

Nitto

Innovation for Customers

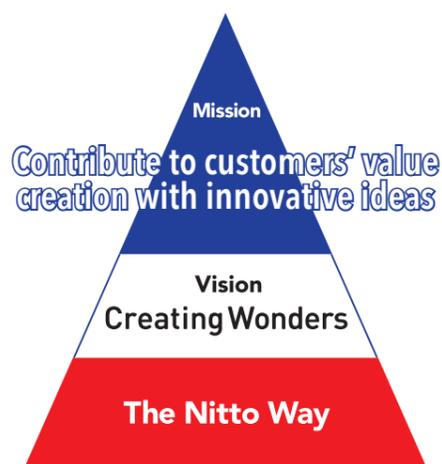
Nitto Group Integrated Report
2021



Nitto Denko Corporation

Corporate Philosophy

The Nitto Group's Corporate Philosophy is comprised of three elements: our corporate Mission, the Vision which aligns our way of thinking in attaining our Mission, and the Nitto Way, which includes our Values, Attitudes and Mindset, and Code of Conduct.



Mission

Contribute to customers' value creation with innovative ideas

We at Nitto Group hope to retain an attitude of relentlessly pursuing products, systems, and ideas that customers will find valuable. Our Mission is to deliver safety, prosperity, comfort, and affluence not only to customers whom we come in contact with directly but also to every stakeholder.

Vision

Creating Wonders

In order to achieve our Mission to "Contribute to customers' value creation with innovative ideas" as one team, all Nitto Group employees around the world must share the same vision, or outlook. This shared vision has been dubbed "Creating Wonders." Each and every employee will challenge themselves to cause feelings of wonder and inspiration around the world; in other words, we will endeavor to create wonders in our everyday work. In doing so, power will be generated that can change the world in many different domains.

The Nitto Way

Philosophical Ideas

In order to achieve our Mission to "Contribute to customers' value creation with innovative ideas," and our Vision, "Creating Wonders," "The Nitto Way" indicates the Values, Attitudes and Mindset, and Code of Conduct that every Nitto Group employee should follow. The passion, wisdom, and values of the various senior employees who have shaped the Nitto Group for a long time 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.

We place safety before everything else

- Achieve zero accidents and injuries.
- All employees must work together to establish a safe and secure workplace.

Amaze and inspire our customers

- Exceed customers' expectations to have them say, "This is exactly what we wanted!"
- Work with customers and create new societal values.
- Customer satisfaction brings value to our stakeholders.

Anticipate and leverage change

- Go to the field to sense changes in society and the market.
- Rapidly link sensed changes to actions.
- Refine our strengths, and aim to become the company customers want to consult with first.

Take on challenges for new value creation

- Continue to take on challenges, even if we fail in the short-term, rather than do nothing for fear of failure.
- Embrace change, exercise curiosity, and take the first step forward.

Act promptly and follow through on your decisions with determination

- Take the first step forward and then think while advancing.
- Share information openly, have equal and fair discussions, and if a decision is made, work together as a team to bring out the best possible result.
- Always make efforts to ensure frank and open communication beyond organizational boundaries and roles.

Transform ourselves constantly

- Anticipate challenges, implement reforms, and bring about growth in the spirit of *Mu-Gen-Dai*.
- Keep changing. Change leads to opportunity and growth.
- Challenge ourselves to improve our future. Changes in each of us lead to growth of the entire organization.

Have an attitude of integrity, and understand and respect diversity

- Take actions based on integrity and modesty to build relationships of respect and trust with stakeholders.
- Appreciate the diversity of our global team. Accept and respect others.

Contents

Profile	Value Creation Process..... 23
Corporate Philosophy/Contents/Editing Policy.... 1	
Footsteps of the Nitto Group..... 3	
The Nitto Group Now..... 5	
Highlights..... 7	
Top Message	
Top Message..... 9	
Value Co-Creation Strategies	
Addressing Material Issues for Sustainability..... 15	
Nitto Group's Financial Strategy as per the Chief Financial Officer..... 21	
	Co-Creating Value through Innovation
	Nitto Group's Strengths 25
	History of Technology Innovation..... 27
	Nitto Group's R&D Strategy as per the Chief Technology Officer 29
	Innovation to Shape the Next Generation 33
	Segment Information 34
	For the Benefit of Society 39

Enhancing Management Process for Co-Creating Value
Human Resources 41
Product Safety/Quality 44
Environment 47
Governance
Directors and Auditors 51
Vice Presidents..... 55
Executive Compensation..... 56
Corporate Governance System 57
Risk Management..... 60
Compliance..... 62

Messages from Outside Directors
Messages from Outside Directors 63
Data Section
Business Results: 10-Year Summary..... 65
Consolidated Financial Statements 67
Shareholder/Stock Information 69

Editing Policy

It is with great pleasure that we publish this Integrated Report of the Nitto Group to inform our stakeholders of what we are doing to "simultaneously solve social issues and create economic value." Described in this report are the past, present, and future of the Nitto Group - how it has grown to what it is today and how we will go about co-creating value into the future - which we hope will give you an overall picture of the Group. Please refer to our corporate website for more details and relevant information. This report is available in Japanese and English and can be found on our corporate website.

- **Scope**
This report covers the business activities of 101 companies including Nitto Denko Corporation and its 94 subsidiaries and 6 affiliates, as of March 31, 2021.
- **Time Period**
Fiscal 2020 (April 1, 2020 - March 31, 2021)
Some performance figures and activities from periods other than the above are also included.
- **Reference Guidelines**
This report has been prepared with reference to the following guidelines:
Global Reporting Initiative (GRI) Standards by the Global Reporting Initiative
International Integrated Reporting Framework by the International Integrated Reporting Council (IIRC)

Footsteps of the Nitto Group

Founded as a manufacturer of insulating materials, the Nitto Group has grown steadily by delivering diverse products that tap into its core expertise, such as adhesion and coating technologies. We will continue challenging ourselves to make people's lives better and more convenient by offering solutions to social issues while creating economic value.



Nitto Electric Industrial Co., Ltd. was formed in Osaki, Tokyo, on October 25, 1918. It was a time when electricity was rapidly becoming widespread as one of the infrastructures essential for industrial development. Nitto Electric Industrial was formed to get involved in the urgently needed domestic production of electrical insulating materials, important components of electrical equipment and machinery.



Linotape



Electrical Insulating Varnish

After the plant in Osaki, Tokyo, was destroyed by air raids, Nitto restarted operations in Ibaraki, Osaka. Nitto's company credo, "Each product, each roll of tape is made with Nitto's exhaustive efforts. Everything we do is for dedication to our customers," was introduced in 1956. This policy endures today in our current brand slogan, "Innovation for Customers." In 1957, the Nitto Group's unique marketing approach that holds up to this day, *Sanshin* Activities (three new activities), began.



Vinyl Tape



Maxell Battery

In 1961, Nitto separated off Maxell, the department dealing with consumer goods, aiming to take a leap forward as an industrial materials manufacturer. In 1962, the Toyohashi Plant, our main production site of adhesive tapes in Japan even at present, began operation. The Kanto Plant also began operation in 1967 in a move to increase production. Overseas, Nitto Denko America, Inc. was formed in 1968, followed by the 1969 foundation of Nitto Denko (Taiwan) Corp. as the first overseas manufacturing site.



Double-sided Tape



Fluoroplastic Tape "NITOFLO™"

In the aftermath of the oil crisis of 1973, the Nitto Group drove the development of multi-core business to fortify itself with enough resources to survive economic fluctuations. The Nitto Group began offering materials for use in electronics and also gave birth to various products related to medical care and the membrane business. In 1974, Nitto Belgium N.V. was formed. In 1987, Nitto acquired Hydranautics in the U.S. to implement the membrane business on a global level. In 1988, when Nitto celebrated the 70th year since its foundation, the company name was changed to Nitto Denko Corporation.



