

Value Creation Process

How can we find solutions to various social issues together with our customers?
 Thinking backward from the desired future goal as appropriate (backcasting), the Nitto Group devises solutions to material issues for sustainability, mainly for focus domains.
 With two unique business models of "Sanshin Activities" and "Niche Top Strategy," we never cease to create innovative and broad values.

2030 Ideal State
 "As a manufacturer of high-functional materials, Nitto will realize a sustainable environment and society by creating the future with technology and continuously providing amazement and inspiration."



- 1 | Customer-oriented marketing to identify latent issues
- 2 | Product development with R&D, Production, Sales, and Administration working as one
- 3 | Providing products that solve customer issues
- 4 | Achieving growth as the market expands

Governance → P.55

Corporate Philosophy / Corporate Culture → P.01

The Nitto Group derives its strengths from diverse sources: the core technologies built over its many years in business, unique corporate culture, diverse business domains and their resulting competitive intellectual property rights, and a customer base that covers a broad range of industrial sectors. The solid relationship we have with our customers gives us another source of strength: always being the first to discover the needs of humankind and society that might otherwise remain latent. With this set of strengths

being meshed neatly with *Sanshin* Activities and the Niche Top Strategy, both of which are our long-standing approaches, we have been able to create one new value after another.

By keeping the product portfolio up-to-date in the fields where social needs are high, we can always shift to high-growth fields, leading us to solve contemporary issues in society as a result.

1

Customer-Oriented Marketing to Identify Latent Issues

Putting our heads together with customers and thinking from their perspectives allows us to see social issues that have yet to emerge and repeatedly come up with solutions that make them say, "This is exactly what we wanted!"

This approach has now become an integral part of the Nitto Group's "DNA." By applying this approach over and over again, we have earned trust from customers and cemented positive relationships with them.

2

Product Development with R&D, Production, Sales, and Administration Working as One

Once a new need is perceived, our R&D, Production, Sales, and Administration departments get together to find ways to address it. There is no sectionalism or differences related to the positions involved and nothing gets in the way of the process. By converging people and technology, we go beyond the boundaries of conventional thinking and reach better solutions. This is made possible by the sheer variety of our proprietary technologies, including our core technologies, a broad range of exit plans, and the flexibility with which to undertake an M&A as occasion may demand.

3

Providing Products that Solve Customers' Issues

New solutions begin to take shape of their own accord when the wisdom of diverse talents is pooled and combined with our four core technologies.

Giving overriding priority to global environmental protection and the well-being of humankind, we deliver products and services that enhance the prosperity of humanity and society.

4

Achieving Growth as the Market Expands

We make it a rule to keep exploring the potential for new technology in different markets, rather than being content with one single application. As times change, we determine optimal markets for the technologies that we have painstakingly developed, so that we can advance our business portfolio and cater to high-growth fields. This allows us to not only build a resilient corporate structure and sustain business growth but also to contribute our services to the realization of a sustainable environment and society.

Nitto Group's Strengths

Sanshin Activities

Sanshin Activities stimulating **new demand** through the development of **new applications** and **new products**

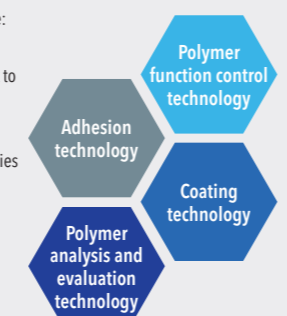
Finding "new" applications for existing products and then adding new technologies to them or using new technologies to develop "new" products and then expanding their applications, thereby creating "new" demand - Literally translated as "three new activities," *Sanshin* Activities is the Nitto Group's proprietary marketing approach which we have diligently followed for more than 50 years by repeating the cycle of the three "news" for continued progress.

