gained from my experience thus far.

Foreseeing Needs Before They Emerge to Maximize Nitto's Competitive Edge

■ Nitto's enduring strengths to preserve and pass on

I have already spoken about how impressed I was by the excellence of Nitto's technological capabilities. Yet many of its competitors also possess outstanding technological expertise. What has underpinned Nitto's competitive advantage is its value creation process, which starts with the customers.

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Guided by its signature Niche Top Strategy, Nitto has built close relationships with customers and, through these interactions, has been quick to perceive challenges facing businesses and society as a whole. Furthermore, through *Sanshin* Activities, namely, creating new products, applications, and demand through the multiplicative effect of proprietary technologies and knowledge, we have driven innovation to establish a competitive advantage in niche markets. Continuing to create new demand by building on the competitive edge it has cultivated through existing businesses—this is the very source of Nitto's growth.

To accelerate this value creation process, in recent years we have strengthened our R&D+M initiatives, which integrate research and development with marketing. One notable example of this approach is electrical release tape. An evolution of our adhesion technology, this unique tape provides strong adhesion under normal conditions yet can be released easily by applying electricity. For many years, Nitto has pursued the two seemingly contradictory functions of strong adhesion and easy removability, steadily advancing on-demand adhesion and release technologies. Building on earlier innovations that enabled release through the application of heat or ultraviolet rays, we have now made the electrical release function a reality.

What merits particular attention here is that this technology represents more than just another milestone in technological progress; it has evolved into a form of social value closely aligned with customer needs. With the concept of the "Right to Repair" gaining momentum today, ease of disassembly and reuse has become increasingly important. I believe Nitto's ability to recognize this emerging trend early through marketing activities coordinated with its technology development played a key role in creating this value. The technological seed of electrical release has taken tangible form by addressing these needs, thereby creating even greater value.

Implementing R&D+M initiatives by using existing businesses as a starting point to create opportunities for the next phase of growth—repeating this cycle time and again is the very source of Nitto's competitiveness and, I believe, a critical strength that must be carried forward into the future.

Translating Nitto's Unwavering Commitment to Social Responsibilities Into Core Technologies

■ My agenda for transformation as the new CTO

The business process that begins with existing businesses, which Nitto has long derived its strengths from, is inherently rooted in a forecasting approach based on customer demand. Looking around, however, we see that Nitto's business is exposed to rapid change. In this era marked by geopolitical risks, climate change, inflation, technological innovation, and rapidly evolving customer preferences, businesses are increasingly required to operate from a long-term perspective while maintaining a stronger focus on what is truly essential. In other words, it will become ever more important for Nitto to adopt a backcasting approach based on a clear vision of the kind of world we aspire to shape and the social responsibilities we intend to fulfill.

This does not mean pursuing innovations entirely different from what we have worked on to date. Rather, it represents an attempt to give concrete form to the business themes we seek to address as a socially responsible company by demonstrating the strengths the Nitto Group has cultivated through its *Sanshin* Activities. One of the keys for Nitto to succeed once again here and scale up its business lies in developing universal core technologies that contribute to humanity's fundamental values, such as the sustainability of resources and the global environment. I believe this is precisely where we can realize our aspiration of becoming an Essential ESG Niche Top Company.

Under the new medium-term management plan, Nitto RISE 2028, we aim to raise the double recognized products revenue ratio to 50% or higher by fiscal 2030. To achieve this target, we have carefully identified our focus domains based on three key areas that contribute to humanity's fundamental values: "Digital Interface," which contributes to the further development of the information society by responding to major market shifts—such as in AI and semiconductors—in addition to the evolution of conventional information devices; "Green Tech," which strengthens sustainable businesses such as decarbonization and resource recycling; and "Human Life," which aims to create products and services that contribute to human society, particularly in the life science field. All of these domains are not only critical to the advancement of human society but also offer a well-balanced portfolio comprising existing businesses expected to deliver high profitability and growth fields targeted for strategic investments.

To ensure that the Nitto Group delivers overwhelming performance in these three domains and drives sustainable growth, we have identified eight core technologies: adhesion, optical design, circuit formation, thin layer formation, porous formation, separation, oligonucleotide synthesis, and drug delivery system (DDS). As CTO, I am determined to elevate these core technologies to even higher levels so that they become enduring sources of competitiveness that competitors would find difficult to replicate. The keyword we have selected for this purpose is Best-in-Class.

There are many indicators by which to measure the added value created by technology, including performance, functionality, cost competitiveness and uniqueness, but developing technologies that excel across all of them is not realistic. Rather, I believe that identifying approaches to create universal value and achieving "Best-in-Class" in selected domains are the prerequisites for world-class technology.

Our goal is to establish a position that no competitor can easily emulate and to become a company widely accepted by society. We will continue to refine our core technologies through the backcasting perspective, constantly asking ourselves what technologies we need to develop in order to address the social responsibilities we aspire to fulfill.

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Passing On the Pioneering Zeal of Our Predecessors to Future Generations

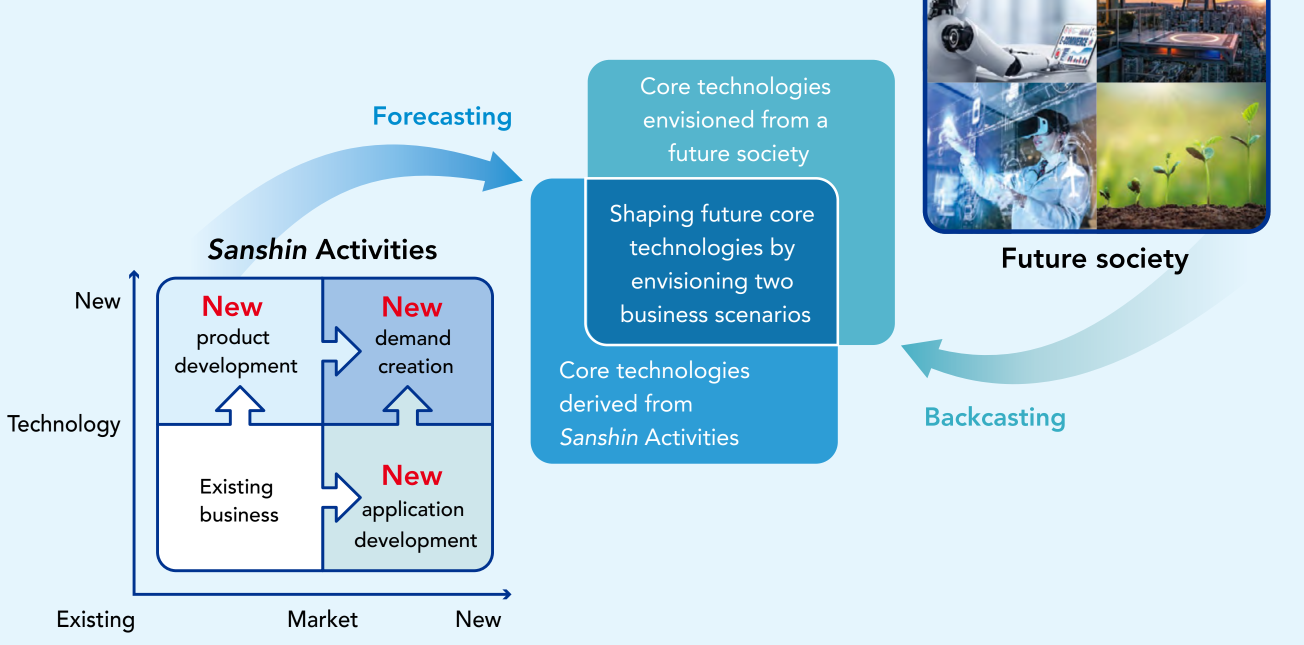
Specific strategies to realize Best-in-Class

As we continue to refine our core technologies, we have identified the domains on which we should focus: those where the forecasting approach, which has long been one of Nitto's strengths, intersects with the backcasting approach, which we will further strengthen going forward. Once we have successfully strengthened our core technologies in these domains, they can truly be regarded as "core technologies of the future." They embody Nitto's firm commitment to how we seek to contribute to society, while remaining grounded in the solid foundation of our existing technologies, businesses, and immediate demands.

Meanwhile, a Group-wide consensus has yet to be reached on the specific roadmap for advancing each of these technologies, and this remains a key challenge. To establish an overwhelmingly advantageous position relative to competitors and secure long-term growth centered on our core technologies, we must achieve Best-in-Class status in each of them. As CTO, I will clearly define which core technologies we will enhance and how, thereby accelerating technology development across the Group.

What warrants particular attention here is that the technology development processes based on the forecasting approach and the backcasting approach differ significantly in nature. This makes it necessary to manage the two differently while also identifying where they overlap.

Envisioning future core technologies from two directions to achieve Best-in-Class status first



Technology development based on a forecasting approach is guided by indicators such as responsiveness to customer needs, feasibility, competitive advantage, and the likelihood of investment recovery, and it requires open, fair, and timely decisions on whether to continue or discontinue projects. In contrast, technology development based on a backcasting approach makes the likelihood of success inherently difficult to predict. If the same criteria used for forecasting-based development are applied to this approach, there is a risk of stifling innovation at an early stage. What is therefore required is the determination to support the efforts of pioneering leaders over the long term, even when a certain degree of uncertainty is involved.

Another thing I consider important in building up our core technologies is how we accumulate and pass down our technological assets, including those from discontinued projects.

I believe the essential nature of technology lies in the continuity and accumulation of knowledge. Take the electrical release tape I mentioned earlier: if one traces the history of adhesion technologies, it ultimately leads back to materials such as asphalt, dating as far back as before Christ. Even if we fail to put a technology into practical application, as long as we accumulate the experience gained through the process and continue developing the technology, that experience can eventually be transformed into new products, applications, or sources of demand. In fact, the development of adhesion technology was preceded by countless unsuccessful attempts before electrical release technology was established. The cycle of passing on know-how to bring about future innovation, which resembles the evolutionary process of humankind, must be embedded within our organization. By contrast, technologies that reside exclusively with specific individuals or individual pieces of equipment lack continuity and are therefore difficult to scale globally.

For this reason, I have included the continuity and accumulation of technologies as one of my focus areas as CTO. Rather than merely documenting the progress of technology development and management going forward, I will delve into the accumulated experience of past innovation processes. By identifying the essence of success and failure in R&D initiatives that is unique to the Nitto Group, and by improving the accuracy and speed of managerial decision-making, I will elevate our core technologies to Best-in-Class status.

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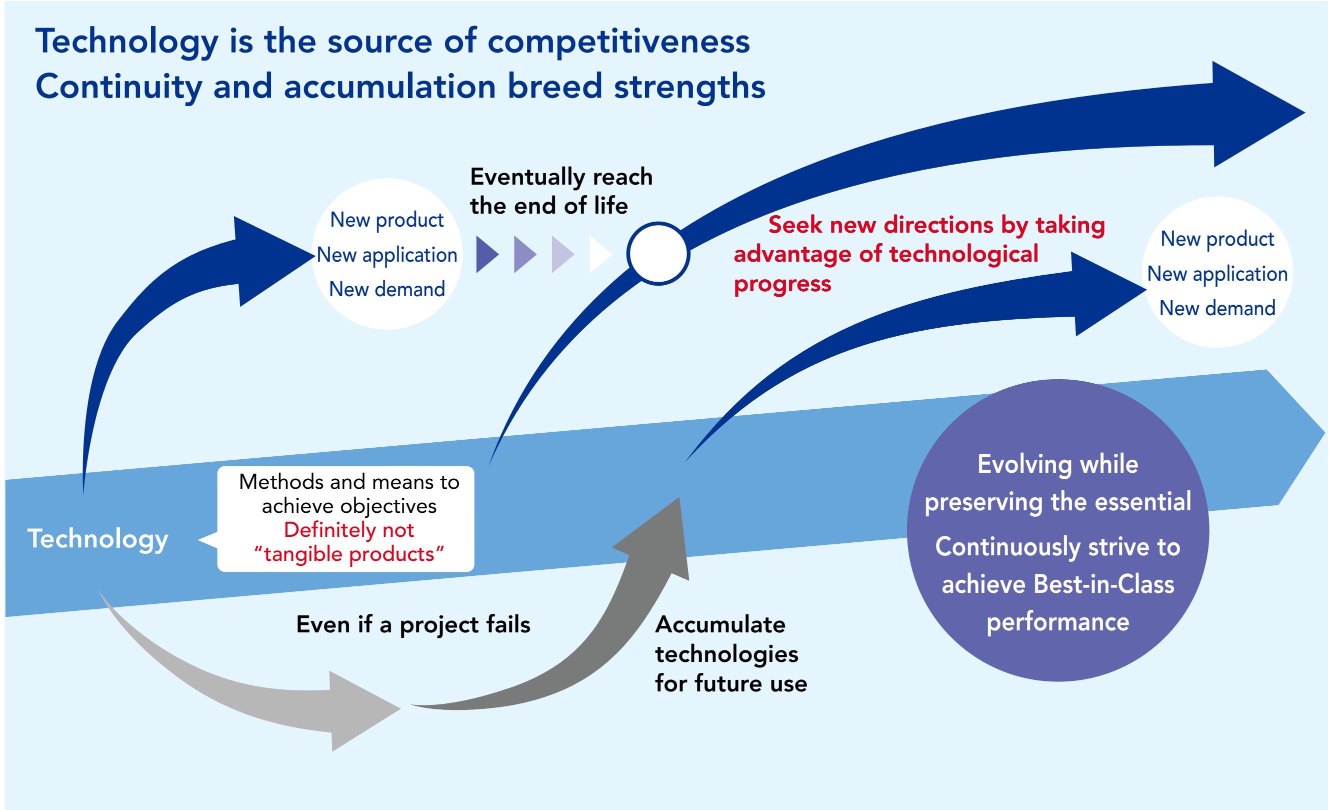

Leveraging Cutting-Edge AI Technologies to Propel R&D Activities and the Continuity and Accumulation of Technologies

■ Use of AI technologies and advancement of digital transformation (DX)

To accelerate R&D, AI technologies, and the advancement of DX are indispensable. Nitto began working in this area in 2017 and established a dedicated data science group in 2019 under my initiative.

It all began during my assignment at Nitto's research center in the U.S. around 2014 and 2015. Under the Obama Administration, the U.S. was advancing a national project to develop new materials in the field where data science and material science met. This could be seen as a precursor to what has recently been attracting attention as materials informatics. What had a particularly strong impact on me was the target they set: to halve the lead time for materials development, which typically ranges from 10 to 20 years from discovery to market launch. At that time, even in the U.S., efforts to use AI technologies for R&D were still in an exploratory stage. However, as momentum was beginning to build within parts of Japanese academia, I felt an opportunity had emerged for Nitto to take a leading position in this field. Since then, AI technologies have, needless to say, advanced and spread at an extraordinary pace.

Today, the accuracy and speed of Nitto's R&D have improved dramatically through the effective use of AI technologies. One recent example involves polymer beads used in oligonucleotide synthesis. By making the most of AI to optimize polymer composition, we reduced development lead time by approximately half. We have also been fortunate to build strong relationships with academic experts in data science from an early stage. Going forward, we will continue to adopt ever-evolving technologies in a timely manner to accelerate their full-scale application across Nitto's R&D activities.

AI technologies are also essential to the continuity and accumulation of technological knowledge. With its broad portfolio of businesses and the vast technological assets that support them, Nitto possesses an enormous volume of technological data. However, simply accumulating such data serves little purpose. We must instead use it effectively to preserve and transfer technological knowledge. To this end, we are currently developing an AI system that organizes a vast repository of technical reports and *Sanshin* Activities, with plans to roll it out across the Group soon.

Tapping Into Our Engineering Legacy to Elevate Our Technological Prowess to Best-in-Class Status and Deliver Tangible Results

Nitto is fortunate to possess trusted customer relationships built through consistently meeting customer needs, core technologies that create value, and a team of outstanding engineers who underpin many of these precious intangible assets. We will make the fullest possible use of these assets to reach a new level, adopting a backcasting approach where necessary.

Our ultimate goal is to become a company recognized for its technological excellence by investors, other stakeholders, and society at large. To achieve this, we must continue to hone the technologies that enable us to develop high-quality products with superb competitive advantages, thereby further strengthening the trust we have cultivated over many years.

As we proactively envision the future society, we will strive to elevate our core technologies to Best-in-Class status, creating products and services that contribute to the environment and human life while securing leading positions in niche markets. By connecting technology, business, and the front lines of our operations and providing a clear direction for the entire Group, we will remain committed to simultaneously solving social issues and creating economic value.

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Intellectual Property Strategy

■ Basic Policy

The Nitto Group has sustained its growth by continuously expanding its business domains through *Sanshin* Activities and by pursuing the Niche Top Strategy to achieve meaningful differentiation. Underlying this enduring success has been the strategic use of intellectual property. As a vital management resource, intellectual property, when closely aligned with business strategy, enables the Group to establish technological advantages. Recognizing that investment in intellectual property contributes to the creation of "future-financial" value, the Nitto Group remains committed to sustainably enhancing its corporate value through the expansion of operating margin and the extension of expected earnings duration.

These initiatives have received strong external recognition. In January 2026, Nitto was named one of the Clarivate Top 100 Global Innovators by Clarivate Plc for the fifth consecutive year and the 13th time overall. Intellectual property plays a central role in refining the Nitto Group's Niche Top Strategy, and we will continue to evolve our intellectual property strategy through sustained commitment.

■ Intellectual Property Strategy: An Intellectual Property Network for Maximizing Business Value

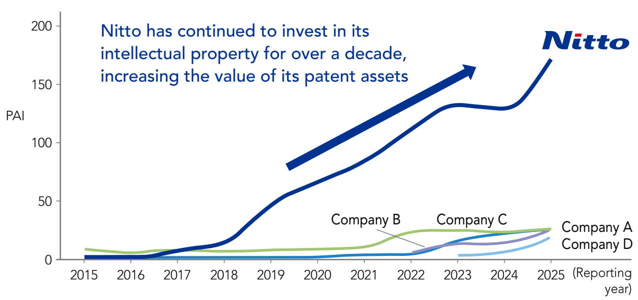
In formulating intellectual property strategies for each business, we begin by anticipating future market directions and identifying the technological value drivers that will be in demand. We then determine the technologies that will serve as sources of positive differentiation. Next, we identify, create, and strategically utilize the intellectual property required to protect those differentiating technologies, thereby establishing an intellectual property network that sustains our competitive advantages. The Nitto Group's intellectual property strategy encompasses this entire process.

A prime example is our strategy to make use of the intellectual property around electrical release tape. In recent years, the concept of the "Right to Repair," which acknowledges consumers' right to repair products they have purchased without relying on manufacturers, has gained significant attention. Legislative measures have been enacted in EU member states and certain U.S. jurisdictions, including New York and California, and similar discussions are underway in India, Australia, and other countries. Nitto considers this trend an essential element of a future circular society and has continued to hone its release technology, one of its core technologies. One outcome of these efforts is electrical release technology, which has been applied to the electrical release tape used to fix batteries in high-end smartphones and is experiencing growing sales.

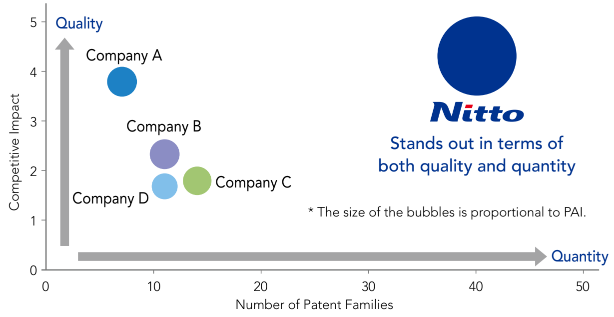
While development was still underway, we filed patent applications for electrical release technology as a differentiating technology aligned with the right to repair, taking an early lead in building an intellectual property network and gaining a competitive advantage. Graph 1 illustrates how sustained investment over the years has significantly built up the value of our intellectual property, while Graph 2 demonstrates that our intellectual property network is well-balanced in both quality and quantity.