"COLOCOLO™" Series



Transdermal Patches

In 1989, the business division system was introduced to get back to the basics of serving customers and to respond speedily to dynamic changes in the market. In 1996, the Nitto Group began implementing the Global Niche Top™ strategy, with the aim of achieving top global market share by determining markets with high growth potential and focusing its management resources into niche fields where the Nitto Group has a competitive advantage. The Nitto Group's effort was not limited to the offering of products, and resulted in the development of Roll to Panel™*1, a business model which offers new values to customers, including productivity improvement, reduction of packing materials, improved yield of polarizing films, and manpower saving.

*1 Whole polarizing films are brought in to the customers' production site, where the subsequent processes from cutting, inspection, to lamination of glass are performed seamlessly.



REVALPHA™



TEMISH™

The economic crisis of 2008 cast a major shadow over countless businesses and the Nitto Group was not an exception. Yet, the Nitto Group was able to recover in a short time by responding speedily to the changes in the business environment and with its unique management approaches of "Mu-Gen-Dai"^{*2} and "Kuruma-za," a group discussion to come up with ideas or solve problems, achieved major earnings growth thereafter. In 2013, the "Nitto Denko" brand logo was renewed to the current "Nitto," and in 2014 the new brand slogan, "Innovation for Customers" was established.

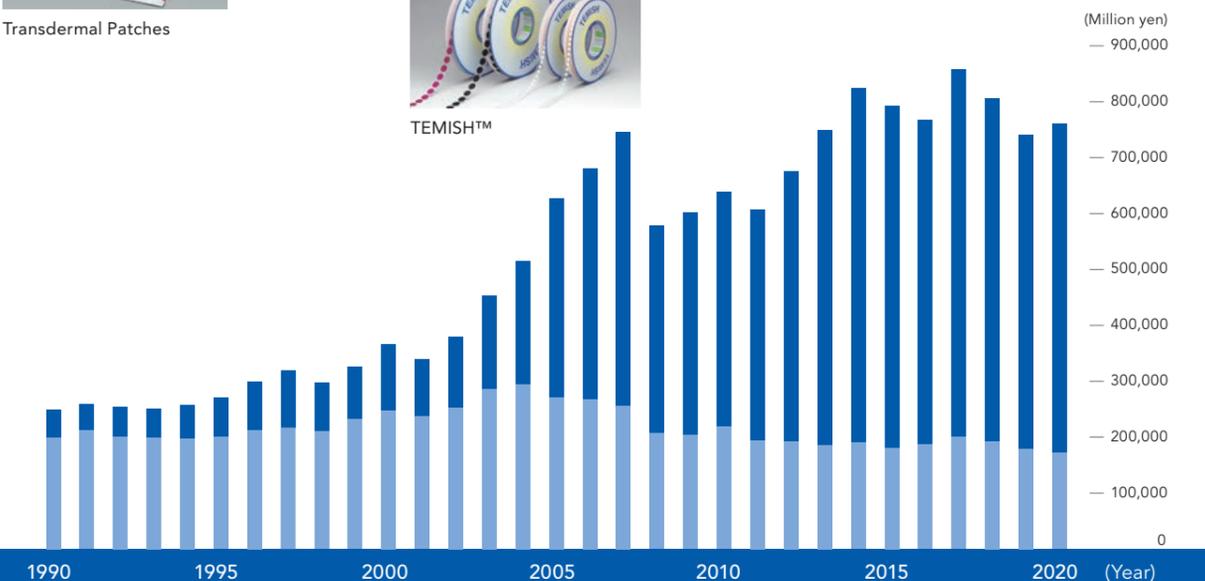
Nitto celebrated its 100th anniversary in 2018. ^{*2} Nitto Group's growth plan that centers around substantial reform of cost structure from three points of view: *Mu* (to eliminate), *Gen* (to reduce), and *Dai* (to substitute).



Ultra-Thin Polarizing Film Plastic Optical Fiber Film

Sales*3 Trends

Non-consolidated
 Overseas sales (Blue) Sales in Japan (Light Blue)
Consolidated
 Overseas sales (Dark Blue) Sales in Japan (Light Blue)

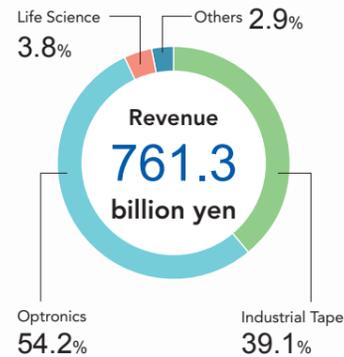


*3 The numbers from FY2014 are for "Revenue," following the introduction of the International Financial Reporting Standards (IFRS).

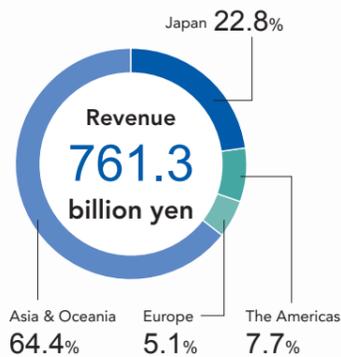
The Nitto Group Now

The Nitto Group is underpinning the comfortable lives of people the world over. We keep challenging ourselves in areas no one has ever challenged, with the near future in mind.