		Market	
		Existing	New
Technology	New	New product development	New demand creation
	Existing	Existing businesses	New application development

Core Technologies

Developing products that meet customer needs by combining the **four core technologies**

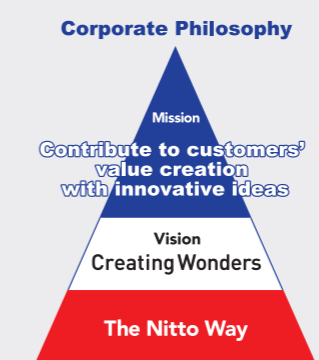
The Nitto Group's core technologies are: polymer synthesis/processing technologies (whose origin dates back to the founding days) and adhesion, coating, polymer function control, and polymer analysis/evaluation technologies that have been derived from the two founding technologies. Through their combination and continued development, we have broadened the scope of their applications to include automotive and transportation equipment, housing and housing equipment, social infrastructure, materials, home electronics and electronic equipment, displays, electronic devices, medical-related materials, packaging materials, and consumer products.



Corporate Culture

Indicating our Values, Attitudes and Mindset, and Code of Conduct "**The Nitto Way**"

The passion, wisdom, and values of the various senior employees who have shaped the Nitto Group since its foundation have now taken the form of "DNA" that can be found in each and every member of the Group. These principles and ideologies are stipulated as "The Nitto Way," which serves as our standard for judgment and is something that we all turn to in situations of uncertainty.

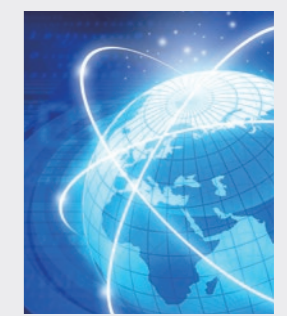


Niche Top Strategy

Shooting for the leading share by leveraging proprietary technologies in **niche markets** where we have a competitive advantage

The Niche Top Strategy is the Nitto Group's unique focus/differentiation strategy, under which we pour our management resources into niche market spaces where we can tap into our proprietary technologies and maximize our competitive advantage in the ever-growing (-changing) market.

The Global Niche Top™ strategy directs our drive for a leading share in the global market, whereas the Area Niche Top™ strategy guides us to the leading position in national and regional markets as we offer products that meet the specific needs of each area.



Nitto Group's ESG Management

Basing All Activities on the Basic Policy on Sustainability

"Contributing to customers' value creation with innovative ideas," which is the Mission of our Corporate Philosophy, the Nitto Group has been attending to the job of creating value from the customer's perspective for so long that this approach has become as ingrained within the company as human DNA.

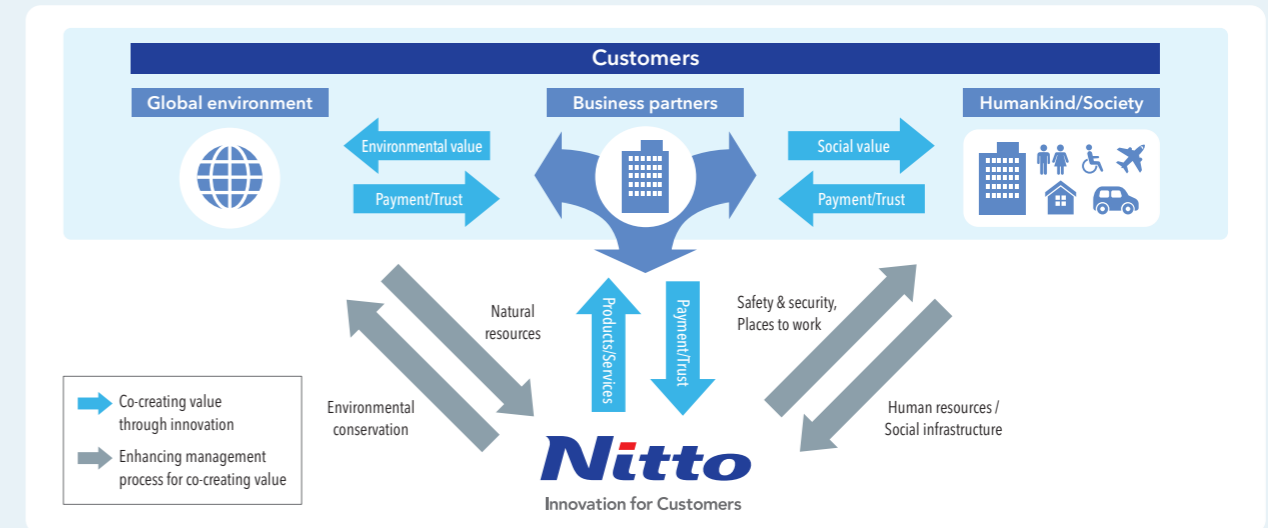
Now that we place ESG at the core of our management, we have drawn up the Basic Policy on Sustainability to live up to the declaration. By redefining the concept of "customers" to include not only "those whom we come in contact with directly" but also the global environment and humankind/society, we hope to expand our imagination to