Patent Analysis: Electrical Release Adhesive (Pressure-Sensitive Adhesive)

Graph 1: Trend in Patent Asset Index (PAI) (Nitto vs. Peers)



Graph 2: Number of Patent Families and Competitive Impact (CI) (as of December 31, 2025)



(Notes)

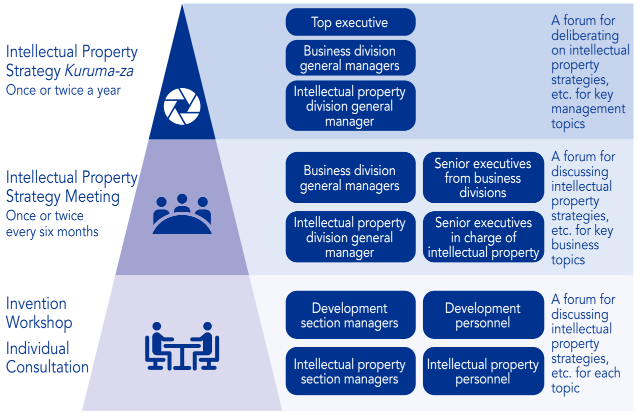
1. PAI, CI, and the number of patent families are indicators provided by PatentSight+®, a patent analytics database offered by LexisNexis.
2. PAI is a proprietary indicator of intellectual property value used in PatentSight+® and represents the aggregate of CI scores across all active patent families. CI is an indicator of patent competitiveness and quality.
3. The scores in Graph 1 are as of December 31 of each reporting year.
4. "PatentSight" is a registered trademark of PatentSight GmbH.

As we expect the right to repair concept to expand into other fields, we are continually strengthening our intellectual property network to secure our competitive advantages and profitability in these emerging fields.

■ Collaborative Approach: Integrating Business and Intellectual Property Strategies Across All Levels, from Management to Development Teams

The Nitto Group regards its intellectual property as a key management resource in refining its Niche Top Strategy. Accordingly, we offer a variety of training programs to enhance employees' intellectual property knowledge and establish forums at each organizational level, from management to development teams, to build practical intellectual property awareness.

Two notable examples are the Intellectual Property Strategy Meeting, in which general managers from business divisions, planning departments, development departments, and intellectual property division meet to discuss intellectual property strategies from a business perspective, and the Intellectual Property Strategy *Kuruma-za*, in which the top executive, together with general managers of business and intellectual property divisions and other relevant stakeholders, discuss intellectual property strategies for key topics. By involving both management and development teams in this way, we ensure alignment on the strategic direction for each topic, foster a shared commitment to intellectual property activities, and promote business and intellectual property strategies in an integrated manner.



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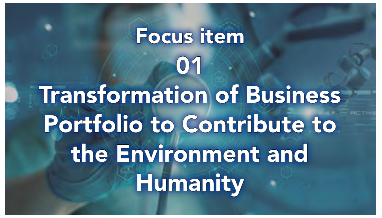
Review of the Previous Medium-Term Management Plan "Nitto for Everyone 2025"

The Nitto Group formulated its medium-term management plan, "Nitto for Everyone 2025," covering fiscal years 2023 to 2025.
Under the slogan of "Implementing our Niche Top Strategy and ESG Strategy," the Group has been driving initiatives across four focus items.
As a result of these initiatives, the Group has further advanced the simultaneously solving social issues and creating economic value.

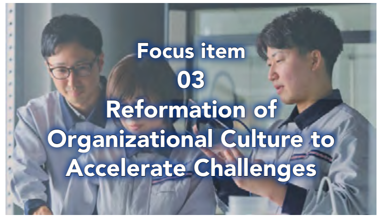


◆Toward a transformation to a business portfolio that contributes to the environment and humanity progress in creating and expanding businesses that address social issues

- Resolved to build a new factory at the Toyohashi Plant to support further business expansion, with planned manufacture of electrical release tapes, optical transparent adhesive sheets, and component-fixing tapes.
- In fiscal 2025, four new products (38 products in total) were recognized as PlanetFlags™/HumanFlags™.
- Entered into joint development agreements with partner companies to advance business creation in new business areas.

◆Advance the Nitto-Style Innovation Model to create "essential" Niche Top solutions

- In fiscal 2025, the electrical release tapes for battery fixation achieved the No.1 market share by reducing manufacturing loss and cutting life cycle CO_2 emissions by more than 50%, while also contributing to the right to repair for consumers.
- The electrical release tapes for battery fixation have also obtained "Double Recognition," being recognized under both PlanetFlags™/HumanFlags™ and Global Niche Top™.



◆Promoting human capital management to empower diverse talent and teams to take on innovation challenges

- The engagement score improved to 81, exceeding the fiscal 2025 target for the entire Group, driven by progress in unique initiatives to enhance employee engagement across sites in Japan and overseas.
- The number of entries for the new business creation initiatives "NIC," an initiative aimed at fostering a culture of "enjoying challenges," increased to 2,683 entries —approximately 1.7 times the highest-ever number recorded in the previous year.

◆Building a resilient management infrastructure immune to external influences, placing safety before everything else

- With the aim of "maintaining and enhancing a resilient financial structure with high capital efficiency," we acquired treasury shares.
- Recognized for advancing ESG management, we were selected for the second consecutive year as a Sustainability Yearbook Member in "The Sustainability Yearbook 2026" published by S&P Global.
- In August 2025, we expressed our support for the recommendations of the Taskforce on Nature-related Financial Disclosures ("TNFD") and registered as a TNFD Adopter.

Financial Indicators

	FY2025 Targets	FY2025 Results
Operating profit	170.0 billion yen	183.6 billion yen
Operating profit to revenue	17%	17.9%
ROE	15%	12.2%

Future-Financial Indicators

		FY2025 Targets	FY2025 Results
Product related	Niche Top revenue ratio	50%	49.7%*
	PlanetFlags™/ HumanFlags™ category revenue ratio	40%	46%
	New products ratio	35% or more	40%
Environment related	Waste plastics recycling ratio	50%	54%
	Sustainable materials procurement ratio	20%	24%
	CO_2 emissions (Scope 1+2)	470 kton	361 kton
HR related	Engagement score	78	81
	Challenge ratio	70%	58%
	Female leaders ratio	24%	22%

*The Group has conventionally displayed actual results rounded to the nearest whole number. However, the figure is displayed to one decimal place as an exception for this category to show the degree of achievement relative to the target value (50%) more explicitly.

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Toward the Target State 2030

The medium-term management plan, Nitto RISE 2028, covers the three-year period from fiscal 2026 to fiscal 2028. The previous medium-term management plan was positioned as the first step toward achieving our Target State 2030, while this plan is positioned as the second step. As key financial indicators emphasizing the Group's earning power and profitability, we have set operating profit and operating profit to revenue, and as an indicator to measure the degree of corporate value enhancement with an awareness of capital cost, we have set ROE. In addition, we have established eight future-financial indicators. By achieving these targets, we aim to further enhance corporate value.

Through the promotion of Nitto RISE 2028, the Nitto Group will create new value through co-creation and innovation with customers and partners, and will meet the trust and expectations of its stakeholders as an essential presence for a sustainable global environment and human society.

	FY2025	FY2028	FY2030
Operating profit	183.6 billion yen	220.0 billion yen	240.0 billion yen or more
Operating profit to revenue	17.9%	20%	20% or more
ROE	12.2%	14%	15% or more

Nitto for Everyone 2025 (FY2023–FY2025)

Implementing our Niche Top Strategy and Nitto-Style ESG Strategy

Nitto RISE 2028 (FY2026–FY2028)

Realizing new growth through Double Recognition
(Simultaneously creating social and economic value in growth industries)

Essential ESG Niche Top Company

Simultaneously solving social issues and creating economic value
Double recognized products revenue ratio: 50% or more

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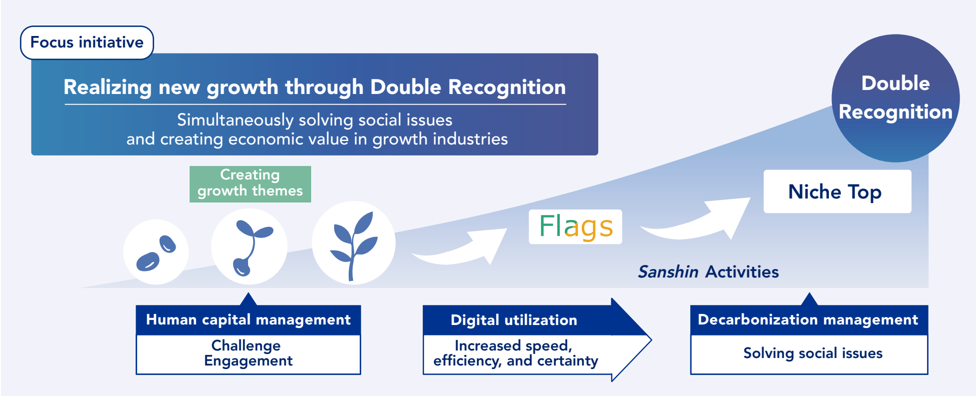
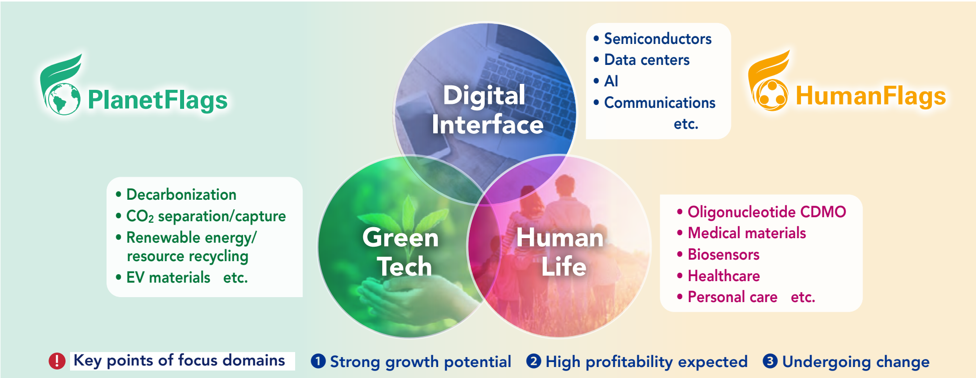
New Medium-Term Management Plan "Nitto RISE 2028"

Under the new medium-term management plan, Nitto RISE 2028, we position "Realizing new growth through Double Recognition" as a key initiative. To simultaneously solve social issues and create economic value, we will promote the creation and expansion of products and services with Double Recognition that meet the recognition criteria for both PlanetFlags™/HumanFlags™ and Global Niche Top™/Area Niche Top™. To support this key initiative, we will drive sustainable growth by advancing human capital management, digital utilization, and decarbonization management.



■ Focus Domains

We have defined "Digital Interface," "Green Tech," and "Human Life" as our focus domains. By leveraging the Group's strengths—its core technologies and *Sanshin* Activities—in fields where significant market growth is expected, including digital and next-generation ICT, semiconductors, environmental and renewable energy, and life sciences, and by allocating management resources intensively, we will drive transformation of our business portfolio.



■ Management Targets

To realize our Target State 2030, "An Essential ESG Niche Top Company," we have set targets for fiscal 2028 and fiscal 2030.

For fiscal 2028, we aim to achieve operating profit of 220 billion yen, an operating profit to revenue of 20%, and ROE of 14% as our financial targets. In addition, to accelerate ESG management, we have established eight future-financial targets across the categories of "Product related," "Environmental," and "Human Capital." By working as a Group to achieve these targets, we will drive further enhancement of corporate value.

Financial indicators	FY2028 targets	FY2030 targets
Operating profit	220.0 billion yen	240.0 billion yen or more
Operating profit to revenue	20%	20% or more
ROE	14%	15% or more

Future-financial indicators			FY2028 targets	FY2030 targets
Product related	Double recognized products revenue ratio*1		40%	50% or more
	Niche Top revenue ratio*2		50%	50% or more
	Flags revenue ratio*3		50%	50% or more
Environmental	GHG emissions*4	Scope 1	300 kton	330 kton or less
		Scope 2	100 kton	70 kton or less
		Scope 3*5	1,520 kton	1,460 kton or less
Human Capital	Engagement score*6		84	85 or more
	Challenge ratio*7		70%	85% or more

*1. An indicator for measuring the creation and expansion of products and services that simultaneously solve social issues and create economic value.
*2. An indicator for measuring the creation and expansion of essential Nitto products that have achieved the top market share in niche fields.
*3. An indicator for measuring the creation and expansion of essential products and services that solve social issues.
*4. An indicator referring to greenhouse gas (GHG) emissions and measuring progress in efforts to respond to climate change.
*5. Target categories: 1. Purchase of raw materials, 3. Fuel production and electricity generation, 4. Transportation (purchase and outbound logistics), 5. Waste disposal, 12. Product disposal
*6. An indicator for measuring the three elements that indicate organizational revitalization: employees' sense of belonging and willingness to contribute, productive work environment, and physical and mental well-being and vitality.
*7. An indicator for measuring the percentage of employees who took on challenges to broaden their experience and potential toward creating new value.

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Focus Initiative "Realizing New Growth Through Double Recognition"

Under the new medium-term management plan, Nitto RISE 2028, we will promote the creation and expansion of products and services with Double Recognition that meet the recognition standards for both PlanetFlags™/HumanFlags™, representing products and services that are "essential" in addressing social issues, and Global Niche Top™/Area Niche Top™, which achieve No.1 market share in niche areas within growing and evolving markets, in order to simultaneously solve social issues and create economic value. Through this Double Recognition, we aim to achieve both high social contribution and profitability, thereby enhancing corporate value.

Flags
contributions to the environment and/or human life

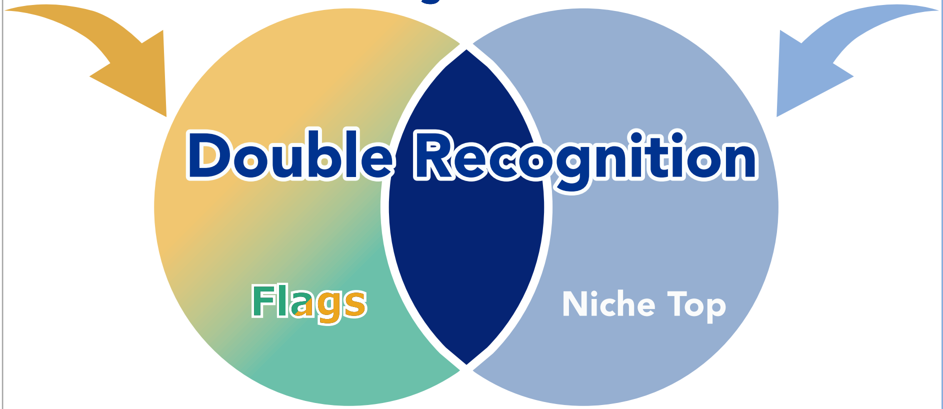
Products and services essential to solving social issues

Recognition criteria

① Degree of contribution
(reviewed by external experts & internal committees)
Necessity, leadership, external recognition

② Growth potential, track record, and alignment with strengths

Simultaneously solving social issues and creating economic value



Simultaneously meeting two different sets of criteria

Flags and Niche Top are reviewed by internal recognition councils

Niche Top

A differentiation strategy aims for the No.1 market share in the niche fields

Recognition criteria

① Strong business performance (scale and profitability)

② Top market share

Target State 2030	A state in which double recognized products and services account for **more than half** of Nitto's revenue	= A state offering greater expectations of sustainable growth	Double recognized products revenue ratio FY2025 40% ▶ FY2030 50% or more 200 billion yen or more in scale

To achieve our Target State 2030, an Essential ESG Niche Top Company, we will enhance both the profitability and sustainability of our businesses by promoting the creation and expansion of double recognized products and services.

As a key indicator of progress, we have set a target of achieving a double recognized products revenue ratio of 50% or more by fiscal 2030, and aim to increase double recognized products revenue by more than 200 billion yen from the fiscal 2025 baseline.

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Selected Double Recognized Products

Battery bonding electrical release tape

Impact on the environment and society

Realizing the Right to Repair for smartphones and other devices

- Contributing to easier battery removal
- Supporting DIY-repair of smartphones and other devices
- Life cycle CO_2 emissions: more than 50% decrease

Providing products that ensure comfort and security of life | Providing products that promote digital society | Providing solutions for decarbonization and material-circulation solution

Double Recognition | Global Niche Top™ | PlanetFlags | HumanFlags

Battery bonding electrical release tape secures batteries in smartphones and other devices while allowing easy removal when voltage is applied. Unlike conventional mechanical release methods, it enables batteries to be separated from device housings without damage, supporting product designs premised on repair and recycling. By addressing the Right to Repair and increasingly stringent battery regulations, particularly in Europe, this tape contributes to extending product lifecycles and achieving resource circulation. Recognized as a breakthrough material technology that establishes a novel release mechanism, this product exemplifies simultaneously solving social issues and creating economic value.

Highly durable polarizers for automobile displays

Impact on society

Delivering a smarter driving experience with enhanced safety and comfort

- Highly reliable image display performance that withstands the harsh in-cabin environment

Providing products that ensure comfort and security of life | Providing products that promote digital society

Double Recognition | Global Niche Top™ | HumanFlags

Highly durable polarizers for automobiles are display components that maintain display performance even in the harsh in-cabin environment (direct sunlight, high temperature), and are recognized for their outstanding durability. Their wide viewing angle, low reflection, and other distinctive features also help guarantee high visibility while driving, enhancing a safe and comfortable driving experience.

Polymer beads for synthesizing oligonucleotides NittoPhase™

Impact on society

Contributing to people's healthy and fulfilling lives as a synthetic material for oligonucleotide synthesis

- Supporting a variety of nucleic acid types for the creation of novel nucleic acid drugs
- Realizing efficient synthesis of high-yield, high-purity oligonucleotides

Providing products that support sound and healthy life

Double Recognition | Global Niche Top™ | HumanFlags

Serving as the foundation for oligonucleotide synthesis based on precision particle synthesizing technology, polymer beads for oligonucleotide synthesis NittoPhase™ offer the following three distinctive features.

First, they enable the synthesis of large quantities of highly pure oligonucleotides. Second, they deliver consistent quality with minimal lot-to-lot variation. Third, they are available in a range of variants to meet diverse customer requirements. These strengths make them an essential material for the manufacturing and development of nucleic acid drugs.

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Let Double Recognized Products Lead Us to a New Stage of Growth

Forging Solid Footing as an ESG Niche Top Company by Supplying Products Essential for the Well-Being of the Earth and Society

Naohiro Kato
Manager, Section 1, Development Department, Mobile Products Division, Functional Base Products Sector

Mieko Ishikawa
Manager, Corporate Planning Department, Corporate Strategy & ESG Management Division

Kenshi Tozuka
Vice President
General Manager of Corporate Strategy & ESG Management Division

Takuya Mase
Manager, Section 1, Planning Department, Mobile Products Division, Functional Base Products Sector

Shaping the Future of the Nitto Group Through Double Recognition

Tozuka "Double Recognition" refers to products and services recognized under both PlanetFlags™/HumanFlags™ and Global Niche Top™/Area Niche Top™, two of our own product recognition schemes.

Since the mid-1990s, the Nitto Group has pursued the Niche Top Strategy, driving business growth to this day. Put simply, it is about finding market segments with high growth potential and capturing the leading share in those niche fields. Holding a leading market share gives us timely access to the latest customer information. Naturally, customer expectations are higher and we must offer more advanced technology, but we have become what we are today by leveraging our proprietary technologies and expertise to more than meet customer demand and earn their trust as a reliable partner. This virtuous cycle has enabled us to sustain highly profitable business growth.

Ishikawa The other recognition scheme, PlanetFlags™/HumanFlags™ ("Flags"), was established in fiscal 2022. We do not think there is even one Nitto Group offering that does not contribute to solving social issues, but in the past its impact and value were not clearly articulated. The point of the Flags recognition scheme is to visualize how our products and services benefit the global environment and human society. Its screening criteria are strict: we score candidate products on parameters such as need and feedback from supportive customers. With input from outside experts, we then recognize products and services that demonstrate particularly high contributions to addressing social issues.

Tozuka By establishing the double recognition scheme, Nitto has made clear, across the Group and beyond, its firm commitment to fulfilling the corporate social responsibility demanded by global trends, with the aim of sustaining growth as a company highly sought after in the global community. As the public grows more conscious of sustainability each year, we need to aim even higher.

Ishikawa Guided by its policy of placing ESG at the core of our management, the Nitto Group has clearly defined its course of action. There is no question that the Flags recognition scheme is serving as an engine driving this effort. Of course, spreading the scheme across the Group since its inception has not been without difficulty, and at times we struggled to have its significance and rationale understood. Under our policy of focusing on projects to develop products eligible for Flags recognition, the list of Flags has grown to the point where their merits are now easier to demonstrate, which in turn facilitates recognition of the scheme. Meanwhile, each business division organizes workshops and other forums on the scheme to discuss how their products contribute to solving social issues and how they can be improved to earn recognition.

Mase Although the level of penetration varies across divisions, understanding of the Flags recognition scheme is steadily deepening, particularly among members involved in growth businesses, fostering a stronger sense of ownership over their projects.

Kato I can see the members of my development team growing increasingly conscious of the scheme. From the outset of a development project, all team members are clearly informed that they are expected to develop products worthy of Flags recognition. This approach also helps the scheme gain greater penetration across the company.