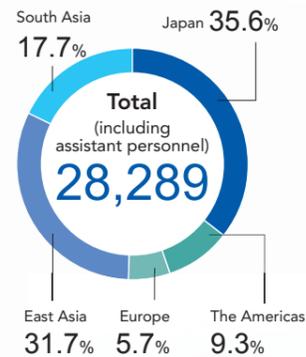
Segment Revenue



Regional Breakdown of Revenue



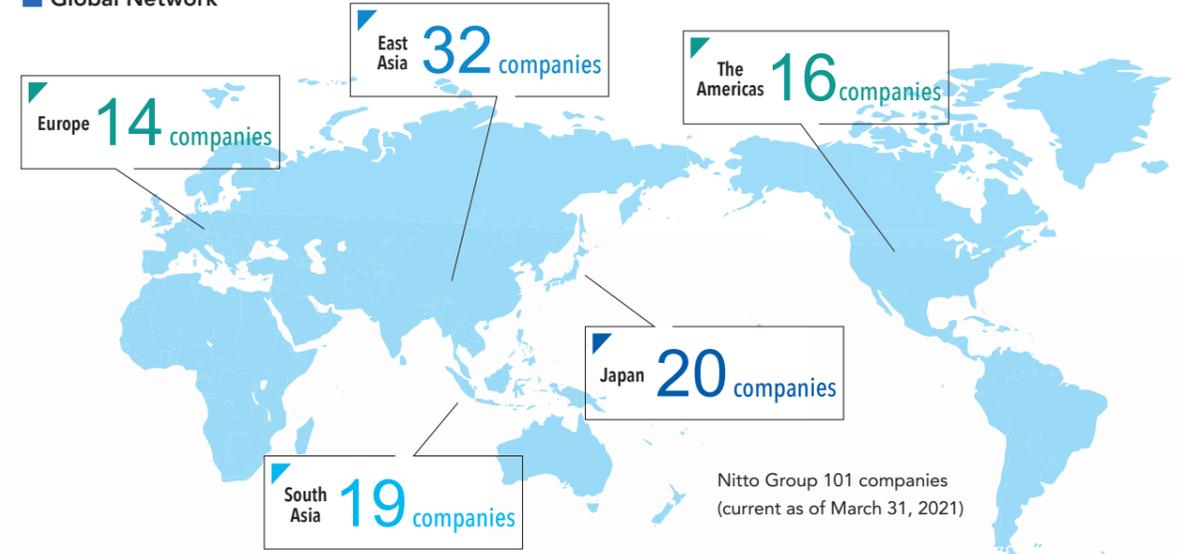
Regional Breakdown of Employees



Our Markets

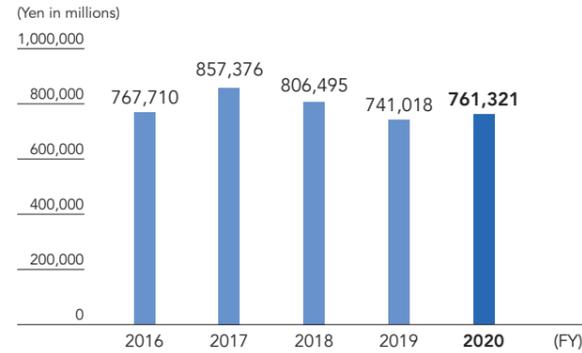


Global Network

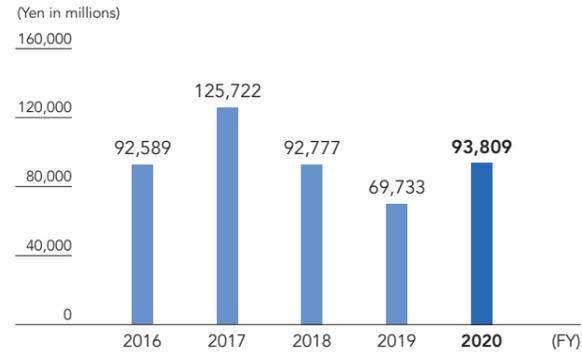


Highlights

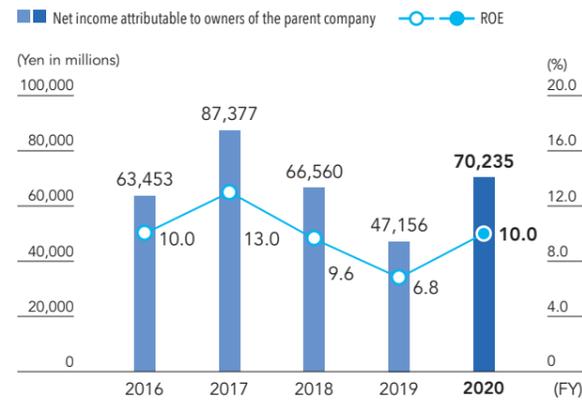
Revenue



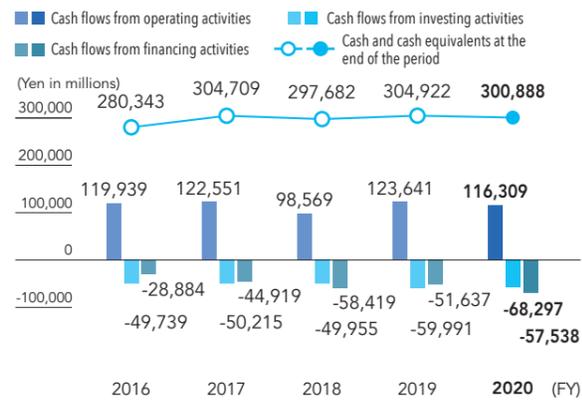
Operating Income



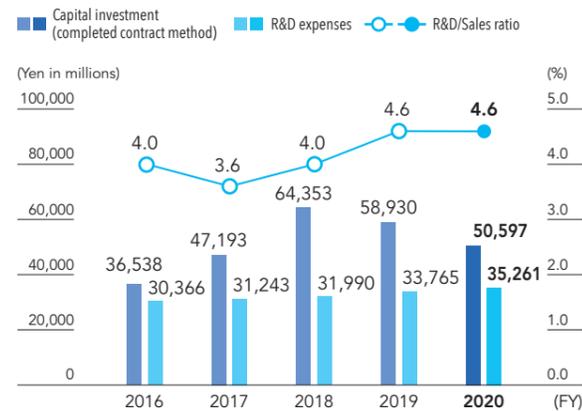
Net Income Attributable to Owners of the Parent Company, ROE



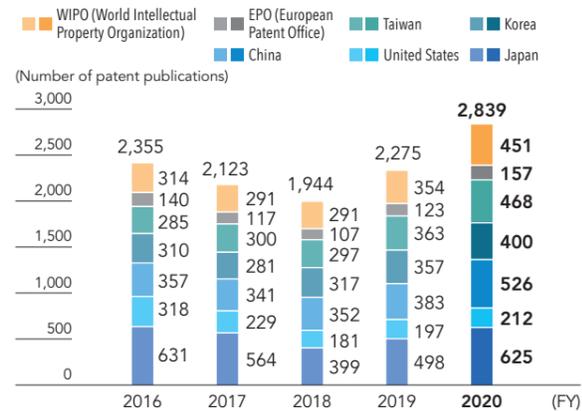
Cash Flows



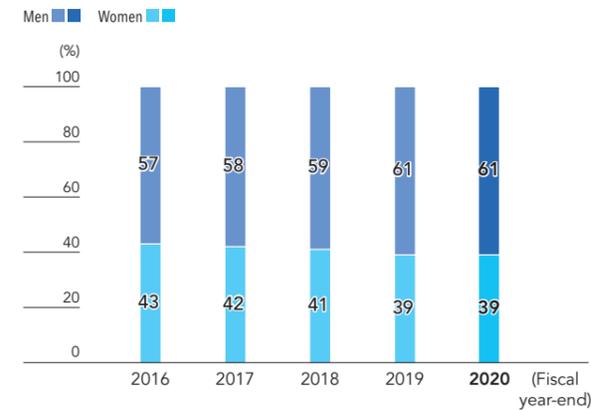
Capital Investment and R&D Expenses



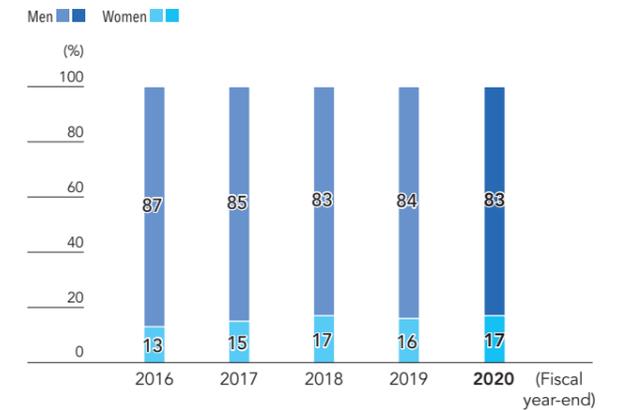
Patent Publications (non-consolidated)



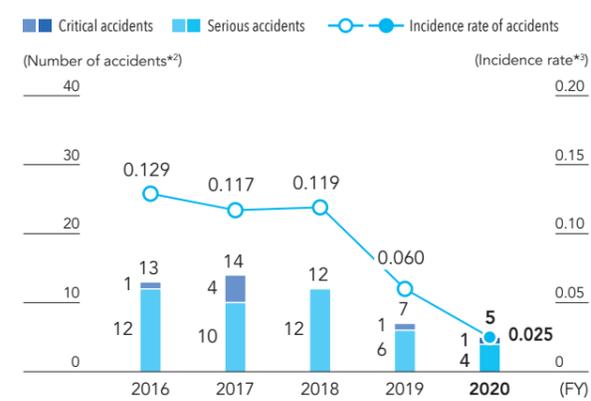
Gender Ratio of Employees



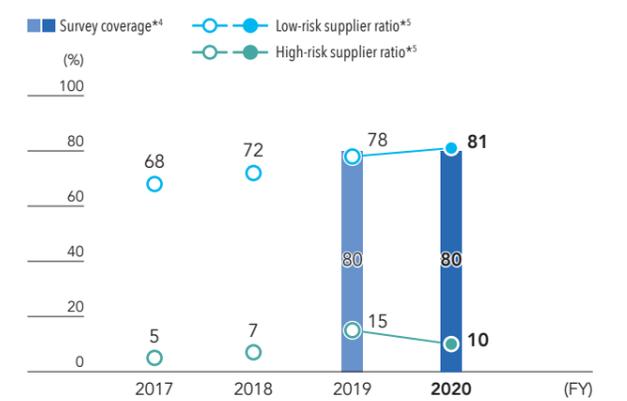
Gender Ratio of Management



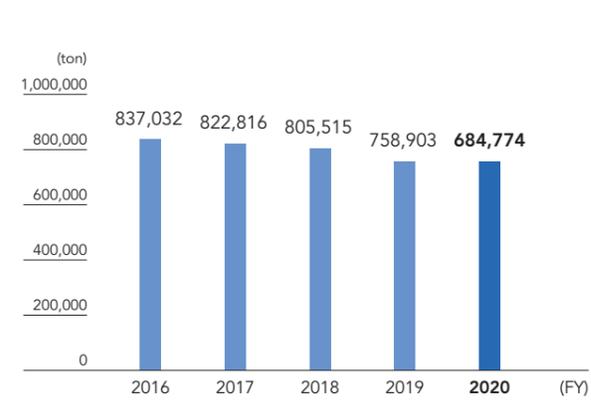
Number of Critical/Serious Occupational Accidents*1