sense what lies beyond "customers," so that we can continue to simultaneously solve social issues and create economic value through business.

The Basic Policy on Sustainability is at the apex of the pyramid of our corporate basic policies and a prerequisite for all that we do. (For details, please visit Nitto's website at <https://www.nitto.com/jp/en/sustainability/infocus/>).

In accordance with these basic policies, we are working on material issues for sustainability with the Nitto Group Carbon Neutral 2050 and the Nitto Beyond 2023 mid-term management plan serving as milestones.

Nitto Group's Definition of "Customers"



Material Issues for Sustainability



Corporate Philosophy (Mission)

Contribute to customers' value creation with innovative ideas

Basic Policy on Sustainability

Simultaneously solving social issues and creating economic value

The Nitto Group keeps challenging itself to realize a sustainable future and support well-being for everyone by serving the global environment, humankind, and society as our customers -

- Basic Policy on R&D
- Basic Policy on Environment
- Basic Policy on Chemical Substance Management
- Basic Policy on Human Resource Management
- Basic Policy on Human Rights
- Basic Policy on Occupational Safety and Health
- Basic Policy on Quality
- Basic Policy on Procurement
- Basic Policy on Internal Controls
- Basic Policy on Internal Controls Over Financial Reporting
- Basic Policy on Information Security
- Basic Policy on Disclosure
- Basic Policy on Tax Management

Material Issues for Sustainability

Nitto Group Carbon Neutral 2050 / Our Prospects for 2030 (Performance Targets)


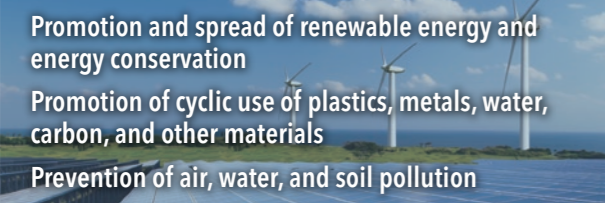
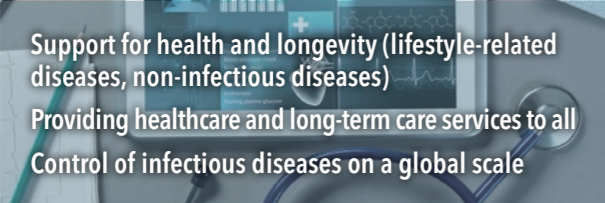
Nitto Beyond 2023

Building a Resilient Corporate Structure Immune to External Environments




- Beyond 1** Promoting ESG Management (10-year plan)
- Beyond 2** Speeding up Innovation (Beyond business bounds)
- Beyond 3** Strengthening Management Infrastructure (Looking beyond to the future)