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The Flagship Double Recognized Product Shaped by Continuous Innovation and Persistence

Ishikawa The Double Recognition scheme began only recently, but we already have several products recognized under it. One is battery bonding electrical release tape. I can imagine the development team faced considerable difficulty along the way.

Kato Electrical release tape offers high bonding performance yet can be released easily by applying just a small voltage, without damaging the materials. We began working on this innovative product in 2014, and it took some time before we could match it with customer demand. We started by demonstrating the technology to customers to probe for latent needs, and around that time the concept of the Right to Repair emerged in Europe. Thanks to this fortunate alignment between market needs and our electrical release tape technology, the product reached the market.

Mase Involving others in the company posed a major challenge. Given its scale, some argued we should involve the entire business division, while others insisted the development team should take the lead in steering the project. Through repeated discussions, we decided who would play what role. Once we reached the manufacturing stage, working closely with other divisions became essential, highlighting the need to strengthen cross-divisional and cross-group cooperation. In the final phase of development, we faced challenges in obtaining customer approval and were uncertain whether they would ultimately adopt our tape. Once we received the green light, however, we worked closely with the procurement team to ensure an uninterrupted supply of materials, mobilizing all available resources toward the effort.

Kato Electrical release tape is not like ordinary adhesive tape, which is discarded after a single use. Because it undergoes numerous processes before application, there is a risk that its electrical release performance may be compromised depending on how it is used. For this reason, we involved members from the quality and production teams, who seldom have opportunities to meet customers face-to-face, alongside those from sales and development, in repeated discussions with customers to bring the product to market. This integrated approach across R&D, Production, Sales, and Administration enabled us to become the first in the world to put electrical release tape into practical use. Nitto has a corporate culture of enjoying challenges, and this unique culture was instrumental in helping us overcome these challenges and respond effectively to customer needs.

Ishikawa Electrical release tape went on to achieve Double Recognition and was honored internally with the President's Award. This enhanced the motivation of members in other divisions, who in turn grew more conscious of the need to contribute to society and customers. It is a case of one Niche Top product serving as a seed for more Niche Top products.

Mase Following the recognition, we have received more customer inquiries, which has also led customers to learn about other Nitto products and technologies.

Kato As the scheme became more visible, internal communication grew smoother.

Tozuka If you keep pursuing your goals without giving up, you may eventually find that social needs align with your aspirations. Everyone involved in this project remained committed, anticipating changes in society and persistently promoting the product rather than chasing short-term profits. This perseverance was another key factor in our success.

Toward the Next Stage of Growth

Mase While marketing electrical release tape and other environmentally friendly products, we have noticed two types of companies, distinguished by what they emphasize: one is sensitive to regulatory trends, and the other values economic rationality. My impression is that companies in Europe and North America tend to place greater emphasis on the former, while those in Asia tend to focus more on the latter. One of the key strengths of double recognized products is their ability to deliver value that is both socially significant and economically rational, and we will continue to proactively address both dimensions.

Kato In retrospect, it took considerable resources and time before we were able to bring electrical release tape into practical use. Looking ahead, our next challenge is to lower the hurdle for practical implementation within a shorter timeframe, while further enhancing product quality.

Ishikawa I must acknowledge that, among the divisions involved in creating double recognized products, some demonstrated a stronger sense of ownership than others, suggesting that the initiative had not yet fully permeated all departments. That said, in many cases, initiatives not originally intended to benefit the environment ultimately made significant contributions to it. I would be pleased to see the Double Recognition scheme reach every corner of the organization as we continue to communicate its significance with confidence, ultimately enhancing our corporate value. I believe we can change society if this approach is embraced more widely.

Tozuka In the new medium-term management plan, Nitto RISE 2028, we have identified becoming an Essential ESG Niche Top Company as our Target State 2030, and we have set a quantitative target of raising the double recognized products revenue ratio to 50% or higher by fiscal 2030. With leading market shares, Niche Top products and services deliver relatively higher profitability, and we believe that expanding our portfolio of such products and services will further enhance profitability. By increasing the number of products that make significant contributions to the global environment and human society, we can simultaneously solve social issues and create economic value.

The Nitto Group has a proven track record of creating numerous Niche Top products that meet society's expectations. Also deeply embedded in our corporate culture is a strong commitment to meeting the expectations of our customers and other stakeholders through strong teamwork. By continuing to leverage these unique strengths, let us all work together to become an Essential ESG Niche Top Company, so that we remain the trusted partner customers rely on in times of challenge.

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Nitto Group's Human Resource Strategy as per the Chief Human Resource Officer

The Nitto Group remains committed to developing talent by leveraging its inherent DNA of "taking on challenges" to integrate its global value chain. Through the appointment of Human Resource Business Partners (HRBPs), the Corporate Human Resources Division will take on the challenge of playing a more direct role in driving business performance.

Yasuhito Ohwaki

Director, Senior Executive Vice President, CSO, CHRO
General Manager of Corporate Human Resources Division

Staying Focused on the Nitto-Style Human Capital Management Model to Align Nitto's Management Strategy with Human Resource Strategy

The Nitto Group has expanded into new growth areas globally by identifying markets with growth potential and flexibly shifting its business focus through its unique approaches of the Niche Top Strategy and the Nitto-Style ESG Strategy. Currently, overseas revenue accounts for approximately 80% of the Group's total, and its supply chain extends globally. Moreover, end customers, whose preferences shape product specifications, as well as our production sites and direct customers, are located across many different countries and regions. We therefore need to connect value at each stage of the value chain to maximize our contribution to customers' value creation.

As the world continues to change at an unprecedented pace, market needs and required capabilities are evolving daily. To continue creating innovation, we believe it is vital to connect the value chain globally and align R&D, Production, Sales, and Administration. Guided by its human resource strategy of "creation of a work environment where everyone feels rewarding and satisfied with what they are doing," the Nitto Group aims to realize renewed growth by developing talent capable of connecting the global value chain. The Nitto-Style Human Capital Management Model breaks down and realigns this human resource strategy from a human capital perspective.

The Nitto Group has long considered human resources its most valuable assets. Its workforce is "highly motivated to achieve its goals" and "operates as a cohesive team, pursuing shared goals with speed and agility." To further hone these distinctive traits and sustain business growth, it is crucial to develop a full understanding of diversity, a key pillar of our workforce, and to revitalize both individuals and organizations in tandem. These three elements—diversity, revitalizing individuals, and revitalizing organizations—are

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not independent of one another but mutually reinforcing and complementary. Just as individuals and organizations cannot thrive without an understanding of and respect for diversity, each element is indispensable. What is critical is a corporate culture in which respect for diversity is embedded as a given, one that encourages individual members to proactively take on challenges while fostering a sense of growth. In doing so, organizations become aligned around shared objectives and deliver results. It is through this process that innovation is generated and human resources capable of connecting each node of the global value chain are developed.

Building on the Outcomes of the Previous Medium-Term Management Plan to Drive Further Improvements

During the previous medium-term management plan, with a focus on creating a workforce environment that supports the growth of our human resources, we worked to visualize the level of implementation of the Nitto-Style Human Capital Management Model. Specifically, we set three indicators: the challenge ratio, engagement score, and female leaders ratio. Alongside targets for fiscal 2030, we worked toward numerical targets set for the end of fiscal 2025.

■ Challenge ratio

The challenge ratio measures the percentage of employees who have taken initiatives that expand their personal experiences and possibilities while contributing to the company's business growth and corporate value. Since its introduction, the ratio has been increasing year by year from 41%, consistently fostering a workplace culture of "enjoying" challenges.

For fiscal 2025, however, the result was 58%, below the target of 70%. In practice, more employees took on challenges than the ratio suggests, but not all such efforts were captured. In addition, while we need to establish and communicate clear criteria for determining whether a challenge contributes to enhancing corporate value, I feel that we have not been fully successful in conveying these criteria, particularly in our overseas sites. In light of these issues, we will continue to promote further initiatives under the leadership of our executives, while ensuring alignment with our management and human resource strategies.

Under the new medium-term management plan, we have reset the fiscal 2028 target for the challenge ratio at 70% as a milestone toward our fiscal 2030 target of 85%. We will also continue to foster a corporate culture in which employees enjoy taking on challenges by sharing more exemplary cases across the Group. While maintaining the current definition of "challenges," we will expedite development of the infrastructure needed to capture and measure initiatives that have not been fully counted.

The Corporate Human Resources Division offers a variety of programs to support employees' personal growth and encourage them to take on new challenges. For example, we have implemented an ESG training program for all employees globally, with the number of supported languages gradually increasing. For selective training, we continue to offer our global leader development program, the Nitto Global Business Academy (NGBA). In the meantime, we have also begun developing a pipeline of candidates for senior executives, as well as a succession plan for global talent.

■ Engagement scores

The engagement score measures employees' intrinsic motivation to contribute. In the fiscal 2023 survey, the score reached 81, exceeding the fiscal 2025 target of 78 ahead of schedule. This achievement was made possible by the continuous improvement activities of each Group company. It is also encouraging that understanding of and engagement with these initiatives have advanced significantly across our workplaces over the past three years.

The fiscal 2025 score, however, remained unchanged at 81, the first time it has not improved from the previous survey. While top-down initiatives at each plant and overseas subsidiary have matured, we recognize that the sense of urgency around key issues is not always shared uniformly between leadership and individual organizations. Our view was that there remains room for improvement in how we address issues that are perceived differently across organizations and in how we encourage each member to take ownership of them.

Under the new medium-term management plan, we will set a fiscal 2028 target of 84 as a milestone toward our fiscal 2030 target of 85. To address the identified problems—differences in how issues are perceived across organizations and a lack of employee ownership—we will expand access to survey results so that they are available at the organizational level. We also plan to shift to a more bottom-up approach, whereby each organization reviews its survey findings and determines how best to address them. In addition, starting from fiscal 2025, we will change the survey frequency from biannual to annual, enabling us to operate the PDCA cycle with greater speed.

■ Female leaders ratio

We have made some progress in increasing the proportion of women in leadership positions. The provisional result for fiscal 2025 was 22%, slightly below the target of 24%. In Japan, we initiated the FLOWER Program in fiscal 2022, primarily targeting female associate managers. In fiscal 2025, we launched two additional programs: the Next Female Leader (NFL) Project, which brings in external female employees in managerial positions to mentor female managers without direct reports, and the Empowerment Lab (E Lab), a networking platform for female employees.

In South Korea and EMEA, where a similar sense of urgency around the development of female leaders is shared, we have continued to support initiatives to empower women; in contrast, in some areas, the proportion of female leaders has reached nearly 40%. Inspired by this outcome, we have reviewed our existing indicators to design metrics that more accurately measure diversity across the Nitto Group globally. Under the new medium-term management plan, we have refined the female leaders ratio to include the monitoring of achievements as a metric and added an inclusion score to our materiality KPIs to better visualize the implementation of DE&I across the organization.

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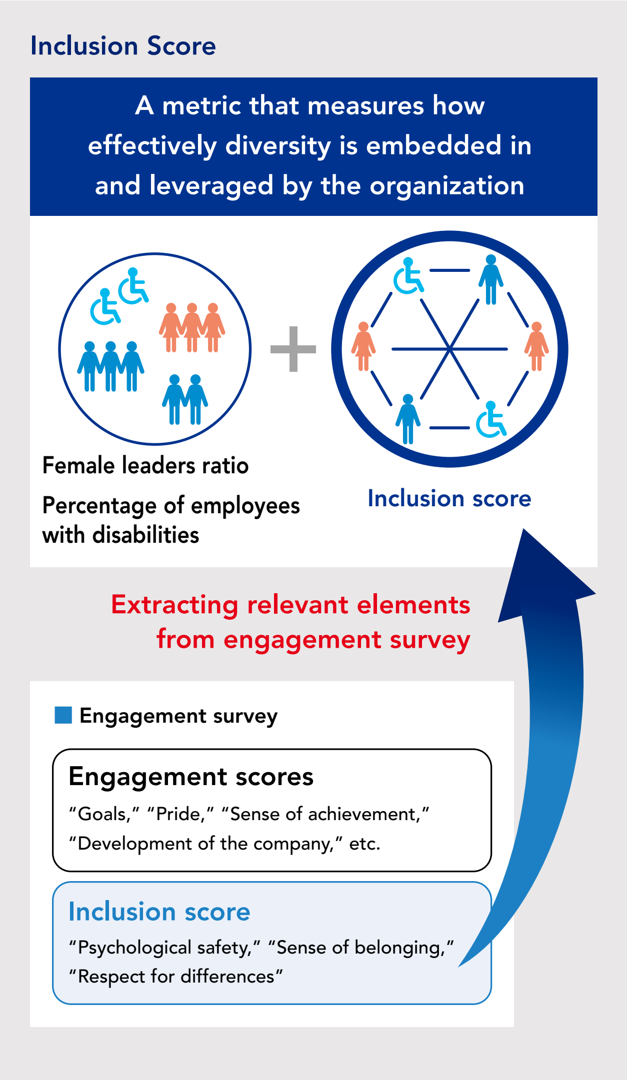

Focused on Initiatives that Lead to Renewed Growth in the New Medium-Term Management Plan

The Nitto Group believes that understanding and respecting diversity is essential for its business growth, and this belief will never change.

For the Group to sustain its growth over the long term, continuing to create innovation will be vital. Among the three elements of DE&I, inclusion is particularly critical to enabling such innovation. Accordingly, we have decided to introduce an inclusion score starting in fiscal 2026. Based on employee engagement survey results, this new metric quantitatively visualizes the extent to which individuals feel included and the degree to which their knowledge and experiences are leveraged to create synergy.

More recently, the Nitto Group has expressed its endorsement of two global DE&I initiatives: the Women's Empowerment Principles (WEPs) and The Valuable 500 on disability inclusion. In alignment with their principles, we will conduct business activities with a strong emphasis on understanding and respect for diversity.

To develop a human resources strategy that contributes more directly to business growth, we have appointed HRBPs for each business, who have begun their activities in earnest. By identifying human and organizational issues unique to each business and developing targeted measures to address them, we will design succession plans and build a sustainable leadership pipeline.

To make meaningful changes to the business, it is necessary to visualize not only "who is where" but also "whether there is a surplus or shortage of talent with necessary skills." To this end, we have begun developing skill maps, starting with administrative functions such as human resources and accounting. This benefits employees as well, as it clarifies the skills required for their current roles and future career development, encouraging them to take on new challenges. In addition, digital literacy is an essential skill for future business growth and directly affects the company's competitiveness. In collaboration with the Digital Promotion Division, we will establish a structured digital transformation (DX) training framework—from basic to intermediate and advanced levels—with the aim of raising overall digital literacy across the entire workforce.

Aiming to Become an Essential ESG Niche Top Company, Our Target State 2030

A notable example of the Nitto-Style Human Capital Management Model driving business growth is the increasing participation in the Group Activity Toward Excellence (GATE). In fiscal 2025, this small group activity engaged approximately 7,000 participants, a significant increase from the previous year. While participation was previously concentrated among production teams, the number from administrative functions has grown rapidly in recent years, and GATE has evolved into a globally expanding platform where employees learn to take on challenges.

Needless to say, a wide range of dynamic business initiatives are underway globally. Best practices are shared across the Group, with their benefits reflected in the financial statements. These practices are also linked to the business portfolio transformation outlined in our management strategy, as well as to structural reform initiatives that support this transformation and our growth strategy.

As stated in our human resources strategy, we will continue to create a work environment where everyone feels rewarding and satisfied with what they are doing, thereby developing more employees capable of connecting our value chain globally. However, we recognize that we still have some way to go. The Nitto Group has long fostered a corporate culture that supports taking on challenges, cultivated through its history in intermediate materials manufacturing. We are now working to elevate this into a culture in which employees actively embrace and "enjoy challenges." While such attempts may sometimes succeed and at other times fall short, the experience gained through these efforts enables our people to grow and shine more brightly. Success is always desirable, but we believe that fostering a corporate culture in which employees enjoy taking on challenges without fear of failure is essential. By doing so, we aim to achieve our Target State 2030 of becoming an Essential ESG Niche Top Company and to realize renewed growth.

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Human Capital Management

The Nitto-Style Human Capital Management Model breaks down and realigns our human resource strategy, "Creation of a Work Environment Where Everyone Feels Rewarding and Satisfied with What They Are Doing," from a human capital perspective. Believing that sustaining business growth requires the growth of each individual employee, we are working hard to provide a training experience focused on developing future management team members and talent who maintain the integrity of our global value chain.

■ Human Resource Management: Policy and Organizational Structure

Under the direction and supervision of the Board of Directors, the Nitto Group has established a sustainability governance structure centered on the Corporate Strategy Meeting to draw up and pursue strategies for addressing issues including human resource management from short-, medium-, and long-term perspectives. Key policies, strategies, challenges, and initiatives regarding human resource management are reported to and resolved by each meeting body based on internal standards. The Corporate HR Division plays the central role in ensuring the effectiveness of the defining or resulting activities, in collaboration with each region. In Japan, these efforts are led by the Japan Region HR & Governance Division, which works closely with business divisions, locations, and group companies in Japan and overseas.

Regarding the strategic use of human resource data, an initiative dating back to the previous medium-term management plan, we will continue to take an offensive approach by investing resources to enable more advanced decision-making. At the same time, from the defensive perspective of personnel governance, we will strengthen internal controls and enhance training for managers.

■ Revitalization of Individuals

■ Development of global leadership

One of our key management agenda items is developing global leaders capable of integrating an increasingly complex value chain to achieve renewed growth. At the core of this initiative are a global leadership pipeline and a selective training program. The global leadership pipeline consists of two talent pools: the global key position pool (GKP), which manages candidates for key positions, and the executive talent pool (ETP), which manages candidates for vice president positions. To develop candidates systematically, management and the HR division meet regularly to discuss and implement assignments and support measures from a strategic perspective, in order to maximize candidates' personal growth. Each year, selected members from these pools participate in the Nitto Global Business Academy (NGBA), a selective training program that provides opportunities for action learning on management and business challenges, along with input from management. With support from officers and external mentors, participants refine their ability to view the business from a global perspective and make sound decisions by independently identifying challenges and conceiving and proposing solutions.

■ Providing younger employees with cross-border experience

As a global company, we provide younger employees, particularly those from Japan, with opportunities early in their careers to gain cross-border experience and develop the ability to think and act across different cultures. Some of the most notable measures in this regard include an overseas trainee program and an overseas short-term dispatch training program. The overseas trainee program sends younger employees who have successfully completed a selection process to Nitto's overseas subsidiaries, where they gain not only language skills but also hands-on experience with different values and business practices through training in local operations, on-the-job training (OJT), and collaboration with local colleagues. Before and after the program, participants receive cross-cultural training and opportunities to reflect on their experiences, ensuring that the program contributes meaningfully to their future career development rather than serving as merely a temporary experience. The overseas short-term dispatch training program, on the other hand, helps participants develop the ability to identify business opportunities and to think and act proactively through fieldwork conducted with peers from multiple countries. Since fiscal 2022, about 70 employees have taken advantage of these training programs. Going forward, we will continue to cultivate talent capable of taking on global challenges.

■ Recruitment, development, and empowerment of human resources

In Japan, we recruit both new college graduates and mid-career professionals from diverse backgrounds to strengthen our human resource foundation. Amid the shrinking working population in this country, we are enhancing our employer branding efforts to communicate Nitto's appeal and values to prospective employees. At the same time, we are leveraging AI technology to improve the quality of the screening process.

On the development and empowerment fronts, in addition to the Group's common foundational training, we have systematically restructured job-level and selective training programs to promote skill development tailored to each employee's role and stage of growth. In fiscal 2026, we plan to further strengthen job-level training to raise employees' overall management capabilities and professional expertise, thereby enhancing the Group's productivity and value-creation capabilities. Believing that changes in job responsibilities and work locations contribute to individual growth, Nitto has revised its human resource systems to provide employees with opportunities to take on new challenges, while also introducing allowances for transferees to support their continued development.

■ Visualizing employee skills

As the operating environment continues to change rapidly, visualizing what skills employees possess and which skills need to be developed is vital if we are to demonstrate our competitive edge in business. To this end, in fiscal 2026 we introduced a job-specific skill map that organizes the skills and knowledge required for each job category, enabling employees to understand where they stand and identify areas where they need to grow. This data-driven tool allows employees to determine the learning opportunities and experience they need, supporting autonomous career development, skill enhancement, and the pursuit of new challenges. At the same time, visualizing skills helps optimize strategic workforce allocation and training investments while advancing talent management initiatives. Currently covering 16 job types, the skill map allows us to provide learning content tailored to each individual's skill set and is expected to be rolled out globally, further strengthening Nitto's business competitiveness.