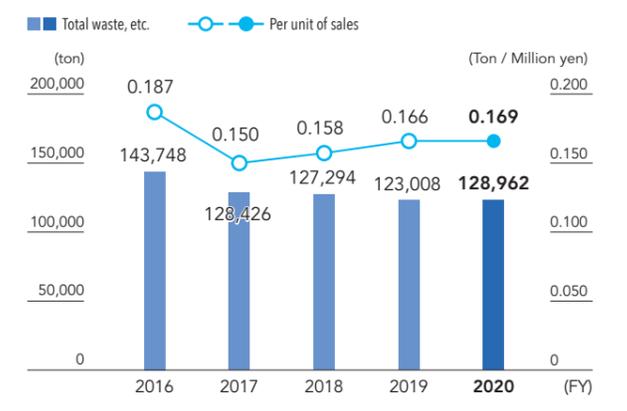
Coverage of the CSR Procurement Survey



CO2 Emissions (Scope 1+2)



Total Waste, Etc.



*1 Critical accidents: Accidents resulting in death or permanent disability | Serious accidents: Accidents that could develop into critical accidents
 *2 Including all the persons working on the Nitto Group's premises
 *3 Including all the Nitto Group employees (excluding temp staff) | The number of occupational accidents per million hours worked
 *4 Ratio of the amount of purchases from surveyed suppliers (respondents to the CSR Procurement Survey) to the total purchase amount. Data for FY2017 and FY2018 are omitted from the graph as different respondent selection criteria were used then.
 *5 Ratio of "low-risk (Green)" or "high-risk (Red)" suppliers to all the surveyed suppliers (respondents). Rating is given according to the Nitto Group's own criteria (p. 46).

Top Message

Building a Resilient Corporate Structure Immune to External Environments in an Effort to Simultaneously Solve Social Issues and Create Economic Value through Business



Hideo Takasaki
Representative Director, President
CEO, COO

Emerging from the COVID-19 Crisis with Positive Earnings Growth

Allow me to begin by expressing my heartfelt sympathies to those who have contracted the novel coronavirus (COVID-19), as well as their families and friends. I would also like to express my sincere gratitude to medical professionals and others for their dedicated efforts to prevent the further spread of the virus.

This pandemic has changed the face of the international economy and our daily lives completely, and the Nitto Group is no exception. Because orders plummeted in the first quarter of last fiscal year, in particular, we were not able to announce our financial forecasts in a timely manner.

As we entered the second quarter and began to grasp the situation, albeit slowly, we decided that we should make it clear to shareholders and investors where we were headed. As the leader of the Nitto Group, I concluded that the last thing we should do was get dispirited by the disturbances caused by the pandemic. Rather, I felt we should tap into our competitive advantages to bolster businesses that looked set to grow under the tumultuous circumstances along with those that seemed poised to post strong earnings once the global economy fully reopened.

At the same time, we decided to do something about businesses that had been severely affected, which included divesting those which had suffered beyond recovery. Over the past year, we have done everything we can to make this strategic approach succeed. This is because we believe that, when it comes to bolstering, rehabilitating, or divesting businesses, management should be fully responsible for assessing market environments, doing so in a fell swoop without missing opportunities, rather than doing a half-hearted job.

One market that has made a comeback during the pandemic is computers and tablets. As "work / study at home" has become a new social norm, the demand for such devices soared, which in turn led to a sudden increase in liquid crystal display (LCD) panel shipments and a resultant spike in demand for our film products. I have to say that this brought to light the unrealized potential of LCDs, when organic light emitting displays (OLEDs) have become the mainstream in the display market for some time.

In any case, we at the Nitto Group saw these sizeable changes not as a "challenge" but as an "opportunity," and we demonstrated our flexibility in coping with them by simultaneously pursuing a growth strategy and structural reform. As a result of all this, in fiscal 2020, we were able to report a better showing over the previous year, giving us good reason to believe that our preparatory action is paying off.

Sanshin Activities to Expand the Potential of Technology by Developing/Exploring "New Products," "New Applications," and "New Demand"

The Nitto Group is fortunate enough to have *Sanshin* Activities and the Niche Top Strategy, which have long guided our undertakings.

With its origin dating back to 1957, *Sanshin* (three new) Activities is Nitto Group's proprietary marketing approach, which is designed to stimulate new demand through the development of new applications and new products. With augmentations spanning more than half a century, this approach is the very source of our innovation and the engine that drives further growth.

Upon joining the Group, all Nitto Group employees, including myself, are expected to learn its importance. In fact, *Sanshin* Activities is a product of underlying anxiety over the sustainability of our business. No matter how we manage to create new products, applications, or demand, we cannot expect their value to last forever. This is even more true in this fast-changing world; many products hit their peak demand within a matter of a few years and eventually become obsolete. It is thus crucial for us to stay on our toes and create new value while demand lasts.

Now, what is important here is not to be content with "one technology for one project." Suppose you come up with an innovative technology for automobiles. It does not make much sense if you are happy with one application only. What you should really do is find multiple applications for a single technology in other fields to explore its potential in different markets. *Sanshin* Activities is best practiced when you try coming up with one new application after another for the technology that you have painstakingly developed, so that it will not be labeled as a "one-trick pony."

Niche Top Strategy to Enhance Competitive Advantage Where the Nitto Group's Originality is Felt Most

The other proprietary approach exclusive to the Nitto Group is the Niche Top Strategy. In a market with high growth potential, we locate a niche field where we are first to market and establish a leading position there by applying the Nitto Group's unique technologies. The Global Niche Top™ strategy is aimed at achieving top global market share, whereas the Area Niche Top™ strategy assists us in competing for top place in national or regional markets with products that meet specific needs there.

These strategies allow us to corral a domain immune to macroeconomic conditions and other external factors. If we play only in

the volume zone, which is very crowded, we may have to expect lower profitability once our offerings become commoditized. The Niche Top Strategy allows us to avoid this dilemma and instead develop niche markets where we can tap into our uniqueness and establish a competitive advantage before anyone else. "Start small and nurture into a giant" is the key to a successful Niche Top Strategy.

The Nitto Group led the industry when it adopted the Global Niche Top™ strategy as one of our corporate strategies in 1996 ("Global Niche Top™" is Nitto's registered trademark.). So far, a total of about 15 product categories, including polarizing films for displays, thermal release sheets, and thin-film metal base board, have been designated as Global Niche Top™ products to form the financial bedrock of the Nitto Group.

At every meeting of directors, corporate auditors, and global leaders, I never fail to emphasize the importance of the Global Niche Top™ strategy and Area Niche Top™ strategy. We also take every opportunity to internalize these unique strategies at in-house presentations of achievements, qualification ceremonies of Global Niche Top™ products, and commendations.

Strategically Investing Management Resources in Growth Fields

In terms of our outlook for the business environment for fiscal 2021, I must say that we have to expect this uncertainty to linger on the back of concerns over more waves of COVID-19 and the U.S.-China trade friction, to name but a few. Meanwhile, as business slowly resumes globally, we expect steady recovery among high-tech products, such as semiconductors and the fifth-generation (5G) smartphones, and life science products, including medical materials and pharmaceutical products. Led by *Sanshin* Activities and the Niche Top Strategy, both of which are longstanding strategies of ours based on our strengths of our business activities, we will focus on developing new markets without missing opportunities and aggressively pursue initiatives designed to put us on a new growth trajectory.

In the new Mid-term Management Plan*, for example, we will strive to stably generate operating income of 100 billion yen or more by building a resilient corporate structure immune to external environments. At the same time, we will seek to solve social issues and create economic value simultaneously through business, so that we can meet the expectations for and confidence in our Group from diverse stakeholders, thus aiming to achieve sustainable growth and enhance

*To be announced in September 2021

corporate value over the mid- and long-term.

To realize sustainable growth, it is important to develop an internal system for rejuvenating our business portfolio, all the more because our performance is heading for recovery. To this end, we will determine things that will grow, recover, or not recover, in an attempt to simultaneously pursue growth strategies and structural reform.