Addressing Material Issues for Sustainability

Co-Creating Value through Innovation

Material Issues for Sustainability	Our initiatives	Details	Values that We Offer	Our Prospects for 2030	Nitto Group's Goals
 <p>Development of infrastructure for intelligent society Reduction in traffic jams/accidents Providing public transportation services for vulnerable road users</p>	<ul style="list-style-type: none"> Establishment of the "PlanetFlags/HumanFlags Recognition Scheme—Contributing to the Environment and Human Life" and recognition of FY2021 PlanetFlags/HumanFlags products R&D in line with the Basic Policy on R&D, "Solving social issues through innovation - We aim to enhance corporate value through technological development for the global environment, humanity, and society" Strategic business approaches to the three focus domains of next-generation mobility, information interface, and human life 	P.27-40	<ul style="list-style-type: none"> Large-capacity communication environment Realistic sensations created by high-definition displays Power-saving, high-functional communication terminals Mass data storage 	<ul style="list-style-type: none"> Broad distribution of intelligent devices Diversified high-speed, large-capacity communication High popularity of self-driving 	Secure and accessible lifestyle
 <p>Promotion and spread of renewable energy and energy conservation Promotion of cyclic use of plastics, metals, water, carbon, and other materials Prevention of air, water, and soil pollution</p>			<ul style="list-style-type: none"> Power-saving motors and electronic devices Reduction of resource loss, recycling/reuse of water CO2 reduction Detection of hydrogen leakage 	<ul style="list-style-type: none"> Energy conservation by EVs and low-powered mobility Higher efficiency of solar/wind power generation Curb on atmospheric CO2 emissions Efficient use of water and other resources 	Sustainable circular society
 <p>Support for health and longevity (lifestyle-related diseases, non-infectious diseases) Providing healthcare and long-term care services to all Control of infectious diseases on a global scale</p>			<ul style="list-style-type: none"> Innovative pharmaceutical products Early diagnosis and prevention Treatment of new infectious diseases Prevention of infectious diseases 	<ul style="list-style-type: none"> Solutions to diverse diseases Spread of telesurgery and preventive medicine Global combat against infectious diseases 	Sound and healthy life

Enhancing Management Process for Co-Creating Value

Material Issues for Sustainability	Our Initiatives	Details	Our Prospects for 2030 (Performance Targets)	Nitto Group's Goals
 <p>Recruitment/development of employees Diversity & inclusion</p>	<ul style="list-style-type: none"> Talent management and human resource development on a global scale Enhancement of job satisfaction using engagement surveys Empowerment of women and foreign nationals and facilitation of employment of persons with disabilities 	P.41-43	<p>Motivating Workplace Environment for Diverse Employees</p> <ul style="list-style-type: none"> Investment in employee training: Double the annual number of hours of employee training attended Continuous improvement of engagement surveys and measures against issues identified Ratio of women in management Global: 30%, Japan: 10% 	Corporate culture that satisfies diverse employees
 <p>Enhancement of safety and quality of products Improvement of workplace environment Respect for human rights in supply chains</p>	<ul style="list-style-type: none"> Assurance of product safety and quality through strict chemical substance management and quality control Establishment of a safe workplace environment by eliminating risks of accidents/injuries and fostering a safety culture Ensuring a sound supply chain through CSR-based procurement and human rights due diligence Establishment of human-/eco-friendly logistics through the promotion of "white logistics" and "green logistics" 	P.44-46	<p>Safe and Secure Manufacturing to Gain Societal Trust</p> <ul style="list-style-type: none"> Advanced quality assurance and safety management Zero critical/serious occupational accidents Sustainability appraisal and improvement of suppliers who account for 90%+ of total purchases Digitalized logistics for greater efficiency 	Safe manufacturing
 <p>Reduction in CO2 emissions Efficient use of energy, raw materials, water, and other resources Emissions-reduction of pollutants and hazardous substances</p>	<ul style="list-style-type: none"> Introduction of energy saving programs, non-use of solvents, and solar power generation systems to manufacturing processes Recycling/reuse of waste plastics, solvents, and liquid waste, and promotion of resource recycling by decomposing waste into mono-materials Reduction in emissions of organic solvents and hazardous substances 	P.47-50	<p>Realizing Manufacturing that is Friendly to the Environment and Humankind</p> <ul style="list-style-type: none"> CO2 emissions: 470,000 tons/year Reduction in CO2 emissions in supply chains Recycling Ratio of generated waste plastics: 60% or over Reduction in total waste disposed Promotion of usage of recycled resources Reduction in VOC emissions 	Environmentally friendly processes

Mid-term Management Plan "Nitto Beyond 2023"

Concept of Nitto Beyond 2023

The Nitto Group has announced its new mid-term management plan "Nitto Beyond 2023," which charts the course of action for the first three years (FY2021-FY2023) of its journey to achieve a long-term vision for 2030.