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■ Initiatives to foster a corporate culture of enjoying taking on challenges

[More employees embracing challenges that are uniquely Nitto]

The "revitalization of individuals" is perhaps best symbolized by each employee's willingness to take on challenges. Since the previous medium-term management plan, the challenge ratio has been set as one of our future-financial indicators. To date, this indicator has been linked to Group-wide activities such as small group activities "GATE" and a new business creation event "NIC," encouraging employees to participate.

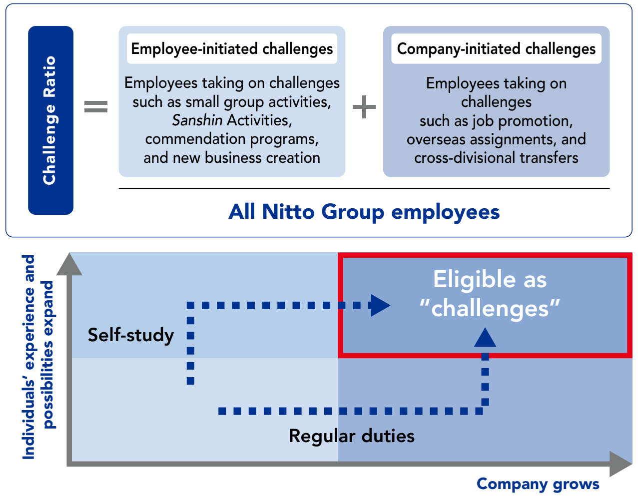
In fiscal 2025, we categorized the "challenges" that the Nitto Group encourages its employees to undertake into several areas and established guidelines defining the criteria for such challenges, which are shared across each region. As a result, a variety of original programs tailored to the operating environment and employee needs of each location have been planned and designed, leading to a total of approximately 7,000 employees taking on these challenges. These original programs encompass a diverse range of initiatives, including work process improvements through digital utilization, social contribution activities that enhance corporate value, and the acquisition of qualifications to deepen professional expertise. Despite their diversity, they share a common objective: expanding the experiences and potential of individuals while contributing to business growth. Under the new medium-term management plan, we will continue to advance these efforts in pursuit of challenges that are uniquely Nitto.

Example of an Original Program Counted in the Challenge Ratio

Programs to Enhance the Skills of HR Personnel Through Open Calls for Applications

In fiscal 2023, the Corporate HR Division introduced an original e-learning program for HR personnel with the aim of enhancing their knowledge and strengthening their professional networks. The initiative extends beyond e-learning alone. Participants also organize periodic workshops led by employee lecturers. At the end of the program period, participants gather to develop proposals for the CHRO, ensuring systematic learning and skill enhancement that can subsequently be applied to their business divisions.

Definition and Concept of Challenge Ratio



[Developing an environment that inspires employees to take on challenges]

To ensure the concept of "taking on challenges" permeates every workplace, we are also working to create an environment that supports such efforts. Taking on challenges does not refer only to pursuing something novel or highly visible; it also includes steadily meeting customer expectations in day-to-day operations and preventing errors in ways that boost productivity. We recognized the need to properly identify and acknowledge these everyday "challenges" occurring in the workplace.

In fiscal 2026, to address this issue, we established commendation systems at each Group company to shine a spotlight on employees' everyday efforts and challenges. By recognizing and celebrating employees' daily contributions, we aim to create a virtuous cycle in which the sense of fulfillment gained through recognition encourages employees to take on new challenges, ultimately leading to a higher challenge ratio.

[Sharing challenge cases within the Group and analyzing them]

It is also important not only to retain these challenges as individual experiences, but to accumulate them as organizational learnings. In fiscal 2026, we will share examples of challenges undertaken across the Group globally, fostering a corporate culture of enjoying challenges. Through these efforts, we aim to encourage new challenges in other organizations and regions, while deepening our analysis of how such challenges contribute to business growth and influence employee engagement, with the goal of maximizing human capital value.

■ Revitalization of Organization

■ Initiatives to improve employee engagement

Recognizing the need to further enhance the quality and speed of initiatives aimed at improving employee engagement as we work toward our fiscal 2030 targets, we are pursuing the following initiatives.

■ Transition to an implementation framework for qualitative enhancement (Bottom-Up approaches x Leadership by regional headquarters)

Under the previous medium-term management plan, we primarily adopted a top-down approach, in which responsible persons at each site, local subsidiary, or human resources department designed and implemented action plans based on analyses of survey results. However, as workplace-specific challenges became increasingly diverse, it became more difficult to achieve sufficient results through such uniform approaches. Against this backdrop, in fiscal 2025 we revised the system to enable responsible persons within each organization to review survey results independently, shifting to a bottom-up approach in which each workplace autonomously implements improvement initiatives. Under this framework, each workplace is now responsible for the entire process, from reviewing feedback results and engaging in dialogue to determining and implementing initiatives tailored to its specific circumstances. The roles expected of both organizational leaders and individual members have also been clarified, with both encouraged to actively participate in these initiatives. Meanwhile, the human resources department is expected to support each workplace by ensuring a clear understanding of the significance of each initiative and by leveraging expert insights.

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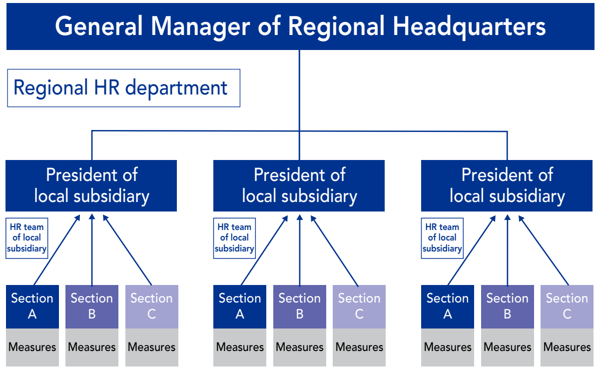
In addition to the transition described above, the primary axis of these activities has shifted from business divisions to regional headquarters. This change reflects our belief that engagement scores are closely correlated with the culture and workplace morale of each region, making it essential to incorporate region-specific characteristics into our initiatives. Under the new framework, responsible persons in each region and at each site and local subsidiary are assigned ownership of specific measures and are accountable for the full process through to monitoring. This structure also enables closer collaboration across regions in promoting shared improvement initiatives.

The result is a hybrid framework that integrates top-down and bottom-up approaches, in which each department and section takes the lead in setting challenges and designing initiatives, while responsible persons at each region and local subsidiary support frontline employees in achieving their goals. We believe this framework will take our initiatives to enhance employee engagement to the next level.

Region-Centric Framework



■ Initiatives to accelerate the PDCA cycle and improve the accuracy of target achievement

To ensure steady and continuous improvement, we are also accelerating the PDCA cycle. Beginning in fiscal 2025, we shortened the interval between employee engagement surveys from two years to one year and introduced a five-question follow-up survey conducted six months after each main survey, enabling us to periodically monitor the status of initiatives implemented at each workplace.

According to the Corporate HR Division, the organizational development process itself—sharing survey results and working together through dialogue to drive improvement—contributes to higher employee engagement. Through the follow-up survey, we assess whether the PDCA cycle is functioning effectively and refine our support programs and survey operations accordingly, improving the likelihood of achieving our employee engagement target scores.

PDCA Cycle for Increasing Employee Engagement

■ Diversity

The Nitto Group believes that bringing together the knowledge and experience of diverse individuals—that is, inclusion—is essential to driving innovation and achieving sustainable growth. Based on this belief, we will introduce new KPIs and promote initiatives aligned with international frameworks.

■ Inclusion scores to visualize employee awareness

Introduced for the first time under the new medium-term management plan, "inclusion scores" visualize employee perceptions of three related elements: psychological safety, a sense of belonging to the company, and respect for differences. The scores are calculated from responses to related questions in employee engagement surveys. We have positioned inclusion scores as one of our materiality KPIs and will promote various initiatives aimed at raising the score from 73 in fiscal 2025 to 75 by fiscal 2030. While the female leaders ratio, one of the future-financial indicators under the previous medium-term management plan, has already reached a relatively high level, inclusion scores remain below external benchmarks in some regions. We are therefore keenly aware of the need to identify region-specific challenges in greater depth and to continue our efforts.

In Japan, we will continue to prioritize the empowerment of female employees and the employment of persons with disabilities. The female leaders ratio will remain a key management indicator in Japan, and, as before, we will continue supporting women's career development and the expansion of their roles through initiatives such as developing future leadership candidates, providing mentoring opportunities with expertise from both inside and outside the company, and offering networking opportunities.

■ Coordination with international initiatives and the future course of action

To promote these initiatives in line with international standards, in fiscal 2025 Nitto announced its support for the Women's Empowerment Principles (WEPs), an international initiative and guideline for gender equality, as well as The Valuable 500, a global initiative promoting the inclusion of persons with disabilities. While adhering to the principles set forth by these initiatives, we will identify and address challenges within international frameworks alongside monitoring based on inclusion scores. In Japan, together with the seven Himawari Group special subsidiaries, we will remain committed to promoting the employment of persons with disabilities and expanding job categories suited to the needs of each local community.

Nitto-Style Human Capital Management is founded on diversity, and internal data analysis has shown that inclusion has a positive impact on employee engagement and employees' willingness to take on challenges. By identifying the issues that need to be addressed to improve inclusion scores and implementing employee training and other initiatives accordingly, we aim to achieve our targets for the challenge ratio and engagement scores.

Female manager development program (NFL) beginning in fiscal 2025

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Digital Utilization

To achieve our Target State 2030 of becoming an Essential ESG Niche Top Company, the Nitto Group is advancing digital utilization across the organization. By placing data, AI technologies, and the people who use them at the core of this strategy, we will accelerate the creation of value that enhances our competitive advantages and achieves sustainable growth, while establishing a foundational platform and strengthening information security.

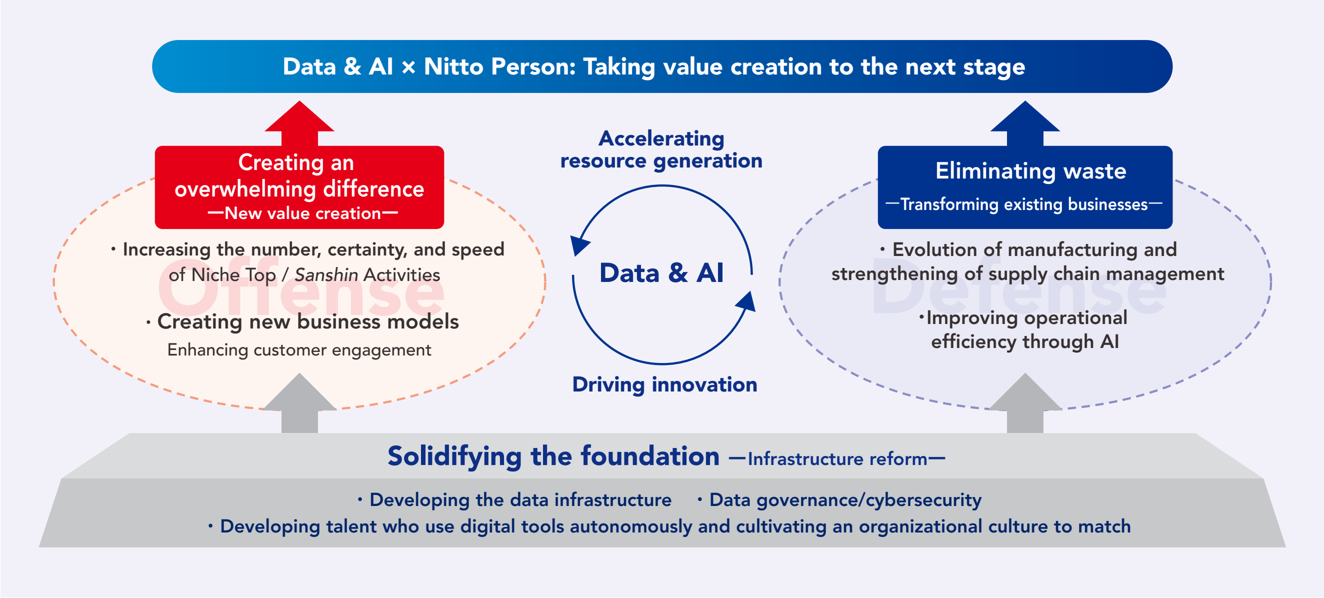
The Nitto Group regards rapidly evolving digital technology, beyond just improving operational efficiency, as one of the key management capital essential to strengthening our business competitiveness and achieving sustainable value creation. In the past, the Nitto Group has developed an information technology platform and infrastructure that are resilient to change and highly flexible and sustainable by deploying a communication platform common across the Group and promoting the proactive use of public cloud services. At the same time, we have worked to build a foundation for the use of digital technologies throughout the Group through initiatives such as renewing mission-critical systems and establishing data utilization platforms.

Under the new medium-term management plan Nitto RISE 2028, we will move beyond platform development to focus on value creation through utilization. By placing AI technology, data, and digital professionals skilled in using such tools at the core of this strategy, the Nitto Group will further drive these initiatives, thereby accelerating and advancing value creation.

For example, we have begun combining AI agent technology with *Sanshin* Activities, which play a central role in the Nitto Group's marketing approach, to uncover latent needs and accelerate value creation.

To revitalize the competitiveness of existing businesses, we will utilize digital technologies to enhance both efficiency and sophistication of not only production and back-office operations but also individual work styles. At the same time, alongside developing a highly reliable and secure AI platform and further advancing the data platforms that underpin these initiatives, we will further strengthen information security, thereby making effective use of digital technologies and enhancing our organizational agility.

With regard to human resources, we will raise the overall level of digital literacy among all employees while also developing innovator talent capable of leading the resolution of managerial challenges and driving business transformation through the use of digital technologies. Through these efforts, we aim to evolve into an organization in which employees have a strong command of digital technologies and deliver tangible results.



Initiatives for Information Security

In line with its Basic Policy on Information Security, the Nitto Group regards cybersecurity against increasingly sophisticated and complex cyberattacks as a key managerial issue, strengthening security measures as a foundation that underpins business continuity and corporate value.

Under the direction and supervision of the Board of Directors, we continuously monitor the status of information security management and related risks, and respond promptly and appropriately to evolving threats, in an effort to enhance the security and reliability of our business activities.

On the technology front, we implement a comprehensive range of security measures, including adopting layered defenses and building systems for early detection and prompt response. We also periodically conduct vulnerability assessments of our information systems and continuously address identified issues to maintain and enhance security levels.

As employee-focused measures, we regularly provide all account holders, including officers, with information security education, workplace training, and simulated targeted cyberattack exercises to enhance each employee's literacy and awareness. As part of business continuity management (BCM), we have also drawn up a business continuity plan (BCP) for information security and ensure its effectiveness through regular drills.

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Round-Table Talk

Utilizing Digital Technologies to Accelerate Value Creation

Advancing Digital Utilization Through "Offense," "Defense," and "Infrastructure" to Accelerate Value Creation by Embedding Digital Technologies Naturally Into Everyday Work

Shin Nakamura
Manager, Data Science Group*, Core Technology Research Center, Corporate Research & Development Division

Kaoru Fujiwara
Manager, Group 2, DX Promotion Department, Digital Promotion Division

Kei Nakamura
Vice President
General Manager of Digital Promotion Division
General Manager of Corporate Research & Development Division, Corporate Technology Sector

Saori Ito
Manufacturing Strategy Section, Manufacturing Engineering Department, Manufacturing Division, Information and Communication Technology Sector

Yoichi Kigawa
Manager, Technology Section 2, Process Technology Development Department 3, Process Technology Development Division, Production Division

*Data Science Section at the time of this talk

Balancing "Offensive" and "Defensive" Uses of Digital Technologies

K. Nakamura One of the key initiatives of the new medium-term management plan, Nitto RISE 2028, is advancing digital utilization. The key to this initiative lies in two perspectives: an "offense" approach focused on promptly delivering new value to the market, and a "defense" approach aimed at enhancing business stability and profitability by ensuring a stable supply through supply chain management and optimized inventories.

S. Nakamura Primarily responsible for the "offense" domain, the Corporate Technology Sector covers the "0→1" phase of developing ideas into themes, as well as the "1→10" phase of productization. In recent years, I have come to recognize that the use of AI technologies is transforming our development process. During the "0→1" phase, in collaboration with the Digital Promotion Division, we aim to accelerate *Sanshin* Activities by enhancing both the quality and speed of project creation through the use of AI technologies.

Fujiwara The Nitto Group possesses a wealth of technical reports accumulated through the long-standing efforts of our researchers, which serve as the foundation for our core technologies, knowledge, and know-how. We are currently building a platform for generating ideas that may lead to the development of new technologies and applications, through the AI-enabled integration of these technological assets with social issues and market needs.

S. Nakamura The use of AI technologies is not limited to idea generation. Signs of change are emerging in the "1→10" phase of productization as well. In the past, we had to draw on a wide range of elemental technologies within the Nitto Group and identify optimal conditions through repeated cycles of prototyping and evaluation, which required considerable time and effort. By combining conventional simulations with AI-based machine learning, however, we can now bring products to market faster and more efficiently. A notable example is battery bonding electrical release tape. In addition, for an increasing number of products, we can reduce development lead times by nearly half by having AI analyze trade-offs among properties and narrow down optimal conditions.

K. Nakamura The changes in both the "0→1" and "1→10" phases are expected to become a major driving force behind the creation of the double recognized products and services we aim to achieve under Nitto RISE 2028. The use of AI is expanding across the shop floor.

Kigawa On the shop floor, by introducing an AI analytics platform, we link quality data with process data to improve quality, cost, and delivery (QCD). For such "defensive" uses of digital technologies, we have already begun to see substantial short-term results, particularly in stabilizing and improving production efficiency. Our image analysis technology is highly advanced and represents a key strength of the Nitto Group. For instance, when a defect occurred in the past, we had to rely on specific individuals with experience and intuition. Today, in an increasing number of cases, we can use data to identify root causes and make appropriate decisions on the spot. This ability to reach decisions immediately is a significant and meaningful change.

Ito Digitalizing production is, I believe, also highly important from a business perspective. Real-time access to firsthand information helps improve the accuracy and speed of management and business decisions, which in turn raises the level of data-driven management.

Kigawa From the production perspective, I still feel there is significant room for improvement. Previously, the production team's initiatives

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focused mainly on improving production efficiency; going forward, however, we will review the entire production process to drive structural reform.

K. Nakamura That story made me realize that, although they seem different, the R&D team and the production team share a common foundation. At the base of AI-enabled value creation lies, it seems, a pride in "manufacturing" that the Nitto Group has long cherished. AI and all other digital technologies are merely means, not ends in themselves. Our goal should be to use them to our advantage and deliver value to customers sooner and with greater safety. Above all, we must never forget that at the center of all this is each Nitto Person.

Solid Digital Infrastructure Unlocks Synergies

K. Nakamura To ensure that this pioneering initiative is not confined to a limited number of areas, we must establish a foundation that is accessible to everyone.

Fujiwara At the Nitto Group, over 20,000 employees use computers for a wide range of operations. As we already have a common platform in place for sharing information, it will be important to further enhance its value through the use of AI technologies and other means, thereby ensuring that all employees can access and leverage this foundation equally and autonomously.

Ito On the business front, we have made continuous efforts to "visualize" data by aggregating various datasets into a single system. The reality, however, is that we have yet to fully embed the use of data into the daily operations of frontline personnel. Moving forward, we aim to have AI learn the very cycle by which humans examine data to make decisions, so as to achieve faster and more advanced decision-making. To this end, I believe it is important to organize data so that both management and frontline personnel can use it, and to standardize the way data is interpreted.

K. Nakamura As the business environment becomes increasingly complex and unpredictable, data-driven management—using data to quickly assess risks and conditions—is growing in importance. This will be essential to fulfilling our social mission of stably supplying products to customers.

Ito The fact is that the sales, production control, and accounting teams all work with data, but the granularity and definitions of that data can differ from one team to another. Take sales data as an example: different departments record figures at different times, in different units, or in different Excel formats. This results in a "bucket relay," in which the same data is processed repeatedly by different parties. Ultimately, such data must be reconciled manually, leading to delays in decision-making.

Kigawa The production team faces the same issue. The volume of data we use is steadily increasing, as is its scope. However, the use of data—what data to review and how to use it—still depends heavily on individual judgment, to the extent that we may not be fully leveraging the data available to us. Another key challenge ahead is how to ensure the consistent use of data across management, frontline personnel, and production processes.

S. Nakamura In product design, we sometimes face insufficient sharing of data on common elemental technologies, which often leads to redundant reviews. What we in the development team aim to achieve is a system for accumulating experiment data generated through day-to-day research and development activities, and using that data to make timely proposals on products that meet customer requests.