The three business domains that we will focus on are: "Information interface," "Next-generation mobility," and "Life science." By bringing about innovations in these domains, we hope to sustain our business growth.

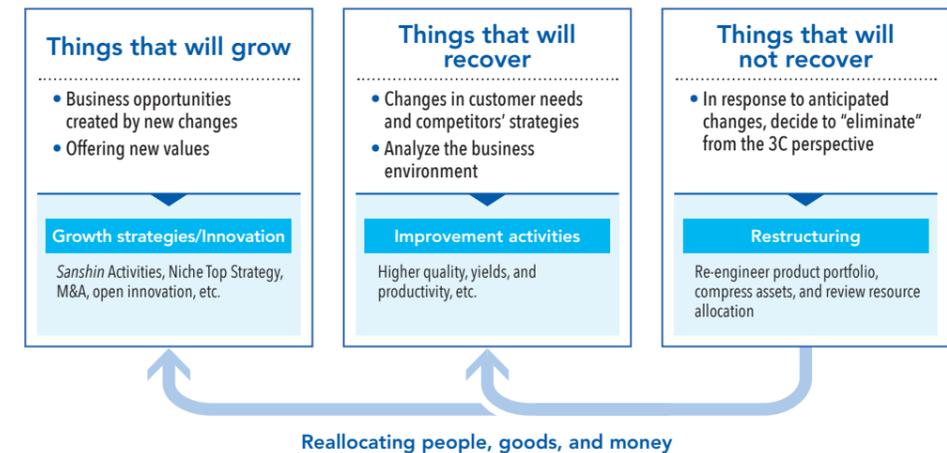
In the information interface domain, we are currently focusing on high precision substrates for smartphones, whose commercial production began in the previous year, as well as electronic materials and semiconductor process materials for data centers, whose demand is expanding due to the ongoing shift to teleworking.

Then there is the next-generation mobility domain, whose applications include automobiles and everything that moves. We are witnessing a dramatic shift from engines to motors. With this, on-vehicle equipment goes increasingly electronic. We have many innovative products here that help to enhance the safety and comfort of automobiles, such as electric materials and neodymium magnets. On top of these competitive lines, we will aggressively roll out electronic and functional materials for the CASE (Connected, Autonomous, Shared, and Electric) market, such as radio wave absorbers for sensing units, which are essential for self-driving technology.

The third domain is life science. The Nitto Group has long been involved in the medical business, which currently includes drug discovery in another niche market of nucleic acid medicine, and its contract manufacturing in the U.S. We have earmarked a total of 25.0 billion yen to invest in the nucleic acid medicine contract manufacturing business. For drug discovery, on the other hand, we are working to develop drugs with higher efficacy and minimal adverse reactions by applying our proprietary drug delivery system. As we continue to support our customers in expanding production scale with the shift in their target markets from that of investigational drugs to commercial drugs, we hope to contribute to the diffusion of nucleic acid medicine and the progress in advanced medicine. My ultimate wish is to help people to have healthy lives.

We have begun strategic investments of management resources in these three domains and, during the new Mid-term Management Plan period, we will accelerate our approaches to respective markets to increase our efforts to facilitate the growth of each business.

Two-Pronged Management Approach of "Growth Strategies" and "Structural Reform"



Reinforcing Corporate Resilience by Building a New Platform for Growth

Over the mid-term, we have to prepare ourselves for the lingering effects of COVID-19 in the markets. While this will force us to change the way we live and do business, the situation will hopefully come under control sooner than later with the spread of vaccination.

Though we are living in a time of great uncertainty, the Nitto Group is determined to build a new platform for growth within the coming three years. While devoting our management resources to growth fields, we will also be streamlining less-efficient businesses. COVID-19 has brought about a myriad of unprecedented challenges, but we should turn the tables and take the opportunity that this crisis presents to further enhance our corporate resilience.

In the leadership position that I am in, I believe my most important job is to determine which businesses are not likely to recover. Once I have reached a conclusion, we will then carry out their structural reform and allocate all of the management resources thus saved to growth fields. We are no strangers to business streamlining, so we will take advantage of the ongoing adversities to make the Nitto Group more resilient.

Speaking of the Nitto Group's long-term vision, we will challenge ourselves to make people's lives healthier and more convenient the world over, in an effort to remain an integral part of society. To make this a reality, we will continue to amaze and inspire our customers as we constantly seek to innovate.

In addition, we will manage our business with a greater focus on ESG (Environmental, Social, and Corporate Governance), in order to achieve

sustainable growth and enhance corporate value over the mid- and long-term. In the area of environment, in particular, we have set a CO₂ reduction policy leading up to 2030 to achieve carbon neutrality, under which we plan to spend over 60.0 billion yen over the coming ten years to introduce decarbonizing technology and implement aggressive energy-saving measures.

Making Concerted Efforts to Solve Material Issues for Sustainability

It has recently become standard practice for businesses to contribute to the realization of a sustainable society, above and beyond the pursuit of their own growth. In fiscal 2019, the Nitto Group identified its material issues for sustainability, for which solutions must be prioritized. Each and every employee plays a part as we strive to solve these issues with the entire Group united as one.

Of these material issues, the Nitto Group has long been committed to environmental conservation, setting its own standards for the reduction of CO₂ emissions and industrial waste to preserve the global and regional environments. As the leading provider of adhesive tapes and optical films, we will continue to do our best to reduce the amount of solvents used and waste plastics produced, while at the same time expediting the development of products and processes with low environmental impact, thus contributing our services to the realization of a sustainable society. In so doing, we will stay ahead of our contemporaries to address environmental degradation from a broad perspective.

In fiscal 2020, in an effort to bolster ESG-related initiatives, we established the ESG Promotion Department under the Corporate Sustainability Division. This newly established department began by envisioning what we should be doing to achieve the aforementioned material issues and then set mid- and long-term targets and mapped out concrete action plans accordingly.

We will also disclose any issues related to ESG as a gesture to address the issues in a positive manner. I am happy to take the lead in sharing this mindset with officers and employees in the hope that this practice will function as part of internal controls, so to speak.

Over the mid- and long-term, we will accelerate ESG-oriented management to enhance our corporate value. At the same time, we will provide the world with products and solutions that benefit the global environment and society while simultaneously solving social issues and creating economic value through the promotion of business activities. The Mission of our Corporate Philosophy reads, "Contribute to customers' value creation with innovative ideas." True to this, we have been making continuous efforts to create value from the perspective of customers. Going forward, we believe it crucial for us to keep taking on challenges to realize a sustainable future, always striving to improve the well-being of our stakeholders by extending the definition of customers to include the global environment, humankind, and society in general, instead of catering only to the customers before us now. We establish a long-term vision that includes the Nitto Group as it should be. To make this happen, we are taking a backcasting approach to bring clarity to what we should be doing now.

There are a number of technologies that are good for the environment in the Nitto Group's portfolio. We will put them into active use to address sustainability issues. We will first try those technologies on our shop floor and elsewhere to confirm their effects before applying them to customers' processes. Some of our membrane products, for example, can efficiently filter industrial wastewater to produce clean water, and another can not only filter liquids but also separate gases like CO₂. We are hoping to make better use of such technologies and products in-house while leveraging them in our solutions to customers to achieve environmental conservation. I should also mention our fluorine functional materials, which have been used for high functional masks. These pioneering initiatives would not be possible without tapping into our distinctive qualities.

■ Seeking Sustainable Growth



Uniting Individual Efforts to Achieve Zero Accidents and Injuries under Top Management Leadership

For any manufacturing business, ensuring the safety of operations is another critical imperative. Placing safety before everything else, the Nitto Group is seeking to achieve zero accidents and injuries.

As we produce large quantities of adhesive tapes and film products, we use a great deal of production equipment with rotating or driving parts at our plants, which are often responsible for occupational accidents. Although the number of critical accidents has been on the decline since 2014, we will continue making steady efforts to reach the ultimate goal of zero accidents and injuries.