"Nitto Beyond 2023" aims to build a resilient corporate structure immune to external environments. In order to

achieve this, the plan establishes three key factors: "Promoting ESG Management," "Speeding up Innovation," and "Strengthening Management Infrastructure." We aim to make further progress by putting our Basic Policy on Sustainability into practice and contributing even more to the healthy lives of people and a sustainable global environment.

2030 Ideal State "As a manufacturer of high-functional materials, Nitto will realize a sustainable environment and society by creating the future with technology and continuously providing amazement and inspiration."

Nitto Beyond 2023

Building a Resilient Corporate Structure Immune to External Environments



Basic Policy on Sustainability

Simultaneously solving social issues and creating economic value

The Nitto Group keeps challenging itself to realize a sustainable future and support well-being for everyone by serving the global environment, humankind, and society as our customers.

Management Targets

We are aiming for record highs of JPY920.0 billion in revenue and JPY140.0 billion in operating income by FY2023.

We will also aim to maintain the ratio of new products, which is one of the sources of Nitto's competitive strength,

reduce CO2 emissions in anticipation of a decarbonized society, and increase the percentage of women in management positions to further promote diversity.

Financial targets		
	FY2020 (Forex: ¥105.9/\$)	FY2023 (Forex: ¥105.0/\$)
Revenue	JPY761.3 billion	JPY920.0 billion
Operating income	JPY93.8 billion	JPY140.0 billion
Ratio to revenue	12%	15%
ROE	10%	12%

Unfinanced*1 targets	
	FY2023
Ratio of new products*2	Sustain at least 35%
CO2 emissions (vs. FY2020)	1. Reduce total emissions by 25 kt*3 (685 → 660 kt) 2. Reduce emissions per unit of sales*4 by 20% (0.90 → 0.72 kt/B¥)
Ratio of women in management	Global: 17% → 21%

*1 Nitto used to refer to these as "non-financial" targets, but will now refer to them as "unfinanced" targets.
*2 Percentage of sales of products released within the last 42 months to total sales
*3 kiloton (1,000 ton)
*4 Indicator of CO2 emissions in sales (billion JPY)

Nitto Group Carbon Neutral 2050

Climate change caused by global warming is a major issue for all humankind, which needs to be resolved in order to pass on a better global environment to future generations. Reducing CO2 emissions is essential for the Nitto Group to achieve sustainable growth and for the realization of a sustainable environment and society, which we consider to be an important social responsibility.

The Nitto Group has announced its targets for realizing carbon neutrality under the title "Nitto Group Carbon Neutral 2050" and will accelerate efforts toward the realization of a decarbonized society.

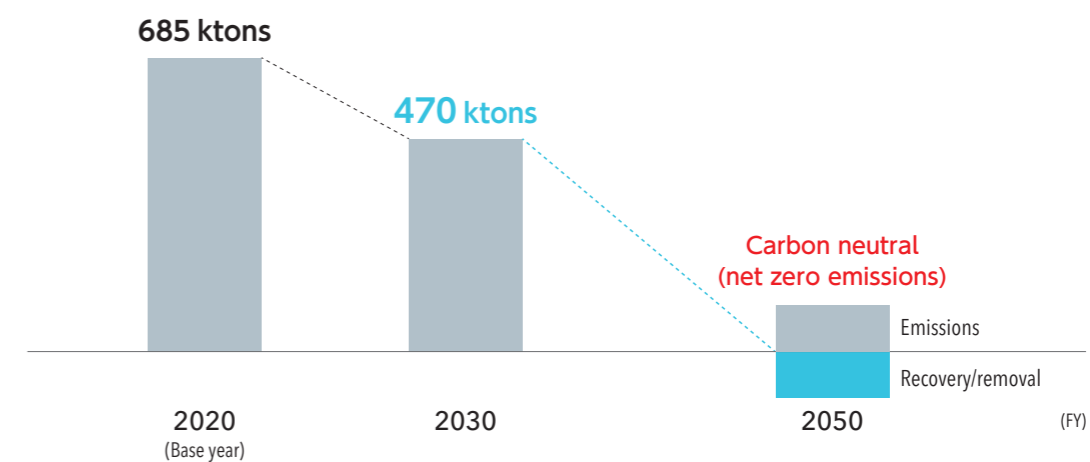
The Nitto Group Carbon Neutral 2050 targets are as follows:

- 1 Carbon neutrality by fiscal 2050*
- 2 Decrease CO2 emissions to 470,000 tons by fiscal 2030
- 3 Contribute to customer CO2 emission reduction through products and solutions

* Scope1+2

What makes the Nitto Group Carbon Neutral 2050 declaration unique:

- A strong will to accelerate the realization of a carbon-neutral society to combat climate change—the universal challenge for all humankind
- All operating entities commit themselves to the roadmap leading to carbon neutrality, rather than making specious promises
- It has been made clear that we remain true to our Corporate Philosophy (Contribute to customers' value creation) even in the process of realizing a decarbonized society



PlanetFlags/HumanFlags Recognition Scheme

–Products Contributing to the Environment and/or Human Life

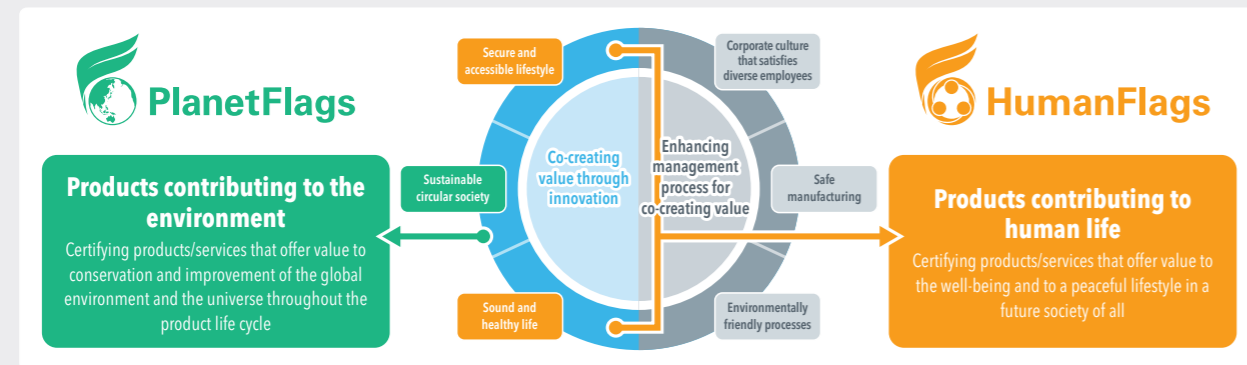
The Nitto Group has come up with a new recognition scheme for products that are friendly to the environment and human life. We showcase the positive contributions that our products and services make for planet Earth and human life and recognize those with a particularly high level of contributions by attaching “PlanetFlags” or “HumanFlags,” in an effort to embody “Co-creating value through innovation,” one approach of our material issues for sustainability.

Background/Objectives

The PlanetFlags/HumanFlags Recognition Scheme is a new initiative for visualizing products that contribute to the process of co-creating value through innovation, which is one approach of the material issues for sustainability. Under the scheme, the Nitto Group's products are assessed according to our unique standards from the two perspectives of contributions to the environment and human life. Products that are recognized as making particularly

significant contributions are certified as either a PlanetFlags product or a HumanFlags product. These recognition standards are also reflected in the selection of future projects in the development process. By allocating our R&D resources preferentially to products that are expected to receive recognition as PlanetFlags/HumanFlags products, we will advance our efforts to simultaneously solve social issues and create economic value through business.