Fujiwara The Nitto Group's use of digital technologies is unique in that we treat data and AI technologies as an integrated set. Although data preparation requires significant effort, we have a clear vision of how it should be used and for what purposes. By combining AI's analytical capabilities with the information contained in technical reports, as well as the insights contained in weekly reports on the progress of daily operations—including records of trial-and-error processes, perspectives, and decision-making—I believe we can deliver value that only the Nitto Group can provide.

Building a Future Where Humans and Digital Infrastructure Seamlessly Complement Each Other

K. Nakamura Someone mentioned data preparation earlier, and the key to preparing data lies in the digital literacy of the people who handle it. Digital technologies can only be truly used when both a robust digital infrastructure and people capable of using it effectively are in place.

S. Nakamura On the development front, I sense that what makes a difference in competitiveness is what data you possess and how you use it, rather than AI technologies themselves. With this in mind, the Corporate Research and Development Division is dedicated to developing human resources, implementing a systematic training program for all new recruits that includes fundamental knowledge of AI and guidance on its use. Recently, we have seen more employees use data and AI without being prompted to.

Kigawa Training initiatives have also progressed on the shop floor. That said, some employees are still entering available data without a clear purpose, highlighting the need to build a more systematic training framework.

Ito I suspect many employees understand the importance of digital utilization, yet struggle to keep pace because they are constantly occupied with their daily responsibilities. On the business front, I often hear that employees want to use such technologies but are unsure where to begin. I believe it will become increasingly important to support these employees by understanding their individual circumstances and providing step-by-step guidance until they learn how to use them.

Fujiwara The Digital Promotion Division is strengthening support for the use of digital technologies by organizing workshops on their use, providing members with opportunities to use them through the sharing of use cases from both within and outside the company, and supporting and facilitating such activities. We believe the effective use of digital technologies will improve work efficiency and promote automation. If we can reallocate the resources generated through these improvements to more strategic areas, we can further increase our competitiveness.

Ito Quite a few people still view the use of digital technologies negatively, fearing that they may take jobs away from humans. However, what we seek to reduce is not human involvement, but inefficient operations. By reallocating the time created through the use of AI and data to more creative and higher-value-added work—work that only employees of the Nitto Group can deliver—we can further enhance our competitiveness. This is the state we should strive to create through digital utilization.

K. Nakamura I think that is exactly the point. That perspective is critically important, as we all share the desire to deliver meaningful value to society. If we consider how digital technologies can best be used based on that shared understanding, I am confident that cross-divisional initiatives will naturally gain momentum. By 2030, I hope to realize a state in which data and AI technologies are used so naturally across development, production, and business operations that there is no longer any need to explicitly say, "We use digital technologies." We will continue to demonstrate what we can do to reach this goal. At the same time, I hope each and every one of you will take the initiative in driving these efforts forward.

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Decarbonization Management

The Nitto Group has chosen decarbonization management as one of its key initiatives in the new medium-term management plan and is accelerating its efforts to reduce GHG emissions accordingly. Through planned investments in decarbonization, along with energy conservation and the adoption of renewable energy, we aim to achieve carbon neutrality in fiscal 2050 and sustainably enhance corporate value.

■ Support for the Decarbonization Initiatives and Reduction Targets

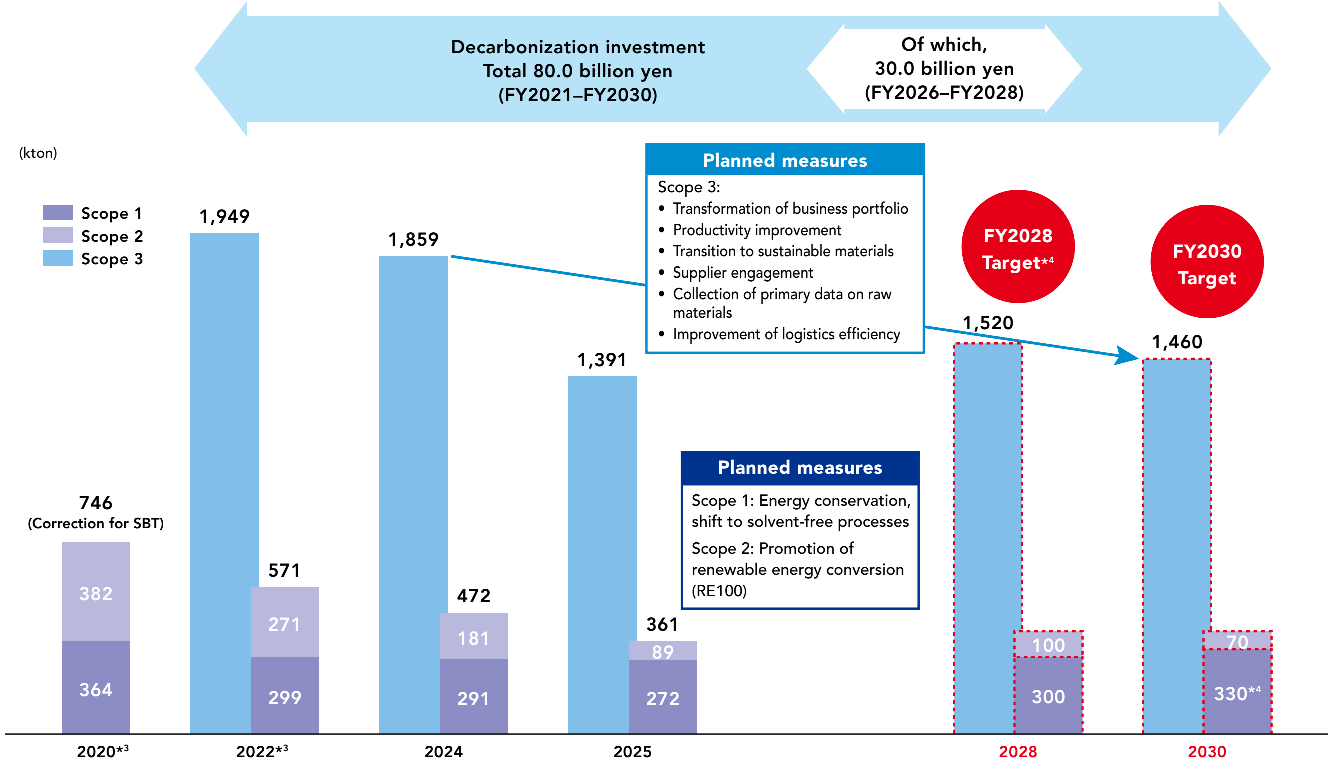
In August 2024, the Nitto Group received Science Based Targets (SBT) certification, confirming that its 2030 GHG emission targets are grounded in scientific evidence. To further accelerate our response to climate change and to comply with the revised SBT rules, the Nitto Group has set targets for fiscal 2028 and fiscal 2030 under its new medium-term management plan, as outlined below. Scope 1 emissions are expected to increase from fiscal 2028 to fiscal 2030, reflecting assumed business expansion over the period. With these targets in mind, the Group will work to reduce emissions across the supply chain.

GHG Emissions Reduction Targets (kton)

	Scope 1	Scope 2*1	Scope 3*2
FY2028	300	100	1,520
FY2030	330	70	1,460

*1 Scope 2: Market-based *2 Scope 3 Categories: 1, 3, 4, 5, 12

The Nitto Group is also a signatory to the Renewable Energy 100% (RE100) initiative and aims to achieve 100% renewable energy usage by 2035. By contributing to the broader adoption of renewable energy and converting the electricity used in its business operations to 100% renewable sources, the Group seeks to further reduce its GHG emissions.



*3: Scope 1+2: Baseline; 2020 Scope 3: Baseline; 2022

*4: The figures reflect an increase due to assumed business expansion.

■ Investment Plan for Decarbonization

To achieve carbon neutrality (net zero GHG emissions for Scope 1+2 by fiscal 2050), the Nitto Group has set interim reduction targets for fiscal 2030 of 330 ktons for Scope 1 emissions and 70 ktons for Scope 2 emissions. Over the 10-year period from fiscal 2021 to fiscal 2030, the Group has allocated approximately 80.0 billion yen for decarbonization investments.

Over the five-year period through fiscal 2025, we invested 37.2 billion yen in decarbonization, primarily focused on energy conservation through improved equipment operation and the replacement of facilities with more efficient equipment, as well as expanding renewable energy use through new and additional solar power generation systems. As a result, GHG emissions were reduced by 359 ktons (compared with fiscal 2020) by fiscal 2025, reaching approximately 95% of the reduction required to meet the fiscal 2030 target. Progress remains on track toward achieving the fiscal 2030 target.

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Environmental Management

Basic ideas

In 2025, the global average temperature was 1.47°C above pre-industrial levels, and the three-year average from 2023 to 2025 exceeded 1.5°C above pre-industrial levels for the first time, underscoring the urgency of sustained action on climate change. Businesses have a social responsibility to advance initiatives that reduce environmental impact, including the efficient use of energy and resources and the reduction of GHG emissions and waste. Unrelenting effort and innovative approaches are urgently needed.

Under its Basic Policy on Environment, the Nitto Group will leverage its proprietary technologies and expertise to reduce environmental impact not only within the Group but across the entire supply chain.

As more countries introduce official requirements for sustainability-related disclosure, the scope and complexity of corporate reporting is increasing, driven in part by revisions to international frameworks for calculating GHG emissions. The Nitto Group will respond to these changes in pursuit of a sustainable society.

Promotion system

To address environmental issues, the Nitto Group has established a sustainability governance structure centered on the Corporate Strategy Meeting, which operates under the instruction and supervision of the Board of Directors. In order to enhance the effectiveness of its environmental initiatives, the Group has set up the Global Green Committee (GGC), chaired by the officer in charge of environmental affairs. The GGC collaborates with various departments, including those overseeing ESG management and procurement, to develop strategies and implement relevant measures.

Targets and achievements

In the previous medium-term management plan, we established CO_2 emissions, the sustainable materials procurement ratio, and the waste plastics recycling ratio, as environment-related future-financial indicators. We successfully met all of these targets in fiscal 2025.

[CO_2 emissions (Scope 1+2)]
We have worked to achieve our self-set emissions target of 470 ktons for fiscal 2025, bringing emissions to 361 ktons in fiscal 2025. Through a combination of energy conservation and greater use of renewable energy, our Scope 2 emissions have declined steadily from 181 ktons to 89 ktons. We will consider introducing new programs to reduce Scope 1 emissions (272 ktons in fiscal 2025).

[CO_2 emissions (Scope 3)]
In fiscal 2025, our Scope 3 CO_2 emissions amounted to 1,391 ktons. Moving forward, with the goal of achieving both decarbonization and business growth, we are developing concrete reduction plans, including business portfolio transformation and a transition to sustainable materials, while exploring ways to refine our calculation methodologies through the collection of primary data in cooperation with our suppliers.

[Sustainable materials procurement ratio]
For fiscal 2025, our sustainable materials procurement ratio was 24%, exceeding the target of 20%. We will continue to promote the transition to sustainable materials.

[Waste plastics recycling ratio]
For fiscal 2025, our recycling ratio reached 54%. In order to advance the circulation of resources beyond plastics, we have set a new target for the resource utilization ratio.

Initiatives to Reduce Nitto's Own GHG Emissions (Scope 1+2)

Initiatives for renewable energy

In fiscal 2025, our renewable energy ratio increased to 79%, up from 62% in the previous year, bringing CO_2 emissions down to 361 ktons (Scope 1+2).

Furthermore, to facilitate the adoption of renewable energy, we continue to use Power Purchase Agreements (PPAs) for medium- and long-term energy procurement. The Nitto Group's basic policy is to procure renewable energy after confirming that sufficient consideration has been given to its impact on local communities and the natural environment. On a non-consolidated basis, Nitto Denko Corporation has set a target of procuring 200,000 MWh of renewable energy with high additionality by fiscal 2030 through a corporate PPA. In fiscal 2025, we procured 37,301 MWh of renewable energy, reducing CO_2 emissions by 16.4 ktons for the year.

Overseas, we focused on expanding renewable energy procurement mainly in Asia and Europe, increasing procurement by 1.8 times compared to fiscal 2024. This is equivalent to a GHG emissions reduction of 180 ktons.

Initiatives at Each Site

Renewable Energy

Procuring Renewable Electricity Through a PPA

In fiscal 2025, we signed an agreement for an onshore wind farm project in Aoyama Plateau, Mie, Japan. Under this agreement, we plan to procure 27 GWh of renewable energy per year, beginning in March 2027.

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■ Initiatives to conserve energy

In processes that require substantial energy for drying and solvent recovery, we continue to promote energy conservation. We are improving manufacturing processes while replacing energy-intensive equipment to reduce overall energy consumption.

More concretely, we are adopting solvent-free adhesives, utilizing waste heat more efficiently, and introducing high-efficiency equipment. Through these initiatives, we are advancing energy conservation to reduce GHG emissions.

■ Initiatives to Reduce GHG Emissions Throughout the Supply Chain (Scope 3)

Achieving carbon neutrality across society requires managing and reducing GHG emissions throughout the supply chain. The Nitto Group is exploring measures to reduce Scope 3 emissions in pursuit of its fiscal 2030 targets.

Key measures in this regard include business portfolio transformation, productivity improvement, and accelerated transition to sustainable materials, as well as more rigorous calculation methodologies, such as collecting primary data on raw materials (i.e., emissions data obtained directly from suppliers) and verifying product end-of-life treatment. As part of our efforts to track reduction impacts, we evaluate individual products in terms of profitability and carbon efficiency and quantify the GHG reductions attributable to each initiative.

As cooperation from suppliers is critical for collecting primary data on raw materials and improving transportation efficiency, we are also strengthening supplier engagement.

■ Promotion of Circular Economy

At the Nitto Group, we are advancing the procurement of environmentally responsible raw materials while transforming our manufacturing processes to maximize the effective use of those materials. By optimizing production processes to improve yield rates, we are reducing waste at its source and promoting the efficient use of resources. In addition, we regard waste as an untapped resource and are advancing circular use through thorough waste separation and recycling initiatives.

Our focus has been on recycling plastics, which account for about half of such waste, and we have worked to improve the recycling ratio for waste plastics. This initiative is making steady progress, with the waste plastics recycling ratio reaching 54% in fiscal 2025.

Moving forward, to further expand circular resource utilization beyond plastics, we have established a new target for the resource utilization ratio. This metric is designed to improve the efficient use of resources throughout the entire process, from raw material procurement and manufacturing to recycling. By promoting integrated initiatives from resource input to resource output, we aim to contribute to the realization of a circular economy while supporting the sustainable enhancement of corporate value.

■ Procurement of sustainable materials

Many Nitto Group products use raw materials derived from fossil fuels. To deliver environmentally friendly products to customers, we have increased the proportion of recycled and biomass-derived materials in our procurement. For fiscal 2025, our sustainable materials procurement ratio was 24%, exceeding the target of 20%. This year-on-year increase reflected the inclusion of data from the Europe region, where the procurement ratio of pulp and other biomass-derived materials is high, following the global expansion of the calculation scope. As part of our effort to transition to sustainable raw materials, we also began procuring certified raw materials for polysulfone and ethyl acetate using the mass balance method*. Furthermore, at a site in Europe, we have transitioned to 100% biomass-derived ethyl acetate. By continuing to refine our raw materials strategy and strengthen collaboration with suppliers, we will further advance initiatives that contribute to resource circulation and the expanded use of renewable resources.

*The mass balance method is a certification approach that assigns specific attributes (e.g., biomass-derived content) to a portion of the final product based on the proportion of input materials, used when they are mixed with conventional materials (e.g., petroleum-derived content).

Initiatives at Each Site

Energy Conservation

Increasing Energy Efficiency of the Waste Solvent Recycling Process (Shiga Plant)

When recycling wastewater containing high-boiling solvents from product cleaning operations, we are working through collaboration with equipment manufacturers to improve energy efficiency in the concentration process, which is highly energy-intensive. To date, we have established a highly efficient concentration process using proprietary RO membranes. During fiscal 2026, a solvent recovery system incorporating mechanical vapor recompression (MVR) technology will be completed and brought into full-scale operation. This system is expected to substantially reduce CO_2 emissions in the targeted processes by approximately 2,000 tons per year compared with conventional methods.

This project received the highest honor—the Minister of Economy, Trade and Industry Award—at the FY2025 Energy Conservation Grand Prize organized by the Energy Conservation Center, Japan. This flagship technology contributes to both decarbonization and the circular economy.

In addition to rolling it out to other plants, the Nitto Group will also explore its potential to support decarbonization in other industries with similar processes.

Reducing Natural Gas Consumption by Recovering Waste Heat from Deodorizing Furnaces

At Nitto Denko (Shanghai Songjiang) Co., Ltd., approximately 40% of GHG emissions come from natural gas consumption, making its reduction a key priority.

By maximizing the use of waste heat from deodorizing furnaces, the facility is reducing natural gas consumption. In fiscal 2025, it installed equipment to recover waste heat via steam generators, reducing GHG emissions by approximately 2,350 tons annually.

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■ Waste plastics recycling

Since about half of the waste generated within the Nitto Group consists of petroleum-derived waste plastics, we have focused on reducing waste and promoting recycling.

Many of our products are composite materials consisting of plastic films laminated with adhesives and materials with optical properties. While these products deliver advanced functionality, their composite structure has made recycling difficult and has long remained a challenge.

Addressing this challenge requires separating materials into their individual components (monomaterials). In particular, adhesive separation technology, which helps prevent quality degradation and limitations on the use of recycled materials, is positioned as a key technology for realizing a circular economy. Against this backdrop, the Nitto Group has been developing adhesive separation technologies since fiscal 2021. In fiscal 2025, a pilot-scale demonstration facility was introduced at our Toyohashi Plant, and testing toward commercial-scale production commenced. We will continue to accelerate these efforts to achieve our fiscal 2030 targets of a 60% waste plastics recycling ratio and a resource utilization ratio of 69% or higher.

We are also undertaking initiatives to enhance the value of waste plastics. In fiscal 2025, we produced plastic trays using sorted and collected waste film as a raw material, and these trays were used at Expo 2025 Osaka, Kansai, Japan. After the Expo concluded, the trays were donated to local schools and other community organizations, while additional materials were recycled into drainage pipes used to improve water runoff at facilities such as sports grounds. In addition, materials made from 100% Nitto Group waste plastics have been incorporated into the plastic components of employee uniforms, with deployment already underway at certain locations. We plan to expand the use of these materials going forward.

In line with the policy of "contributing to customer CO_2 emission reduction through products and solutions" set out in the Declaration of Nitto Group Carbon Neutral 2050, the Nitto Group is positioned to address challenges across the supply chain and society as a whole by leveraging the resource-circulating technology it has developed.

■ Conservation of Water Resources

We are committed to conserving limited water resources by using water efficiently in our business activities and by promoting business continuity measures against water supply disruptions potentially caused by natural disasters and abnormal weather, aiming to fulfill our responsibilities as a supplier.

At our Shiga Plant and Onomichi Plant, we use a water treatment technology employing the Nitto Group's reverse osmosis (RO) membranes, which purify water by filtering out impurities, to recycle wastewater and effluents generated on site. At these sites, this technology enables the recycling of up to 90% of factory effluents.

Furthermore, through disclosure in line with the Taskforce on Nature-related Financial Disclosures (TNFD), we identified and assessed priority locations from the perspectives of water stress and drought risk, among other factors. Based on these results, along with potential financial risks associated with water shortages, we have identified key sites where efforts to reduce water intake and promote water recycling should be prioritized. Building on these initiatives, we have established new fiscal 2030 targets for two priority locations: at the Kameyama Plant, increasing the water recycling volume to at least 420 ktons per year; and at the Shiga Plant, achieving 100% of recycled water utilization ratio in manufacturing processes.

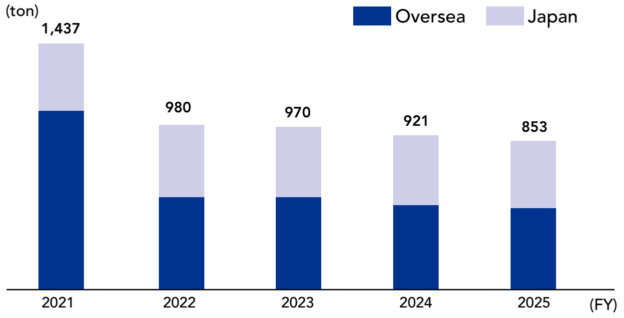
■ Prevention of Air Pollution

Volatile organic compounds (VOCs) can cause PM2.5 and photochemical smog, and curbing their emissions remains a challenge. As part of its efforts to minimize any impact on the environment surrounding our plants and on employees' health, the Nitto Group is dedicated to reducing VOCs both in Japan and abroad. In fiscal 2025, we reduced VOC emissions by 68 tons compared with the previous fiscal year.