We know that it is not just machinery that prevents us from achieving the goal, as there are intangible factors at play. Accordingly, we will organize regular training sessions for all employees to learn how to foresee dangers or ensure safety, while at the same time proactively ramping up investing in safety devices. In the event that an unfortunate accident or injury occurs, I make it a rule to visit the site to see what has happened and speak directly with employees on-site to take necessary steps. In the quest for zero accidents and injuries, we will strive to enhance our safety culture so that each and every employee has a sense of responsibility and constantly improves their safety awareness and acts accordingly.

Developing Nitto Persons of the Next Generations Leading Sustainable Growth

As we accelerate our global business reach, we are being required to shore up our corporate governance. The Nitto Group adopts the "three axes" management approach, which comprises the management axes of "business (for business execution)," "region (for regional management)," and "function (for supporting businesses and regional operations with special functions)." To ensure that each axis functions



properly in terms of governance, we strengthened our internal control system in fiscal 2021, which increased the effectiveness of our monitoring. We will make continued efforts to enhance both the system and its effectiveness.

What is just as important as monitoring is the internal campaign to educate all the members of the Group on the mindset expected of "Nitto Persons," which is aligned with The Nitto Way, the action guidelines of the Nitto Group.

The development of "Nitto Persons" is an essential challenge in terms of sustainable growth as well. We are lucky to have a corporate culture that supports those who challenge themselves, encouraging them to try again, even if their first attempt should fail. This is because we believe that the habit of tenaciously taking on challenges is what will give rise to the Nitto Persons of the next generations.

Personally, I expect leaders to single out what needs to be addressed and set their priorities accordingly. As part of the series of training opportunities designed to develop global leaders or future senior executives, we have set up the Nitto Global Business Academy (NGBA). To this date, more than 300 employees from around the globe have participated in the sessions offered at the NGBA, an avenue for the development of able human resources who will strengthen the Nitto Group.

In fiscal 2020, we launched a new initiative called "Nitto Innovation Challenge" with a view toward creating new businesses. We invite ideas on new businesses from all the employees of the Nitto Group the world over and offer support to outstanding ideas in the form of market surveys and verification of their concepts. In fiscal 2020, the first year of the

initiative, we had a total of 1,107 ideas from within the Group. Currently, teams of finalists that have made it through the most stringent screening are working hard to bring their ideas to the market.

These days, we find ourselves in a circumstance where markets and customer needs alike change faster than we can imagine. To respond to these changes both promptly and flexibly, we are keenly aware of the significance of promoting diversity by, for example, assimilating diverse values and thoughts. Last year, we welcomed a foreign national female Outside Director to our board, which we feel has triggered a change for the better in the atmosphere of the company. We will continue bolstering effective measures to employ, develop, and promote the appointment of diverse individuals.

Finally, we have recently heard candid opinions on a variety of management issues in the dialogues with shareholders and investors. This experience has aroused in me a new appreciation of the importance of increasing corporate value while listening carefully to what our stakeholders have to say.

As the COVID-19 pandemic continues into fiscal 2021, it seems that the global economy will remain challenging. Nevertheless, we will not be discouraged by these hardships and instead do our best to take advantage of the ongoing changes to deal with management issues, thus generating steady growth. Your continued support in this regard will be most appreciated.

Addressing Material Issues for Sustainability

In 2019, the Nitto Group identified its material issues for sustainability, which demand high priority if we are to solve social issues and create economic value simultaneously in our management. To address the issues thus identified, we are taking the two-pronged approach of "co-creating value through innovation" and "enhancing management process for co-creating value."

In fiscal 2020, we focused on increasing awareness of our materiality throughout the organization. At sustainability workshops for managers, for example, participants engage in case-study group discussions, so that each and every manager understands the rationale behind addressing material issues for sustainability and thinks and acts for themselves with a sense of responsibility. Meanwhile, private enterprises are increasingly required to produce visible results toward realizing sustainability. Accordingly, the Nitto Group will further accelerate its concerted efforts. For this to happen, we need to provide organic links to various activities that we have pursued in order to bring about synergies. We have thus demonstrated our genuinely unique "attitude toward sustainability" that is in line with our Corporate Philosophy and reimagined our 2030 prospects for each issue with progress in our previously set KPIs. We will determine concrete performance targets and monitor them by way of KPIs.

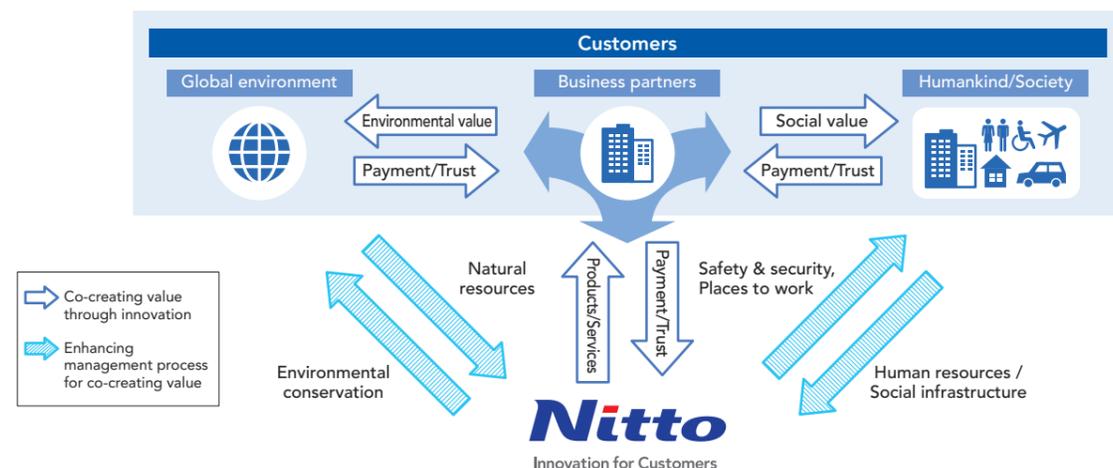
In Pursuit of Management that Solves Social Issues and Creates Economic Value Simultaneously



Attitude toward Sustainability—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.

The Mission of the Nitto Group's Corporate Philosophy reads, "Contribute to customers' value creation with innovative ideas." True to this, we have been making continuous efforts to create value from the customers' perspective, the practice of which is deeply entrenched in our corporate DNA. We will conceive how we should create value and strive for the betterment of the global environment, humankind, and society, much in the way we serve our business partners, so that we can promote ESG-oriented management in a way unique to the Nitto Group.

Nitto Group's Definition of "Customers"



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.



Co-Creating Value through Innovation

By "co-creating value through innovation," we mean the development of technologies and provision of products/services to benefit the global environment, humankind, and society in general. Many of the Nitto Group's products/services are "a force behind the scenes," but they contribute to society via our customers. To form a complete picture of the lifecycle of those products, we must visualize how we are contributing to the global environment, humankind, and society in general.

To make this happen, we have come up with our prospects with the year 2030 as a milestone. We are currently considering a system to visualize it.

Heading in the direction unified throughout the Group, we will take on the challenge of co-creating value together with diverse stakeholders.