PlanetFlags/HumanFlags and Material Issues for Sustainability



Recognition Standards

PlanetFlags

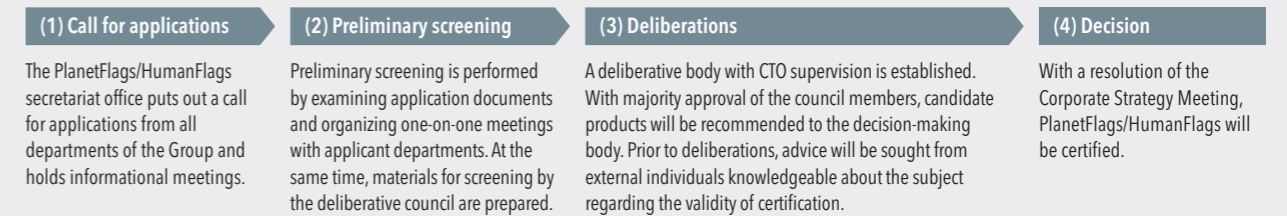
- Contributions to the environment by products/services**: To be evaluated in terms of the necessity of such environmental features for final products to function properly, considerations with regards to ease of recycling, and whether a positive difference is made
- Issues to be addressed**: How extensive contributions to relevant material issues for sustainability are, how much improvement they make to the life cycle assessment (LCA) compared to existing products, how clear their causal correlation with environmental issues is, and the quality of contributions
- Feedback from supporters**: Also evaluate third-party recognition and responses from outside the Group

HumanFlags

- Contributions to human life by products/services**: To be evaluated in terms of the necessity of such societal features for final products to function properly and whether a positive difference is made
- Issues to be addressed**: How extensive contributions to relevant material issues for sustainability are, what is the severity of the issue(s) that should be addressed, and the number of beneficiaries
- Feedback from supporters**: Also evaluate third-party recognition and responses from outside the Group

Screening and Recognition Process

PlanetFlags and HumanFlags products will be granted once a year after the following internal recognition process:



Certified Products in Fiscal 2021

High-performing Low VOC* Double-Sided Tape with Minimum Environmental Impact

* Volatile Organic Compounds

Sample applications

Impact on society

CO2 emissions throughout the life cycle: -41%

(Product No. 5603WE, compared with the company's current products, CO2 emitted between the stages of extraction of resources and manufacturing as calculated by the company)

VOC emissions: -90%

(Product No. 5603WE, compared with the company's current products, as measured by the company)

Developed with our emulsion polymerization technology, Nitto's low VOC double-sided tape incorporates both superior environmental performance (reduced CO2 and VOC emissions) and outstanding adhesive performance at the same time.

In recognition of these features, our low VOC double-sided tape received the Excellent Award at the 46th Environment

Award. Over twenty automobile-related manufacturers throughout the world use Nitto's adhesive tape to fix automotive interiors, thus helping them to reduce CO2 emissions over the life cycle and create a comfortable interior environment. We expect that this award-winning tape will be found to have a wide range of applications for mobile devices.

For other certified products, please visit Nitto's website at: <https://www.nitto.com/sustainability/infocus/flags/products/>

- Low VOC double-sided tape
- RO membranes for ZLD (Zero Liquid Discharge)

- Flexible printed circuit boards for HDDs
- Contract manufacturing for bulk oligonucleotide therapeutic
- Medical films

Comments from Learned Individuals

It deserves special mention that Nitto not only sets clear-cut standards for products/services with PlanetFlags/HumanFlags, but makes multi-angled appraisals, including LCA. I was also impressed to know that they start all this from the R&D stage onwards. Going forward, I want Nitto to take a renewed look at what they excel in, in addition to challenges and issues. As they add to the list of products with a leading market

share, I would like to see them inspire their industry peers with their technology evaluation techniques as well. Speaking of which, I expect Nitto to challenge themselves even more to take a social-LCA method, which measures the level of products' contributions to sustainability, rather than merely estimating contributions due to technological merits and subsequent dissemination of the products.



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