Following the TNFD disclosure standards, we identified and assessed our dependencies and impacts on nature. Based on these results, together with VOC emissions data, we have selected priority locations where VOC emissions reduction efforts should be prioritized. Building on these initiatives, we have established a new fiscal 2030 target to reduce VOC emissions at a priority site (Nitto Bento Bantçılık San. ve Tic. A.Ş.) by at least 70% compared with the fiscal 2018 level.

We will further promote solvent-free manufacturing through ultraviolet curing and water-based adhesives, while continuing to curb the use of hazardous substances in accordance with voluntary control standards, sustaining our efforts to reduce VOC emissions.

VOC Emissions



From FY2022, the number of organic solvents included in the calculation has been expanded from 6 major solvents to 24 including other solvents used.

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Response to Climate Change

Details for climate change related disclosure and 2025 results https://www.nitto.com/jp/en/sustainability/environment/TCFD/

Recognizing that responding to climate change is an important management issue, the Nitto Group has strategically included such responses in its management agenda. In May 2022, we announced its support for the recommendations by the Task Force on Climate-related Financial Disclosures (TCFD). Every year, we assess the impact that climate-change-related risks and opportunities may have on our business and make revisions as necessary. In fiscal years 2025 and 2026, we have further accelerated our response to climate change and, in order to enhance its effectiveness, established new targets and indicators, including GHG emission reduction targets by scope.

■ Governance

The Nitto Group is formulating and promoting short- to medium-term and long-term strategies including environment for each issue by establishing a sustainability governance system, where the Corporate Strategy Meeting body plays the central role under the direction and supervision of the Board of Directors.

In addition, in order to increase the effectiveness of environmental initiatives including climate change response, we have established the Global Green Committee led by the Vice President in charge of promoting climate change-related issues and strengthen cross-organizational coalitions while examining strategies and implementing and promoting countermeasures against the issues.

We place ESG (Environment, Society and Governance) at the core of its management. As such, rather than establishing a general sustainability committee or ESG committee, we use the Corporate Strategy Meeting, chaired by the President & COO and comprising of all Vice Presidents, as a platform to discuss the promotion of ESG management. This enables us to incorporate ESG into management in a swift and appropriate manner, and to achieve governance that ensures higher feasibility by integrating the company's sustainability and growth strategy.

■ Risk and Opportunity Management

Regarding key risks and opportunities related to climate change in business activities, the Nitto Group understand the impact of changes in the internal and external environment; evaluates and identifies (selects) relative importance based on the "magnitude of impact" on business in the case of an incident and the "possibility of occurrence"; and determines the priority of the risks and opportunities.

The key risks and opportunities will be monitored by business execution departments and regional management teams in collaboration, while the department responsible for environmental issues will assume responsibility for managing them. Information regarding monitored risks and opportunities, together with information managed by other special function departments, will be reported and deliberated monthly at the Corporate Strategy Meeting, which consists of Directors and Vice Presidents. The results of the deliberation will be instantly instructed to each responsible department and countermeasures will be promptly taken to strengthen controls. The progress of the implementation and improvement will be again reported to the Corporate Strategy Meeting to increase the effectiveness of the Group management.

As a group, we manage risks and opportunities comprehensively by integrating them with other key risks that significantly impact our business activities.

Type of risk/ opportunity		Event	Assumed risks and opportunities	Countermeasures	Indicators	Targets (FY2030)
Transition risks	Policy and laws and regulations	Strengthening of low carbon regulations	An increase in transition costs to low GHG-emitting raw materials	Conversion of raw materials to alternatives, weight reduction of products Promotion of the development of recycled materials in cooperation with suppliers	Reduction of raw material usage GHG emissions (Scope 3)	– 1,460 kton or less
			A substantial increase in renewable energy procurement costs due to the spread of renewable energy	Implementation of the Domestic Renewable Energy Procurement Master Plan Promotion of PPA procurement	Renewable energy ratio	100% (2030: in Japan) (2035: in group-wide)
			An increase in capital expenditures due to the spread of renewable energy	Introduction/Installation of solar power generation system on the premises		
		An increase in GHG emission price	An increase in taxation costs due to the increased introduction of carbon taxes and carbon levies	Use of renewable energy, shifting to solvent-free processes, and improving infrastructure and utility efficiency	GHG emissions (Scope 1) GHG emissions (Scope 2)	330 kton or less 70 kton or less
	Technology	Transition to low carbon products due to investment in new technologies	A substantial increase in capital expenditures due to the development and introduction of high energy-efficient technologies	Promotion of solvent-free technology Improvement of infrastructure and utility efficiency		
	Industry/ market	A substantial increase in raw material prices	An increase in petroleum-derived raw materials procurement costs due to soaring fossil fuel prices	Effective utilization of resources	Reduction of raw material usage GHG emissions (Scope 3)	– 1,460 kton or less
			An increase in petroleum-derived raw material costs due to carbon taxes and other taxes in the upstream of the value chain	Effective utilization of resources (product design, reuse, recycling, etc.) Promotion of the shift from oil-based raw materials to sustainable materials	Sustainable materials procurement ratio Resource utilization ratio GHG emissions (Scope 3)	30% or more 69% or more 1,460 kton or less
			An increase in energy prices due to soaring fossil fuel prices	Promotion of energy saving, shift to solvent-free processes, electrification	GHG emissions (Scope 1) GHG emissions (Scope 2)	330 kton or less 70 kton or less
Physical risks	Acuteness	Occurrence of abnormal weather and natural disaster	Damage to the company's buildings, facilities, infrastructure, etc., plant shutdowns, and lost opportunities due to a flood, high tide, etc.	Promotion of business continuity management at an individual Nitto-Group business location level	Continuous implementation of BCM at a group level and an individual business location level	–
			Suspension of operation at the company's plants, loss of opportunities due to major suppliers being hit by a flood, high tide, etc.	Promotion of sustainable procurement	BCP planning at partners System to check the safety of and impact on partners	–
Opportunities	Products/ services	An increase in demand for low-carbon products	An increase in revenue from products contributing to the environment due to increased demand for recycled products	Expansion of the PlanetFlags™	Flags revenue ratio	50% or more
		An increase in demand for medical-related products	An increase in revenue from medical-related products due to an increase in health damage, such as infectious diseases due to rising average temperature	Expansion of the HumanFlags™		

■ Strategy

The Nitto Group carried out a scenario analysis regarding transition risks and physical risks and opportunities expected due to climate change. The results of the scenario analysis have been incorporated into the Nitto Group Carbon Neutral 2050, as well as 2030 management targets and the medium-term management plan Nitto RISE 2028. We have promoted initiatives to remove solvents, save energy, use renewable energy, and create products that contribute to the environment, and confirmed that it would be able to minimize risks and maximize opportunities, and that the strategy would be useful.

■ Indicators and Targets

The Nitto Group ensures that the countermeasures are implemented to minimize risks and maximize opportunities and has established 2030 management indicators and targets to regularly monitor and manage the progress of those countermeasures. In fiscal years 2025 and 2026, we have further accelerated our response to climate change and, in order to enhance its effectiveness, established new targets and indicators, including GHG emission reduction targets by scope.

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Response to Nature-Related Issues

Details for nature related disclosure and 2025 results
https://www.nitto.com/jp/en/sustainability/environment/TNFD/

The Nitto Group considers its response to nature-related issues as a critical management issue. Every year, we assess and review the impact on our business from our dependencies on and impacts on nature, as well as the associated risks and opportunities, and make revisions accordingly. In addition, in August 2025, we announced its support for the recommendations by the Nature-related Financial Disclosures (TNFD) and registered as a TNFD Adopter.

■ Governance

The Group is formulating and promoting short- to medium-term and long-term strategies including environment for each issue by establishing a sustainability governance system, where the Corporate Strategy Meeting body plays the central role under the direction and supervision of the Board of Directors. In addition, in order to increase the effectiveness of environmental initiatives including those related to nature, a Vice President has been appointed as the responsible officer.

■ Risk and Opportunity Management

We assess and identify the importance of business dependencies and impacts on nature, as well as related risks and opportunities in our business activities, and determine priorities. The LEAP approach is used for assessment and identification. Also, the current assessment scope is limited to the Nitto Group's manufacturing sites and the upstream portion of the value chain for certain products that are considered to have relatively high dependence or impact on nature.

Regarding manufacturing sites, we identified sensitive locations from the perspectives of "Biodiversity importance," "Ecosystems integrity," "Importance of ecosystem service," etc. We designated sites strongly connected to nature or local communities as material locations. Areas where sensitive locations and material locations overlap are particularly identified as key priority locations and we assessed their dependencies on and impacts on nature, and as well as risks and opportunities.

We manage key risks and opportunities related to nature-related issues in the same way as those related to "response to climate change."

Type of risk/ opportunity	Assumed dependencies and impacts	Assumed risks and opportunities	Countermeasures	Indicators	Targets (FY2030)
Transition risk	Water resource utilization	Increase in operational costs due to strengthened water intake regulations	Improving water use efficiency	Water recycling volume at a priority site (Kameyama Plant) Recycled water utilization ratio in the manufacturing processes at a priority site (Shiga Plant)	420 kton or more/ year 100%
	Air pollution	Increase in tax costs due to tighter regulations on the emission of air pollutants	Reduction and proper management of VOC emissions Proper management of other air pollutants	VOC emissions at a priority site (Nitto Bento Bantçilik San. ve Tic. A.Ş.)	70% or more reduction (compared to FY2018)
	Waste emissions	Increase in waste disposal costs due to stricter waste disposal regulations and standards	Promotion of the 3Rs of waste Efficient use of resources	Resource utilization ratio	69% or more
	GHG emissions	Increased procurement costs of petroleum-derived raw materials due to soaring fossil fuel prices	Transition from petroleum-derived raw materials to sustainable materials Reduction of raw material purchase and usage amounts	Sustainable materials procurement ratio Resource utilization ratio	30% or more 69% or more
Physical risk	Water resource utilization	Decrease in production capacity due to water resource reduction	Improving water use efficiency	Water recycling volume at a priority site (Kameyama Plant) Recycled water utilization ratio in the manufacturing processes at a priority site (Shiga Plant)	420 kton or more/ year 100%
Opportunity	Water resource utilization GHG emissions Waste emissions	Increase in sales of membrane products due to rising demand for water recycling products Increased sales of low VOC products due to changes in customer preferences Increased sales of recycled products as a response to waste disposal requirements	Expansion of PlanetFlags™	Flags revenue ratio	50% or more
	Air pollution Water pollution	Increase in sales of medical-related products due to growing health damage from air and water pollution	Expansion of HumanFlags™	Flags revenue ratio	50% or more

■ Strategy

Looking ahead to 2050, the Nitto Group is considering the situations: one where there is a high priority on nature (with growing trends in policies, regulations, or industry and market needs) and where the degradation of ecosystem services is minimized, and another where there is a low priority on nature (with little to no change, or even a decline, in such trends) and where the degradation of ecosystem services is significant. (See diagram below)

We aim to achieve nature positivity by understanding and taking measures to address not only the impacts on its business from major environmental risks and opportunities, including those related to nature, but also its own dependencies and impacts on nature through its business activities.

■ Indicators and Targets

The Nitto Group ensures that the countermeasures are implemented to minimize risks and maximize opportunities and has established 2030 management indicators and targets to regularly monitor and manage the progress of those countermeasures.

Assumed Scenario

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Summary of Results by Segment

Industrial Tape

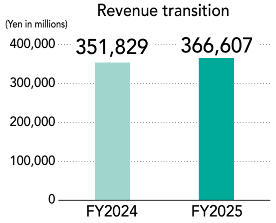
For Functional Base Products, revenue increased from the previous fiscal year. Demand for assembly materials for high-end smartphones increased mainly due to the wider adoption of battery bonding electrical release tape. Furthermore, demand increased for process materials used for manufacturing products such as semiconductor memory and ceramic condensers. Automotive materials posted a decrease in revenue as the automotive production volume of Japanese manufacturers in China declined.

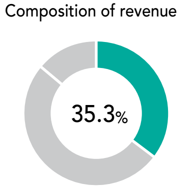
Revenue

366,607 million yen 4.2% ↑

Operating profit

51,662 million yen 12.6% ↑





Optronics

For Information Fine Materials, revenue did not reach the level of the previous fiscal year. As the production volume of high-end notebook PCs and tablet devices progressed favorably, demand for optical films grew significantly. On the other hand, revenue decreased due to the strategic withdrawal from optical films for LCD (Liquid Crystal Display) smartphones and price reductions resulting from material rationalization of process protection films.

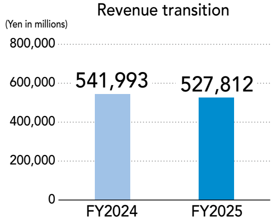
For Circuit Materials, revenue increased from the previous fiscal year. Demand for high-precision circuits increased as production of high-end smartphones expanded. In addition, CIS (Circuit Integrated Suspension) remained firm as demand for high-capacity hard disk drives (HDD) for data centers increased due to the spread of generative AI.

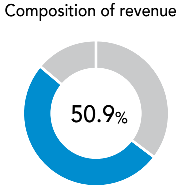
Revenue

527,812 million yen 2.6% ↓

Operating profit

149,871 million yen 13.4% ↓





Human Life

In Life Science, revenue increased from the previous fiscal year. Demand increased for oligonucleotide contract manufacturing and nucleic acid synthesis material (NittoPhase™) which is used for such manufacturing. In addition, production for a large-scale project, which is expected to be commercialized in the future, began in the second quarter. In nucleic acid drug discovery, activities continued toward the out-licensing of therapeutics for intractable cancers.

For Membrane (high-polymer separation membrane), revenue did not reach the level of the previous fiscal year. While demand for ZLD (Zero Liquid Discharge) which contributes to zero wastewater and effluent in response to stricter wastewater regulations remained firm in China, demand for high-polymer separation membrane for various industrial purposes decreased.

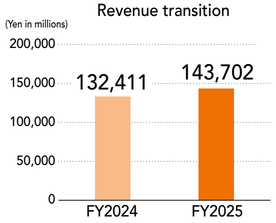
For Personal Care Materials, revenue increased from the previous fiscal year. The expansion of sales continued for new sanitary material products for diapers and environmentally friendly products using biodegradable technology. In the third quarter, impairment losses on non-current assets of 1,452 million yen were recorded.

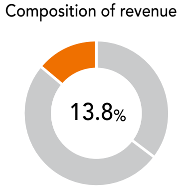
Revenue

143,702 million yen 8.5% ↑

Operating profit

-5,041 million yen





Others

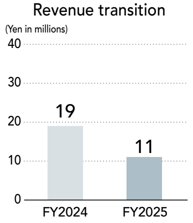
Please note that this segment includes new products that have not generated sufficient revenue yet. In the fields of next generation semiconductors, environmental solutions, and digital health, we are intensively investing management resources on candidates themes for PlanetFlags™/HumanFlags™, aiming for early commercialization.

Revenue 40.6% ↓

11 million yen

Operating profit

-6,971 million yen



*The composition of revenue is not shown because it is a small percentage of the total, as most of the businesses do not yet have sufficient sales revenue.

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Business Strategies by Segment

Industrial Tape

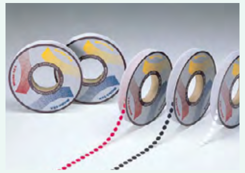
Nitto's unique tape technology helping customers reduce the environmental impact of their products and processes while creating new value

Overview

Segment Profile

The Industrial Tape segment delivers high-performance, high-quality components to a broad range of markets, drawing on Nitto's core technologies, including adhesion and porous formation, along with structural materials, process materials, porous materials, and thermally conductive insulation materials. By applying our "stress-free peeling" technology, which has seen surging demand in recent years, we incorporate various features into our tapes to align with customers' manufacturing processes and product requirements, continuing to create new value in key applications including information devices, displays, semiconductors and electronic components.

In response to growing demand for a circular economy, we continue to develop products that use our release technology and adopt environmentally low-impact materials, reducing CO_2 emissions across the material life cycle and supporting the ongoing shift to a circular society.



Strengths

- Fully leveraging Nitto's core technologies of adhesion, porous formation, and release to provide essential products to customers
- Extensive networks of production sites, R&D centers, and sales channels that enable global marketing of products developed using our proprietary technologies
- A comprehensive product lineup ranging from commodity products to cutting-edge functional materials
- Exceptional development and problem-solving capabilities that address a wide range of customer needs

Products

For information devices and displays

Nitto's primary offering in this field is double-sided tape for information devices, wearable devices, and AR/VR devices. The key competitive advantage lies in our release technology, which maintains strong adhesive performance while allowing easy removal when needed. Electrical release tape, one of our proprietary technologies, reduces its adhesion when electric voltage is applied, enabling the repair and replacement of components without stressing the device, thereby facilitating reuse and improving repairability. Made from recycled raw materials, our eco-friendly tape meets the advanced performance requirements for securing components in devices, including repulsion resistance and strong adhesion. We are also working to ensure traceability across the supply chain to comply with ISCC PLUS and other third-party certifications.

Electrical release tape

For mobility applications

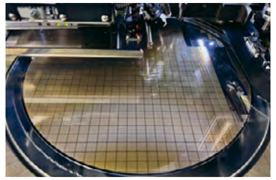
Nitto provides a variety of products essential for the safe operation and comfort of automobiles and aircraft, such as high-performance sealing materials and insulation materials. Our internal pressure adjusting materials combine air permeability with water resistance and have found broad applications in automotive components, which need to block dust while allowing air circulation. As automobiles become increasingly electrified, the number of Nitto products used in xEV batteries and inverters is growing. Our harness protection PVC tape delivers performance equivalent to conventional harness protection components, and replacing those components with this tape helps reduce vehicle weight and CO_2 emissions.

Tapes for protection and binding

Internal pressure adjusting materials

For semiconductors and electronic components

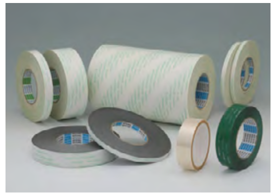
Nitto provides adhesive tapes for temporarily fixing workpieces (customers' products such as semiconductor wafers and chips) during semiconductor and electronic component manufacturing processes (shaving, cutting, etc.). These tapes offer strong adhesion for secure attachment, yet can be easily removed without stressing the workpiece once the task is complete, by applying heat or ultraviolet light. While meeting the unique requirements of semiconductors, such as high thermostability, chemical resistance, and chip lamination, we deliver total solutions that combine tapes with laminating devices across diverse processes, including dicing, back grinding, and chip transfer.



Dicing tape that enables chemical treatment and pickup of thin-film chips

For industrial applications

Here, Nitto draws on two of the Group's core technologies, adhesion and porous formation, to provide removable, highly adhesive double-sided tape, surface protection films for metal and resin, and heat-resistant sheets offering high thermostability, insulation, and low friction. Designed to block water while allowing vapor to pass, TEMISH™ fluorine porous film holds a high market share in healthcare, automotive, and electronic device applications. Nitto also provides numerous products that contribute to reducing environmental impact, such as low-VOC (volatile organic compound) double-sided tape, which helps lower CO_2 and VOC emissions during the product life cycle.



Low VOC double-sided tape

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Industrial Tape

Medium- and Long-Term Strategies

Delivering distinctive products that address a broad range of market changes to achieve sustainable growth

■ For information devices and displays

Europe and North America are at the forefront of tightening regulations aimed at promoting the recycling and reuse of electronic devices and appliances, and the scope of such measures continues to expand. This trend is expected to stimulate demand for rework, repair, recycling, and reuse, both in customers' products and within production processes. The Nitto Group will further expand its lineup of products and technologies, including release technologies (electric or otherwise) and adhesive properties, and offer solutions that combine these strengths to differentiate itself in the market. We are also focusing on developing products that meet performance requirements distinct from those of conventional devices in response to accelerating trends toward higher functionality and flexibility in the display market, exemplified by foldable smartphones. We will also continue to make capital investments designed to enhance sustainability by reducing environmental impact or through other measures.

Example application of electrical release tape

When used to secure mobile phone batteries, electrical release tape allows for quick and easy battery replacement using an electric current.

■ For semiconductors and electronic components

As demand for process materials and other products used in the manufacturing of advanced semiconductors for AI-powered devices and electronic components continues to expand, we will remain committed to growth investments in these target markets. The rapid rise of AI, which processes vast volumes of data in a short time, has significantly transformed the semiconductor landscape. Meanwhile, as the push for greater semiconductor miniaturization and functionality accelerates, design rules for wire processing are evolving rapidly. Previously, given its critical importance, such processing was confined to front-end processes, where wafer patterning is performed. However, it is increasingly being applied in back-end processes as well, where wafers are diced into chips and assembled into packages, driving stricter requirements for clean environments and chemical resistance. To support rigorous quality control at the micron level, where even trace foreign matter must be controlled, we will invest in people and equipment systematically to develop new products.