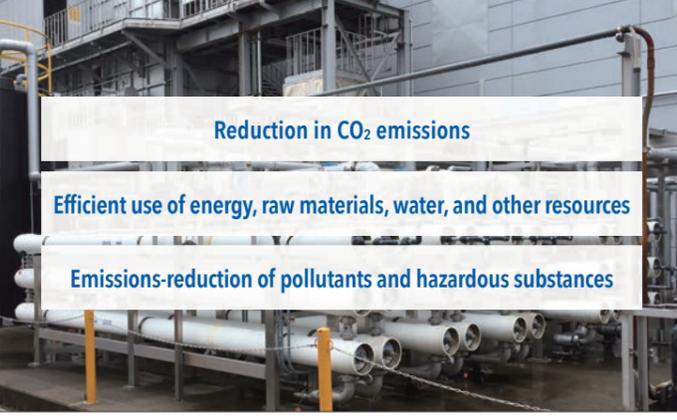
Material Issues for Sustainability	Risks	Opportunities	Our Initiatives	Values that We Offer	Our Prospects for 2030	Nitto Group's Goals	Relevant SDGs
 <ul style="list-style-type: none"> Development of infrastructure for intelligent society Reduction in traffic jams/accidents Providing public transportation services for vulnerable road users 	<ul style="list-style-type: none"> Lowering of products' competitive edge as new alternative technologies for digital devices emerge and the company's technologies become commoditized Increase in responsibilities as a result of the company's products, etc. playing key roles in ensuring safety of traffic systems 	<ul style="list-style-type: none"> Increase in demand for components, devices, and materials for sensors, semiconductors, telecommunication infrastructure, etc. as IoT and digitalization advance Increase in demand for products that improve traffic flow and the safety level of automobiles 	P39-40	<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	11 SUSTAINABLE CITIES AND COMMUNITIES
 <ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Increase in difficulty in sales of existing products as environmental regulations for chemical substances, plastics, etc. are tightened Decrease in order volume in case of falling behind competitors in addressing the need for eco-friendly products Lowering of trust in the company over the long term in case of failure to meet expectations of the market/customers with regard to environmental measures, such as the shift to organic-solvent-free products and bio-plastics 	<ul style="list-style-type: none"> Increase in demand for technologies/products for cyclic use of various resources/materials as global environmental issues, such as climate change, global warming, and water shortages, worsen Increase in demand for technologies/products that contribute to separation, removal, purification or otherwise, of hazardous substances in air, water, soil, etc. 		<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	6 CLEAN WATER AND SANITATION 7 AFFORDABLE AND CLEAN ENERGY
 <ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> Increase in the company's cost and risk in case of extended period and/or greater expenses of developing nucleic acid medicine and other pharmaceutical products Lowering of the company's competitive edge and growth potential in case of failure to meet unmet medical needs Increase in social responsibilities, such as prevention of harm to patients due to quality problems, adverse reactions, etc. 	<ul style="list-style-type: none"> Increase in demand for products that realize good health and longevity in forms such as detection of disease symptoms, early diagnosis, and caring for the elderly and supporting their independence Increase in demand for easy-to-use pharmaceuticals, medical materials, and nursing care products for home care, self-medication, etc. Increase in demand for products that improve QOL* and prevent disease progression 		<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	3 GOOD HEALTH AND WELL-BEING

*Quality of Life

Enhancing Management Process for Co-Creating Value

In order to create innovations that benefit the global environment, humankind, and society in general, it is essential that we have robust management foundations. As such, the Nitto Group regards efforts to enhance the management process for co-creating value as another key approach toward addressing material issues for sustainability, along with co-creation of value through innovation.

Diversity & inclusion, respect for human rights, human resource development, and environmental conservation, in particular, attract significant attention in the international community, and failure to fulfill these sustainability imperatives can affect the continuity of business. It is thus essential to set targets and forge ahead with necessary initiatives, bearing in mind how such efforts relate to investment in non-financial activities and the creation of value for the future. The Nitto Group has determined "Our Prospects for 2030 (Performance Targets)" in order to accelerate the initiatives with Group-wide unification.

Material Issues for Sustainability	Risks	Opportunities	Our Initiatives	Our Prospects for 2030 (Performance Targets)	Nitto Group's Goals	Relevant SDGs
 <p>Recruitment/development of employees</p> <p>Diversity & inclusion</p>	<ul style="list-style-type: none"> ■ Increase in difficulty in maintaining stable business operations due to shortages of employees in case of failure to recruit/develop human resources ■ Decrease in competitive edge due to inability to respond to rapid changes in the business environment in case of insufficient diversity 	<ul style="list-style-type: none"> ■ Creation of innovations and enhancement of long-term growth potential made possible by novel ideas offered by diverse and capable human resources 	P41-43	<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</p> <p>Improvement of workplace environment</p> <p>Respect for human rights in supply chains</p>	<ul style="list-style-type: none"> ■ Occurrence of recalls, lawsuits, etc. due to quality problems and harm to health through use of products ■ Personal damage and shut-downs due to work-related accidents ■ Damage to the company's reputation as seen by customers, society at large, and shareholders due to occurrence of human rights issues and other scandals in the supply chain 	<ul style="list-style-type: none"> ■ Increase in competitive edge through the supply of safe products, which reassure customers and win strong support from them 	P44-46	<p>Safe and Secure Manufacturing to Gain Societal Trust</p> <ul style="list-style-type: none"> ■ Proactive 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</p> <p>Efficient use of energy, raw materials, water, and other resources</p> <p>Emissions-reduction of pollutants and hazardous substances</p>	<ul style="list-style-type: none"> ■ Shut-downs due to tighter regulations in case of continued use of raw materials and energy sources with high environmental impact ■ Shut-downs due to increased cost and difficulty in procurement of specific raw materials that may face depletion in the future as consumption of them increases globally ■ Increase in the cost for compliance and difficulty in obtaining operational licenses in case of air pollution during production process and delay in reducing emissions of hazardous substances 	<ul style="list-style-type: none"> ■ Increase in long-term growth potential and competitive edge due to increased productivity and lower costs made possible by production process with high environmental efficiency 	P47-50	<p>Realizing Manufacturing that is Friendly to the Environment and Humankind</p> <ul style="list-style-type: none"> ■ CO₂ emissions: 600,000 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	

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



Yasuhiro Iseyama
 Director, Executive Vice President, CFO
 General Manager,
 Corporate Accounting & Finance Division

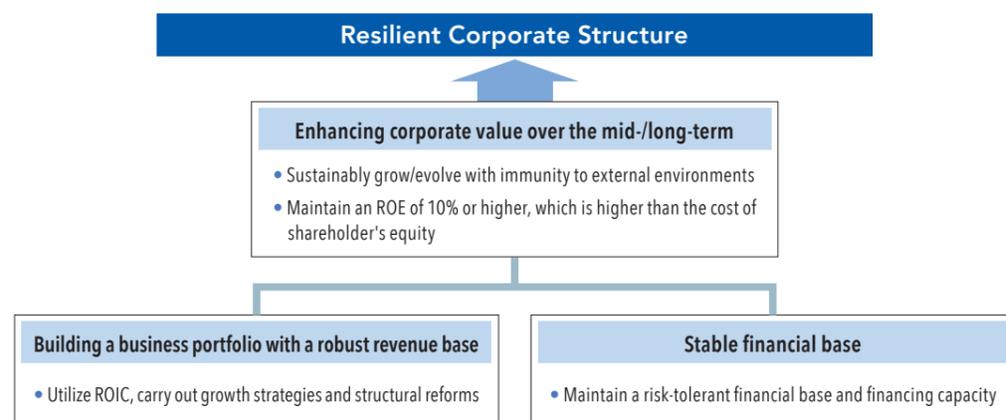
In Pursuit of a Resilient Corporate Structure

Some of the business areas in the Nitto Group's portfolio, such as optronics and life science, undergo rapid changes. To add to matters, the Nitto Group finds itself in increasingly uncertain circumstances with the spread of COVID-19 and the resultant sweeping changes in industrial structures and people's lifestyles, as well as interstate confrontations and climate change. In this milieu, the Nitto Group aims to build a resilient corporate structure that is immune to external environments, allowing it to keep growing and advancing by combining a business portfolio with a robust revenue base with a stable financial base.

We closely monitor return on equity (ROE) as a key performance indicator for the Group to enhance corporate value over the mid- and long-term. As such, we aim to maintain an ROE of 10% or higher, which surpasses the cost of shareholder's equity, both stably and

continuously. In fiscal 2020, despite the harsh operating environment amid the COVID-19 pandemic, we managed to maintain an ROE of 10%. Going forward, we will continue monitoring the performance of the three factors of profit margin, asset efficiency, and financial leverage, as well as their balance, to pursue improvement of intrinsic ROE.

To remain ever conscious of capital costs in business management, we will adopt return on invested capital (ROIC) as a measure for business evaluation in the new Mid-term Management Plan. We will set a hurdle rate for each business and seek to generate a higher return than the hurdle, while at the same time advancing our business portfolio with a more robust revenue base by strategically allocating management resources to priority business domains. We will rejuvenate our business portfolio by utilizing ROIC to determine things that will grow, recover, or not recover, thus simultaneously pursuing growth strategies and structural reform.