In the advanced semiconductor field, we will also further promote the collection and recycling of materials and devices while reducing or eliminating solvent use, in anticipation of growing demand for CO_2 emissions reduction and recycling across the supply chain.

■ For mobility applications

While remaining committed to enhancing the safety and comfort of mobility products, Nitto will intensify its efforts to deliver innovative solutions across the entire powertrain domain, which powers electric vehicles, with the goal of contributing to the realization of a next-generation mobility society. We will also focus on securing design-ins with suppliers of all-solid-state batteries, whose development is being led by Japanese manufacturers and which are expected to replace lithium-ion batteries as that market matures. For internal pressure adjusting materials, we are working to add new value to expand our presence in the electronic device market, in addition to our established automotive lamp applications where we have historically held a strong market share. In May 2026, we completed construction of a new plant in Taiwan for the production of PVC tapes for wire harness protection and binding. There, we plan to develop products that meet customer demand for increased thinness and other performance requirements.

Another ongoing trend drawing our attention is the mandatory use of recycled plastic under the End of Life (ELV) Vehicles Directive in Europe. In response to growing customer demand for recycling, we have begun developing concepts for products that contribute to a circular economy, such as easy-peel tape.

■ For industrial applications

We supply industrial materials to a broad range of markets, including electronics, medical and healthcare, and housing and construction, and these materials contribute to the growth of other businesses within the Nitto Group. As such, we are transforming our business portfolio in line with trends in each fast-changing market and the Nitto Group's updated strategies. For instance, we are applying surface protection films traditionally used in metal processing to electronic component manufacturing processes, and by leveraging double-sided tape technology developed for electronics and automotive parts, we are expanding into mobile device and display component applications. Amid rising ESG awareness and tightening regulations across more countries, we will continue to promote our PlanetFlags™/HumanFlags™ approach and establish ourselves as an Area Niche Top™ and ultimately a Global Niche Top™. Meanwhile, out of concern for safety and environmental impact, we will replace obsolete equipment to improve operational efficiency and reduce CO_2 emissions. Most of the industrial materials Nitto provides are highly versatile, allowing us to draw on a wide range of technologies and expertise developed to date and respond swiftly to changes in material specifications and environmental performance requirements.

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Optronics

Supporting a secure and accessible lifestyle and a sustainable circular society (Information fine materials)

"What's new?" —Bringing forward innovations we can proudly present to the world, powered by our strengths (Circuit materials)

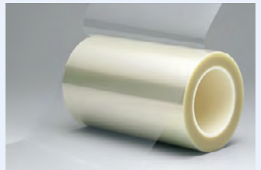
Overview

Segment Profile

The Optronics segment comprises information fine materials, including protection films for organic light-emitting displays (OLEDs) and polarizing films with excellent optical properties, and highly transparent and visible adhesive sheets, as well as circuit materials such as CISFLEX™ and high-precision circuits.

In the information fine materials sub-segment, we draw on our proprietary technologies for optical design, adhesion, and sputtering to process various materials and functional films into optical products, working with customers from the product design stage to offer tailored solutions.

In the circuit materials sub-segment, our key technology lies in printed circuit board formation, combining micro wiring with high positioning accuracy. This enables the electrical and mechanical performance required in hard disk drives (HDDs) and smartphones, making our materials essential to our customers' operations.



Strengths

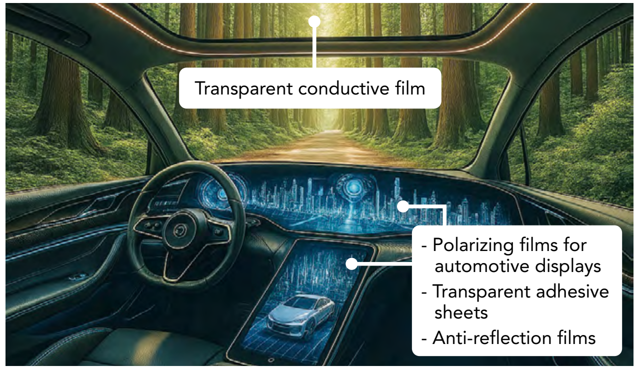
- **Information fine materials** : A leading position in the high-end market, where technological differentiation is critical, enabling us to identify the most sophisticated customer needs and provide solutions ahead of competitors, along with optical and sputtering technologies with potential applications beyond display-related products
- **Circuit materials** : Building on an overwhelmingly strong market position in CISFLEX™ and high-precision circuits, Nitto is well-positioned to capture emerging customer needs early and develop and launch new products

Products

Information fine materials

Offering total solutions built on our strengths in optical design and adhesion technologies, Nitto delivers a wide range of display products, including polarizing films, OLED protection films, optical clear adhesive (OCA) sheets, and anti-reflection films. Leveraging our strong presence in each field, we anticipate latent market needs, enabling a steady stream of new products ahead of our competitors. One example is a film that uses ultraviolet rays to alter adhesion levels, allowing process films to double as structural materials and reduce both processing burdens and material use for customers. For automotive display applications, Nitto responds to trends such as greater adoption of OLED and larger-format displays by delivering highly durable polarizing films with a wider viewing angle, together with anti-reflection films, OCA sheets, and other offerings, securing a solid competitive edge in the market.

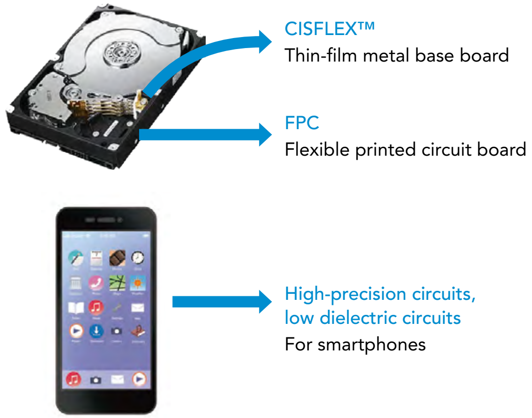
Beyond display applications, Nitto is also active in the non-display market with high-performance offerings. Using our proprietary sputter deposition method to achieve high transparency, superior surface conductivity, and excellent adhesion, our transparent conductive films serve applications ranging from touch panels to light-control sunroofs in automobiles.



Circuit materials

Key offerings in this sub-segment include CISFLEX™, a thin-film metal base board with the leading market share as a circuit material essential for HDDs, as well as flexible printed circuit (FPC) boards. For smartphones, Nitto delivers high-precision circuits.

The Nitto Group leverages polymer design technology to achieve miniaturization, thin films, and mechanical properties that competitors cannot replicate. We have developed technology for forming fine circuits on various metal substrates using in-house polyimide. Because these constituent materials are developed internally, we can exercise precise control, meeting increasingly advanced performance and functional requirements. Furthermore, our roll-to-roll production system boosts productivity while curbing costs, allowing us to respond to changes in market and customer needs both flexibly and swiftly.



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Optronics

Medium- and Long-Term Strategies

Transforming the product portfolio to maintain high profitability of the business (Information fine materials) Creating "What's new?" by fostering a corporate culture of enjoying challenges and advancing human resource development to build a bridge to the next generation (Circuit materials)

■ Information fine materials

Nitto continues to make strategic investments to maximize customer value in the growth markets of OLED and automotive applications.

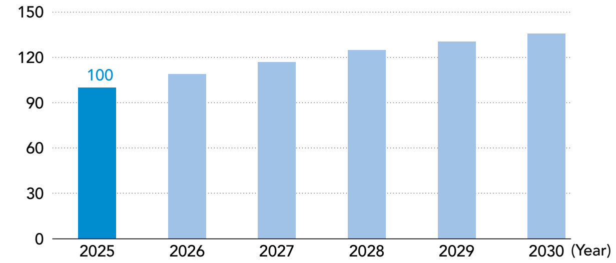
For polarizing films used in smartphones and tablets, we are developing new process technologies to boost productivity and enhance our competitive edge.

We will also advance our total solution business, which integrates multiple display assembly components, including OCA sheets and protection films, both rooted in our adhesion technology. By consistently introducing new technologies and building long-lasting relationships with customers, we aim to increase the number of Nitto components and devices used in each foldable OLED unit, reinforcing our market position. As demand for OCA sheets is expected to grow, we will build a new factory within our Toyohashi Plant to support further business expansion.

In the automotive product market, demand for OLED and larger-format displays is expected to grow alongside advances in self-driving technologies and increasing design flexibility. To capitalize on this trend, we aim to sustain high market penetration by offering highly durable, high-performance solutions across a broad product range, including high-end products, further strengthening our market leadership.

Forecast of Trends in the Area of the Automotive Display Panel Market (Nitto's forecast based on surveys)

* The baseline year of 2025 = 100



In the non-display market, we are working to establish new businesses and applications by leveraging our optical and sputtering technologies. A key example is our transparent conductive films, which offer superior transparency and surface conductivity. These films are expected to see wider adoption in the solar battery field, where demand is projected to grow, as well as in light-control sunroofs for automobiles.

We will also accelerate product development with the goal of achieving Double Recognition as both Global Niche Top™/Area Niche Top™ and PlanetFlags™/HumanFlags™. As an ESG Niche Top Company, we aim to create double recognized products that deliver both economic value and solutions to social challenges. This dual focus will extend beyond growth areas such as OLED and automotive applications to emerging fields, including solar batteries, as we work to sustain our competitive advantage.

Furthermore, through our data-driven management approach, we will make every effort to standardize operations, optimize the organization, and enhance corporate resilience by making prompt decisions based on objective data. By concentrating resources on new product development, we will continue to meet market needs by applying our advanced technological capabilities to deliver new value to customers.

■ Circuit materials

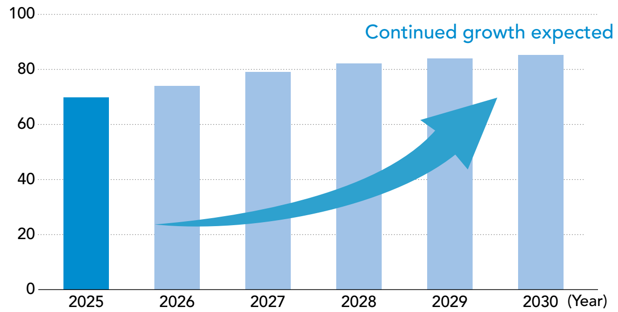
The data storage market is expected to sustain its growth on the back of emerging demand driven by advances in generative AI, in addition to existing demand from cloud services. In this context, HDDs hold inherent advantages over other storage technologies in terms of both supply scalability and cost efficiency. HDD manufacturers have been aggressively ramping up production capacity and developing new models with higher per-unit capacity, which are being deployed in data centers. The Nitto Group has leveraged these market shifts to add new functions that better meet market and customer needs, supporting business growth while increasing customer satisfaction.

As the next growth business following CISFLEX™ and high-precision circuits, we are developing new products with an eye on the XR device and semiconductor substrate markets. Through this approach, we will upgrade our business portfolio by expanding into new products and markets that draw on our core technologies of miniaturization, thin films, and mechanical properties. Meanwhile, we will integrate our elemental technologies to develop one-of-a-kind technologies that bring about innovation. With a focus on emerging domains such as the sensing market, we will continue creating HumanFlags™ that contribute to human society by supporting safe and comfortable lifestyles and the advancement of digital society.

Given the nature of this sub-segment, which includes many products with significant market share and therefore a critical responsibility in market supply, we will reinforce the management of our existing business by leveraging our Vietnam factory as the main production site, continuously ramping up capacity there while progressively transferring production functions from Japan. In parallel, we remain on track to realize our Virtual One Factory initiative globally by fiscal 2027. Surplus resources in Japan generated through this transition will be redeployed to new business development and strategic investments to drive future growth. Investments aimed at reducing environmental impact will also remain a priority. In light of the substantial water requirements for circuit board production, we will focus on initiatives to conserve water resources.

Under the new slogan "What's new?," we aim to transform our organization so that we can deliver an unbroken stream of innovation across a broad range of areas, not only in product development, but also in production processes and business processes and systems.

High-Capacity HDD Unit Forecast (Nitto's forecast based on surveys)



Human Life

For coexistence
with the global environment,
better living, and a fulfilled life

Overview

Segment Profile

The Human Life segment is responsible for developing and manufacturing products and services that contribute to "accessible and user-friendly healthcare," "a society where anyone can function," and "a secure and safe future."

In the life science sub-segment, the Nitto Group manufactures polymer beads for oligonucleotide synthesis (NittoPhase™), conducts oligonucleotide contract manufacturing, and engages in drug discovery by leveraging our long-standing expertise in polymer synthesis technology.
Our development team is also working on a drug delivery system (DDS) to deliver nucleic acids precisely to targeted areas within the body.

In the membrane subsegment, we contribute to water resource conservation and water pollution prevention by manufacturing and selling polymeric separation membranes used for wastewater treatment.

In the personal care materials sub-segment, we manufacture and sell elastic films, nonwoven fabrics, and functional films for use in products such as diapers and wet wipes.

Strengths

- Life science : The added value of NittoPhase™ in oligonucleotide therapeutics
  Oligonucleotide contract manufacturing process supporting everything from early-stage development to commercial drug production
  Highly functional, safe DDS development technology cultivated through in-house development of clinical-grade nucleic acid DDS drugs
- Membranes : Global sales network and brand strength that have led the market for over three decades
- Personal care materials : Global business operations centered on the hygiene market, with a broad product lineup including elastic films, nonwoven fabrics, and sanitary adhesive tapes

Products

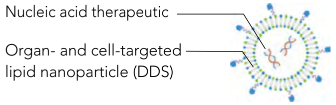
Life science

Combining the Nitto Group's core technologies and manufacturing expertise, NittoPhase™ offers three distinctive attributes; high purity, high yield, and high versatility, meeting diverse needs across R&D, clinical studies, and commercial production. In the oligonucleotide contract manufacturing business, drawing on extensive experience in oligonucleotide synthesis, we develop manufacturing processes tailored to specific customer requirements and provide advanced manufacturing technologies to support the commercialization of oligonucleotide therapeutics. We are also manufacturing active pharmaceutical ingredients for the commercialization of major projects such as hepatitis B drugs, working to improve productivity and develop new technologies for next-generation oligonucleotide therapeutics, and recycling solvents as part of our environmental programs. In nucleic acid therapeutic development, we not only develop therapeutic drugs but also license our DDS technologies, which deliver drugs to their target sites in the body with cellular-level precision.

Drug discovery/ development

Nucleic acid therapeutic and DDS development

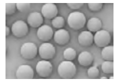
- Nucleic acid therapeutic design
- DDS design



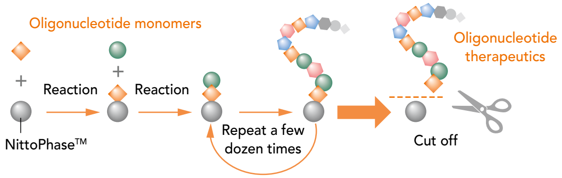
Contract manufacturing

Manufacture of polymer beads for oligonucleotide synthesis

- NittoPhase™



Oligonucleotide contract manufacturing



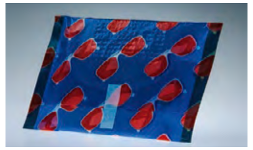
Membranes

Leveraging our proprietary thin-film technology, we manufacture and sell separation membranes used in a wide range of water treatment applications. Our membranes feature superior fouling resistance, a hallmark of the Nitto Group, contributing to longer product lifespans and helping customers reduce energy consumption and resource use. We offer a diverse product lineup, including ZLD*-related products addressing increasingly stringent wastewater regulations across various countries, ultrapure water products supporting the growth of the electronics industry, and products for offshore oil fields. In addition, drawing on deep expertise cultivated primarily in reverse osmosis (RO) membranes and our proprietary simulation technology, we can also propose and design optimal solutions tailored to each customer's specific water quality requirements, a key strength of our business.

*ZLD (Zero Liquid Discharge): A system that combines multiple treatment technologies to recover wastewater as reusable water, minimizing the external discharge of liquid effluent.

Personal care materials

We design, develop, manufacture, and sell diaper materials (elastic films), technical films used as liquid container labels and base materials for tapes, nonwoven fabrics for wet wipes and similar products, and pouch films for feminine care items. Beyond films, nonwoven fabrics, hygienic adhesive tapes, and integrated products, we also develop highly functional products that draw on diverse film design and manufacturing process technologies, including those with elasticity, breathability, and absorbency, as well as sustainable products.



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Human Life

Medium- and Long-Term Strategies

Transforming the business portfolio to achieve further growth for strong performance

■ Life science

As the number of clinical cases grows and sales of commercial drugs for major diseases expand, the oligonucleotide contract manufacturing market is projected to grow by 20% annually through 2030. Riding this growth trend, the Nitto Group will strengthen its supply capacity by improving productivity and, in anticipation of intensified price competition driven by market scale, improve its cost competitiveness by investing in the development of new process technologies. To meet increasingly diverse and sophisticated customer needs, we are also further strengthening collaboration between our oligonucleotide contract manufacturing business and our NittoPhase™ polymer beads for oligonucleotide synthesis to accelerate the creation of new value.

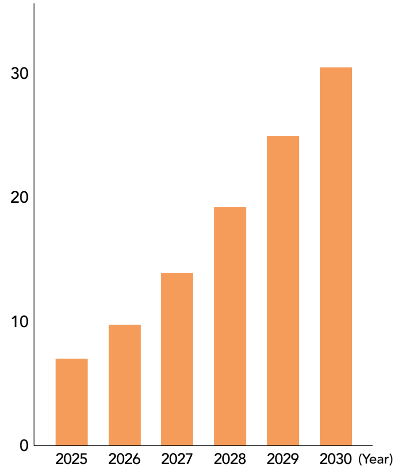
Kinovate Life Sciences, which manufactures NittoPhase™, began full-scale operations at its new San Diego plant in fiscal 2026 to strengthen supply capacity. It is also working to streamline business processes and improve productivity through digital transformation.

Meanwhile, Nitto Denko Avecia has successfully implemented continuous purification technology in the oligonucleotide therapeutics manufacturing process and has delivered meaningful results in contract manufacturing during the mass-production process. This technology contributes to improving the yields of oligonucleotide therapeutics by linking purification columns* and repeating the purification process. Consequently, it helps control manufacturing costs for oligonucleotide therapeutics, which is expected to lead to lower healthcare costs. Furthermore, we will continue our efforts to reduce CO_2 emissions during contract manufacturing of oligonucleotide therapeutics through initiatives such as solvent recycling, thereby contributing to a reduced environmental footprint.

In nucleic acid drug development, we will accelerate our licensing business around more precise DDS design technology in advanced medicine fields such as cell and gene editing therapy. To drive this initiative, we will seek to develop novel technologies early through collaboration with startup businesses and research institutions, and invest more in training the experts who will lead these efforts.

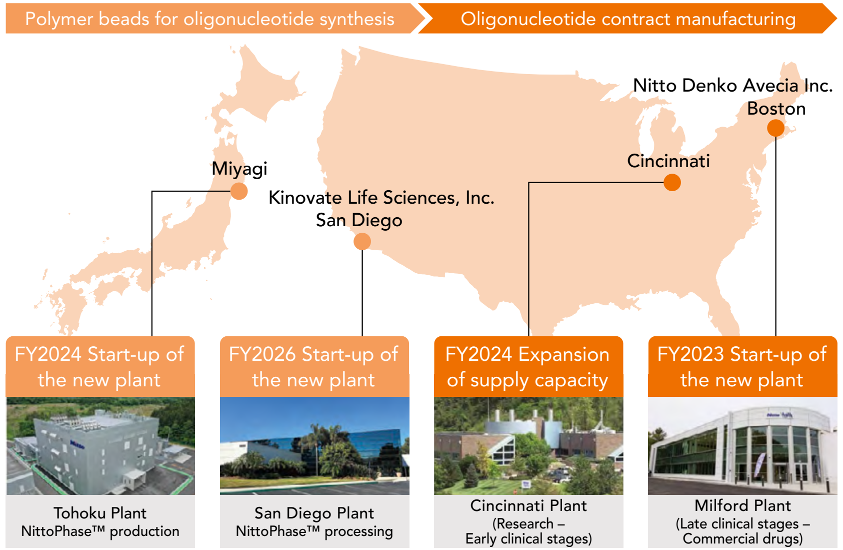
*A cylindrical vessel filled with packing material for extracting target compounds from a mixture

Forecast for the Oligonucleotide Therapeutics Market (Commercial)



Source: Evaluate Pharma data

Progress of the Growth Strategy for the Oligo Business



■ Membranes

We have identified the Americas, Europe, China, India, and East Asia as our key markets, and are focusing on growth sectors such as wastewater treatment, ultrapure water for semiconductors, and food processing. We are pursuing a portfolio transformation from volume to value, aiming to improve profitability by shifting toward higher-value-added products. We are currently investing in capital expenditure and workforce development to strengthen our ZLD-related product offerings in response to increasingly complex customer needs and to develop new products that further reduce operating costs for our customers. Through these efforts, we aim to help our customers achieve both lower environmental impact and improved profitability. We have also set a key target to significantly reduce energy consumption and waste generation across both the manufacturing and use phases of our products, and are advancing a range of initiatives toward this goal.

■ Personal care materials

For hygiene products, we aim to expand our target markets for adult and female consumers by broadening sales coverage and offering total solutions. In technical films, we will develop differentiated products for high-growth emerging markets such as semiconductors, mobile devices, and mobility products, thereby acquiring new customers. We will drive business growth by innovating our product portfolio to optimize sales mix alongside transforming our customer portfolio. To build a production system capable of sustaining product development and meeting emerging demand, we will also focus on accelerating capital investments, further improving productivity, establishing robust manufacturing processes, and advancing digitalization.

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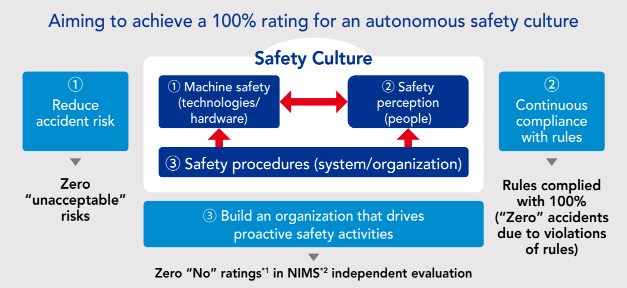
Safe Manufacturing

■ Fostering a Safety Culture

In its Basic Policy on Occupational Safety and Health, the Nitto Group declares its goal of "achieving zero accidents and injuries," and is working to foster a robust safety culture to create a workplace where employees can work with confidence and peace of mind.

A safety culture comprises three elements: "machine safety (technologies/hardware)," which aims to render hardware (equipment and machines) harmless and reduce accident risk; "safety perception (people)," which is grounded in behavioral psychology and shapes operators' behavior to promote compliance with rules; and "safety procedures (system/organization)," which establish systems and organizational structures to sustain the effectiveness of the first two elements. By setting indicators to monitor safety activities and continuously improve individual initiatives, we aim to build a management framework for operators to engage actively in safety activities. We are also working on safety technology that separates people from machines, with a view to creating unattended manufacturing sites in the future. By establishing a safety culture that integrates technology, people, and systems, we aim to ensure occupational safety at a higher level.



*1 Cases judged as not meeting NIMS criteria

*2 Nitto Minimum Standard, the baseline set of requirements that the Nitto Group must comply with at a minimum

■ Machine safety (technologies/hardware)

In an effort to reduce the risk of accidents from equipment and machines, we are implementing safety measures based on a risk assessment approach. By identifying hazard sources in equipment and operations, we assess the magnitude of those risks and address them appropriately. At the same time, we use AI and other emerging technologies to advance our safety measures.

As part of this effort, we are developing Dr. Safety, a safety diagnosis system that uses AI to analyze image data from equipment and shop floors, identify hazard sources, and support risk assessment. By complementing the risk identification process, which has traditionally relied on individual operators' experience and knowledge, AI reduces overlooked hazard sources and enables broader risk coverage. Scheduled for launch within the Nitto Group in fiscal 2026, the system is expected to enhance the quality of risk assessment and the accuracy of safety measures.

For processes in which operators handle chemical substances, we conduct chemical risk assessment (CRA). In fiscal 2025, we revised the relevant internal guidelines to enhance assessment methodologies for evaluating the potential impact on operators' eyes and skin by incorporating operating conditions, exposure areas, and the hazards associated with each chemical substance. This allows us to assess risks and prioritize actions in a way that more accurately reflects actual operating environments, resulting in more effective safety measures. We are currently rolling out this assessment methodology across our global sites.

Furthermore, we have developed a fire risk assessment methodology focused on the three elements of combustibles, oxygen, and ignition sources to prevent fire accidents in equipment and on shop floors. This methodology evaluates risk by monitoring whether these elements coincide and verifying the status of actions taken, and is continuously applied under our fire management system. The methodology has been implemented at our sites in Japan and will be extended to our global sites going forward.

■ Safety perception (people)

On shop floors, it is not always feasible to mitigate risks from all hazard sources through equipment and machinery measures alone. This being the case, safety activities focused on operators' behavioral psychology form another key pillar, encouraging people to adopt safe practices and comply with rules.

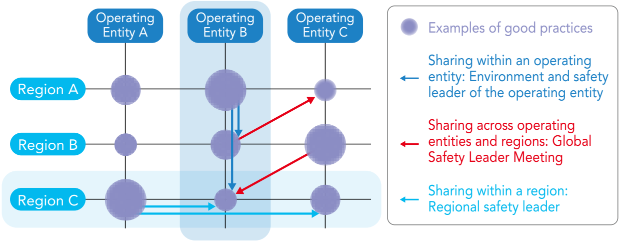
One concrete initiative in this area is AHT (*Anzen Hakken* <Safety Discovery> Training), which incorporates the Safety II approach, a safety management concept focused on ensuring that things go right, by discovering and sharing effective safety practices on-site. By making the factors behind safe operations visible, we improve the reproducibility of those practices. We also promote initiatives grounded in behavioral psychology and workplace environments. These include "positive feedback," in which supervisors praise and recognize operators' safe behaviors; activities in which operators review and validate rules themselves; and the use of "communication cards" to facilitate interaction in multinational workplaces. Together, these initiatives aim to revitalize internal communication and foster a workplace environment where employees are motivated to engage in safety practices.

Nitto has introduced these initiatives on a trial basis at selected production sites. Now that they have proven effective, we plan to expand their adoption to other offices and sites in fiscal 2026.

■ Safety procedures (system/organization)

To ensure that the initiatives related to "machine safety (technologies/hardware)" and "safety perception (people)" function continuously, we have established safety procedures that enable the promotion of safety activities under the Group's common rules while facilitating knowledge sharing across sites to raise the overall level of safety within the Group.

At the foundation of these initiatives is our global safety management system. We periodically convene regional safety leaders at a Global Safety Leader Meeting to share progress on these initiatives and regional best practices, as well as to discuss and communicate Group-wide safety measures. Safety leaders in each region are responsible for implementing these measures locally, providing support, and conducting monitoring activities such as patrols and audits. They also investigate occupational accidents and injuries and promote the horizontal deployment of relevant measures. Best practices identified in one region are shared globally. By ensuring information sharing and coordination across site, regional, and global levels, we ensure the continuous improvement of safety activities. Our goal is to achieve and sustain zero accidents and injuries by building a strong safety culture through robust systems and organizational frameworks.



Sharing Best Practices Throughout the Group Under the Global Safety Management System

By sharing knowledge gained from safety activities first within each region and then across the Group through Global Safety Leader Meetings, we establish a safety culture on a global basis.

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■ Management of Chemical Substances

Proper management of chemical substances plays a key role in ensuring the safety and quality of products. The Nitto Group's Basic Policy on Chemical Substance Management sets out the goal of "Offering safety and confidence to our stakeholders." With a full understanding of chemical substance risks, we work to prevent related accidents and injuries, maintain a safe and healthy working environment, and preserve ecosystems and the environment.

In recent years, international regulations regarding PFAS (Per- and Polyfluoroalkyl Substances) and POPs (Persistent Organic Pollutants) have been tightening at a rapid pace, requiring businesses to meet higher chemical substance management standards. As we handle nearly 4,000 types of chemical substances, the Nitto Group manages them at every stage, from the selection and procurement of raw materials to development, production, and sales, across the entire supply chain. Before beginning business with new raw material suppliers, we require verification of the chemical substances contained in their materials and compliance with applicable laws and regulations. During development and production, we assess the risks associated with each chemical substance and manage the work environment accordingly. At the product sales stage, we provide Safety Data Sheets (SDSs) and confirm that our products are properly labelled. By appropriately managing the chemical substances in our products, we ensure risks are identified early at each stage and that safety and regulatory compliance are maintained.

The Chemical Substance Composition Management System serves as the platform for this Group-wide initiative on chemical substance management. By centrally managing composition data for raw materials and products, along with chemical substance-related regulatory information from various countries, the system enables each division to manage their chemical substances by accessing the data they need at each stage of development, procurement, production, and sales. The system also helps determine whether substances are subject to voluntary management and enhances compliance with applicable laws and regulations, establishing a globally-unified chemical substance management framework.

We continuously monitor regulatory revision trends and new legislation in Europe and other regions to assess their potential impact on our business. In particular, for regulations with significant global implications, such as the EU REACH Regulation and the U.S. TSCA, we collect relevant information from the deliberation stage to enable early impact assessment once they are enacted. By sharing this information across the Group, we maintain a framework that allows each division to select materials and design products with potential future regulatory risks in mind. When necessary, we consider switching to alternative materials or submit public comments, ensuring regulatory compliance and product safety.

Meanwhile, in response to the tightening of PFAS regulations, we are exploring alternative materials while addressing customer inquiries and requests. Taking into account regulatory implementation timelines and applicable grace periods for each application, we will implement measures in phases to ensure a stable supply to the market. Through these efforts, we are positioning ourselves to respond to anticipated regulatory tightening with confidence.

■ Improvement of Quality Awareness

To prevent quality fraud and establish a global culture of quality compliance, the Nitto Group is working to raise quality awareness among every employee.

One concrete example is a program designed to build quality awareness by learning from past quality issues and preventing their recurrence through training and dialogue. This program is conducted on an ongoing basis for all employees.

A central component is training content that helps employees understand the underlying mechanisms of quality fraud. In fiscal 2025, we developed training materials in the form of four-frame cartoons illustrating the decisions and assumptions that can arise in day-to-day operations. Through stories addressing "What constitutes quality fraud?" and "Why does quality fraud occur?," the materials allow trainees to see intuitively how a series of everyday decisions can ultimately lead to fraud. Available in 18 languages, including Japanese and English, the materials allow employees to access them in their native language. During Quality Month in November, we also developed animated training materials on quality fraud for use in dialogue-based *Kuruma-za* sessions at each workplace. By organizing discussions around realistic scenarios, we encourage trainees to recognize that such issues could arise in their own work and to exchange views on how to prevent fraud. Through these dialogues, we aim to foster a psychologically safe workplace environment and promote open communication.

To assess how well these initiatives have taken hold, we conduct an annual quality awareness survey for all Nitto employees globally. Based on the findings, we monitor changes in employees' awareness and engagement with quality over time, identify challenges in the field, and use these insights to improve training curricula and related measures. By continuing this integrated approach of training, dialogue, and surveys, we aim to further embed a culture of quality compliance across the organization.

Designing systems and measures in isolation is not enough to ensure product safety and quality. Rather, it is essential to foster and establish them as globally shared values by connecting initiatives for chemical substance management and quality awareness. The Nitto Group remains committed to cultivating a corporate culture that prevents quality fraud and discourages misconduct, with every employee taking ownership of quality.


Four-frame cartoons used as teaching materials in Malaysia

Suppliers

Deliverables
- Conveying information on chemical substances contained

Selection
- Checking applicable laws/regulations
- Checking voluntarily managed substances

Procurement
- Supplier certification system
- Surveys on relevant regulations in each country
- Surveys on substances to be regulated in the future[*1]

Development
- Approval for raw materials
- Preliminary Safety Examination Regulation
- CRA[*2] (hazard assessment)
- Checking composition information and registration with an in-house system[*3]

Manufacturing
- CRA
- Measuring the work environments
- Training using the Hazardous Substance Manuals[*4] and SDSs[*5]

Sale
- Providing SDSs
- Labeling
- Issuing a "Yellow Card" during transportation
- Supporting UN Transport[*6]

Customers

*1 Chemical substances (reportable chemical substances) whose legal regulation is under consideration *2 Chemical Risk Assessment *3 Nitto's unique management system for chemicals in products
*4 Nitto's original chemical substance training tool *5 Safety Data Sheets *6 United Nations Recommendations on the Transport of Dangerous Goods

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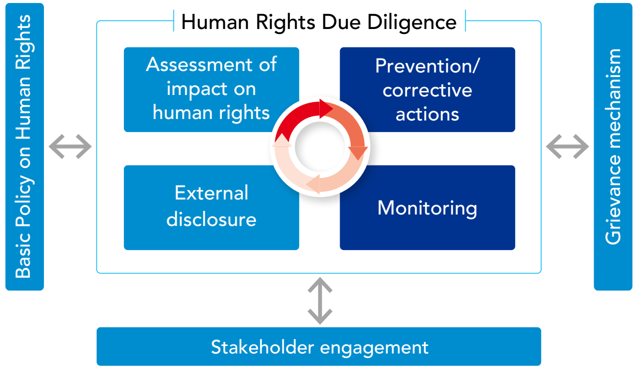
Upholding and Respecting Human Rights

The Nitto Group's Approaches to Human Rights

In line with its Basic Policy on Human Rights, the Nitto Group has built a human rights due diligence management system based on the UN Guiding Principles on Business and Human Rights, with the aim of preventing or mitigating any negative impact our business activities may have on human rights.

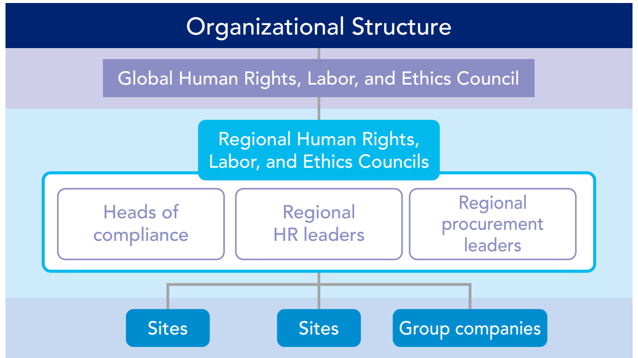
Basic Policy on Human Rights
https://www.nitto.com/jp/en/sustainability/social/human/



Promotion of Human Rights Initiatives in Collaboration with Human Rights, Labor, and Ethics Councils

The Nitto Group has established Human Rights, Labor, and Ethics Councils comprising members responsible for Group companies and sites. These councils monitor not only human rights and labor issues identified at each location, but also the implementation of remedial measures through a plan-do-check-act (PDCA) cycle. Issues identified at individual companies and sites are shared with regional and global councils to enable coordinated, Group-wide responses.

In fiscal 2025, we established the Group Human Rights and Labor Management Regulations and Risk Assessment Guidance to define a management process for ongoing human rights protection and human rights due diligence procedures.



Prevention/Corrective Actions

In fiscal 2024, we conducted a human rights impact assessment to identify priority human rights issues requiring focused attention.

Based on the assessment results, in fiscal 2025 we began identifying attributes of stakeholder groups that may be vulnerable to human rights infringement and have implemented the following preventive measures.

Details on priority human rights issues
https://www.nitto.com/jp/en/sustainability/social/human/

Human rights training and awareness

True to the policy of "placing ESG at the core of management," in fiscal 2024 we began offering sustainability training to all Group employees to deepen their understanding of ESG and sustainability. This training provides a structured overview of the fundamental principles employees must follow regarding human rights, based on international human rights standards and internal policies.

Elimination of discrimination and inhumane treatment, including harassment

To eliminate discrimination and inhumane treatment, including harassment, we provide harassment prevention, compliance, and workplace mental health training tailored to the specific circumstances of each plant and Group company, in addition to the Group-wide standardized training described above. Some plants also periodically conduct pulse surveys to assess employees' awareness of organizational culture and workplace harassment.

Provision of adequate working conditions for workers

We provide all employees with e-learning on working hours to deepen their understanding of working time and attendance management. To ensure appropriate management of working time, access control and computer log-in management systems have been introduced at multiple sites. In fiscal 2024, official working hours at Nitto Denko Corporation were reduced as the number of days off increased.

Creating a healthy and safe workplace for workers

We provide a safe and hygienic work environment to prevent accidents and injuries and to ensure that all employees can work free from undue concern. We also strive to maintain the mental and physical well-being of our workforce. As part of these efforts, we have implemented a health management system that enables our occupational health staff to centrally manage employees' health checkup results, medical records, and other health-related data. This system provides employees with feedback on their health checkup results and facilitates stress checks, encouraging self-assessment and improving health literacy. We also administer fatigue check questionnaires to employees whose working hours exceed specified thresholds to raise awareness of the importance of maintaining good health.

Monitoring

To ensure compliance and promote ESG management, the Nitto Group maintains the Nitto Minimum Standard (NIMS), a baseline set of internal control requirements that must be met. Based on this standard, we monitor the status of internal controls. Beginning in fiscal 2024, human rights and labor standards were incorporated into NIMS to enable monitoring at each site and Group company. The results are reported to management at the Corporate Strategy Meeting and reflected in activities for the following fiscal year.

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Building Resilient Supply Chains

Nitto Group's Sustainable Procurement

In order to fulfill our corporate social responsibility across supply chains, the Nitto Group has defined its approach to sustainable procurement around three core pillars: risk management, CSR procurement, and green procurement. Amid changes in the operating environment and business risks, we are strengthening our procurement foundation through the proactive implementation of forward-looking initiatives.

Strengthening efforts to reduce procurement risk associated with important raw materials and stabilize their supply

To reduce procurement risk, we identify and visualize potentially high-risk materials used in mass-produced models and take appropriate actions.

To ensure highly accurate visibility aligned with actual conditions, we periodically review our survey and selection criteria to keep our list of high-risk materials up to date, drawing on past supply issues and discussions with suppliers. We prioritize risk assessments for single-sourced materials and, where issues are identified, either work with the supplier to address them or explore alternative materials, thereby mitigating risks.

We will also monitor developments in the external environment, such as changes to chemical regulations, on a continuous and timely basis, to identify and address risks from multiple perspectives.

Global expansion and establishment of responsible procurement

The Nitto Group promotes responsible procurement management to develop a sustainable supply chain. We have implemented a global training program on the Basic Policy on Procurement, revised in fiscal 2024, achieving an e-learning participation rate of at least 90% among target employees. We also expanded the letter-of-consent requirement on a global basis in fiscal 2025, steadily enhancing awareness of responsible procurement and compliance.

Furthermore, in addition to our own CSR procurement questionnaire, we use the EcoVadis platform, a third-party rating service, to conduct CSR assessments globally. Fiscal 2025 marked the second year of these assessments. We also conduct follow-up interviews, share the Nitto Group policies, and review findings to reduce risk through ongoing dialogue.

Promotion of eco-friendly procurement

In order to reduce GHG emissions associated with raw materials, we collect by-material emissions data (primary data) directly from suppliers and act on the results. For the sustainable materials procurement ratio, one of our Materiality KPIs, we are working with suppliers to increase it. For chemical substances subject to increasingly stringent regulations particularly in Europe, we have established an advance substance content assessment framework to facilitate timely responses to regulatory requirements.

Enhancement of supplier engagement

To help suppliers better understand the three pillars of risk management, CSR procurement, and green procurement, as well as the Nitto Group itself, we host partnership meetings, which took place in fiscal 2025 in China, as well as Japan and Europe. At each meeting, we delivered a consistent message and shared our goals with suppliers. We are working to strengthen supplier engagement through the Voice of Supplier initiative, an activity that emphasizes two-way communication, including opportunities for dialogue on ESG-related topics.

Response to the procurement act revision

Following the revision of the Act Against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors (Subcontract Act) into the Act on Ensuring Proper Transactions Involving Specified Entrusted Business Operators in Japan in January 2026, we reviewed all business partners in Japan and updated their records, including headcount classifications, to ensure a smooth transition to the new regulatory framework. We also hold annual legal compliance sessions to help employees better understand applicable laws and improve transparency in transaction terms.

Increasing Efficiency in Logistics

The Nitto Group considers improving supply chain logistics a key management priority.

To address Japan's "logistics 2024 issue," we continue to improve the situation by promptly transporting finished products to shipping stations where trucks are on standby and notifying logistics providers in advance of any shipping delays. Average truck standby time across eight sites in Japan was approximately two minutes, achieving our target.

To reduce GHG emissions in logistics, we are working to improve load factors and review transportation routes. In fiscal 2025, logistics-related GHG emissions in Japan fell by 59.3 tons, representing a 1.2% reduction year-on-year, surpassing our self-imposed KPI of 1%. For international logistics, we are tracking GHG emissions, optimizing transportation modes to increase the use of marine and rail transport, and improving load efficiency, among other measures. We are accelerating these initiatives across the supply chain both domestically and internationally.

Starting in fiscal 2025, Nitto joined the Chemicals Working Group of the Physical Internet Realization Council, a government-led industry-academia-government collaboration body, to ensure compliance, optimize transportation, and promote digital transformation (DX) across the industry.

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