Nitto Group's Financial Strategies

Cash Allocation

In allocating cash flow generated and cash and deposits in hand, we believe it necessary to balance between stable and continuous shareholder return on the one hand and maintenance of a healthy financial base on the other, while placing top priority on growth investment to generate a higher return than capital costs, in order to enhance corporate value over the mid-/long-term. To this end, the Nitto Group prioritizes its application of cash in the order of: 1. Capital investment, 2. Cash dividends, 3. M&As, and 4. Share buybacks, according to which we conduct our business over the mid-/long-term.

Operating in the fast-changing environment, we have managed to sustain growth by responding to changes with our proprietary approaches of *Sanshin* Activities and the Niche Top Strategy. To sustain renewed growth with an eye toward the future, we must continue investing in facilities in a timely manner. We will thus remain committed to proactive capital investment (1.) to implement our growth strategies, including a further expansion of market-leading products and creation of new businesses/products, while adhering to the self-set investment principle of generating a return higher than capital costs.

We will invest our cash not only to develop advanced technologies and excellent products but also to proactively protect the environment by way of reducing greenhouse gas emissions, for example. By examining measures that incentivize people, such as an internal carbon pricing system, we aim to produce a steady flow of positive results. We will promote capital investment in a way that incorporates an ESG perspective to realize a sustainable future and support well-being for everyone by serving the global environment, humankind and society as our customers.

While pursuing the above-mentioned growth strategies and environmental initiatives, in case there is an M&A opportunity (3.) that has potential synergies with our existing businesses and/or technologies that would help to accelerate business growth, we will proactively take advantage of it.

For shareholder return, we deem cash dividends (2.) to be a fundamental tool to distribute the profits generated from our business activities. To reward long-term shareholders and investors, our policy is to continue paying stable dividends, whose amount is determined by considering various factors, including dividends per share, dividend on equity ratio (DOE), payout ratio, and financial position.

To complement shareholder return by way of cash dividends, which emphasizes stability and continuity, we conduct share buybacks (4.). Most recently, between February and July 2020, we repurchased 9 million of our shares for a total of 50.0 billion yen. When certain conditions, such as financial position and the market situation, are met, we will flexibly buy back our shares.

Financial Integrity at the Nitto Group

The Nitto Group aims to build resilience, which allows it to continue with business as usual in times of crises or social changes—meeting the trust and expectations of its diverse stakeholders and fulfilling our social responsibilities—and cope with such challenges flexibly to act promptly and accelerate its growth by seizing the "opportunity" such crises and changes present. To make this a reality, we always need to have a financial base that resists potential risks and financing capacity.

The Nitto Group has maintained solid equity capital and ample liquid cash on hand. Based on this sound financial base, we are pleased to report that in fiscal 2020 we have been able to outperform our previous year's financial results by a large margin, while simultaneously continuing to pay stable cash dividends amid the disturbances caused by COVID-19.

With regard to liquid cash on hand, we believe it necessary to maintain working capital requirements, cash for investment to seize growth opportunities flexibly, and cash with which to ensure liquidity for financial crisis management. We will remain flexible in maintaining optimal levels, with the enhancement of asset efficiency in mind as well.

Meanwhile, amidst this highly uncertain operating environment, to be able to raise funds promptly when needed, we will strive to maintain an optimal and sound capital balance.

Global Cash Management

The Nitto Group uses a treasury management system to monitor the movement of funds within the Group both globally and in a timely manner to promptly respond to financial emergencies, such as major changes in funding environments, and enhance fund efficiency in ordinary times.

We also ensure that funds are allocated flexibly across geographical regions and that fund efficiency is enhanced by centralizing funds distributed across Group companies into a fund management center in each region.

We also set up a policy on the handling of funds within the Group, ensuring that it is widely known and implemented to reinforce financial governance, while at the same time working to reduce consolidated interest-bearing debts and debt-servicing costs.

We at the Nitto Group wish to become a more integral part of society than ever before by offering solutions to social issues and creating economic value through our business activities. In my capacity as the Chief Financial Officer, I am determined to drive the Nitto Group's business by promoting the financial strategies unique to us to build a resilient corporate structure. At the same time, we will pay close attention to the capital market's appraisal of us, and carefully listen to what shareholders and investors have to say, so that we can enhance our corporate value through constant dialogues.

Value Creation Process

How can we find solutions to various social issues together with our customers? - The Nitto Group's response to this question is its two unique business models of "Sanshin Activities" and "Niche Top Strategy" to constantly create innovative and broad value.



Nitto Group's Strengths

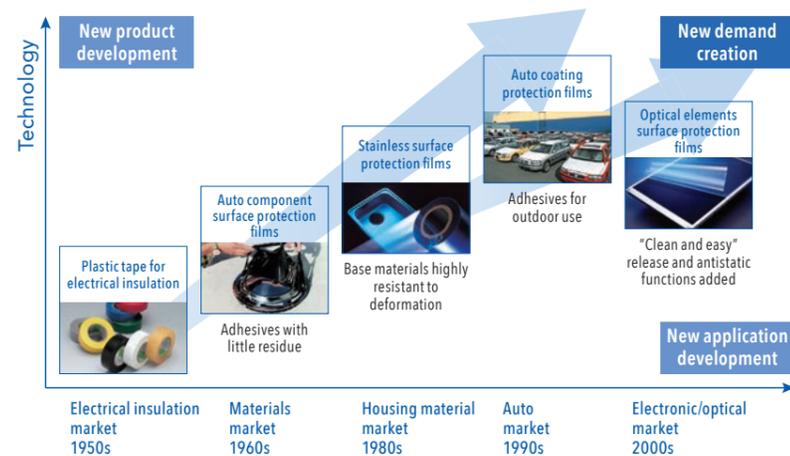
Sanshin Activities

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.



Example Cases of Sanshin Activities

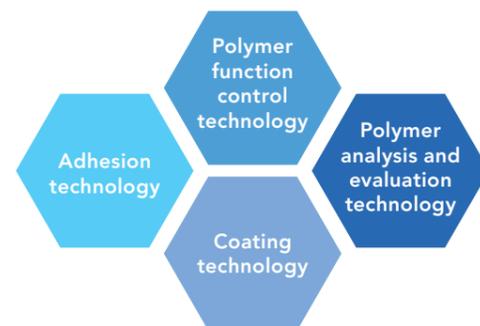


In the beginning there was plastic tape, a commonplace product whose main application was electrical insulation. Through the development of a variety of new technologies/functions and applications, we have created demand from new customers in growing industries, including electric wire manufacturers, housing developers, and auto manufacturers. Pursuing *Sanshin* Activities with Engineering, Production, Sales, and Administration working as one while taking a customer-oriented approach has formed the "DNA" of the Nitto Group's drive for innovation and is one of its growth engines.

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.



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.



Example Global Niche Top™ Products

- 1 Polarizing films for displays (NPF™)**

 Offering superb optical properties, reliability, and workability, NPF™ (Nitto Polarizing Film) is available in a wide variety to meet customer needs for displays, including liquid crystal displays (LCDs) and organic electroluminescence displays (OLEDs).
- 2 Thermal release sheets (REVALPHA™)**

 "REVALPHA™" is a unique adhesive sheet that adheres tightly at room temperature but can easily be peeled off by applying heat and contributes significantly to automation/labor-saving of various electronic component manufacturing processes.
- 3 Thin-film metal base boards - CISFLEX™**

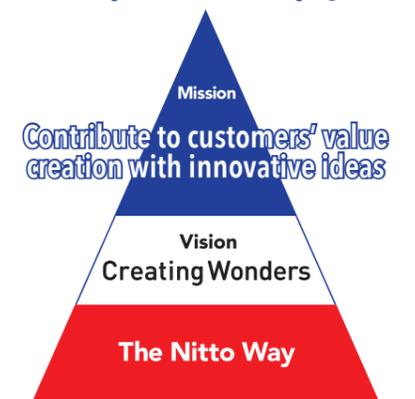
 "CISFLEX™" was developed through the combination of various technologies including the Nitto Group's photosensitive polyimide technology. Keeping the magnetic head floating above the magnetic disk with delicate spring characteristics, this component plays an important role in transmitting signals that prompt HDDs to read/write data.

Corporate Culture

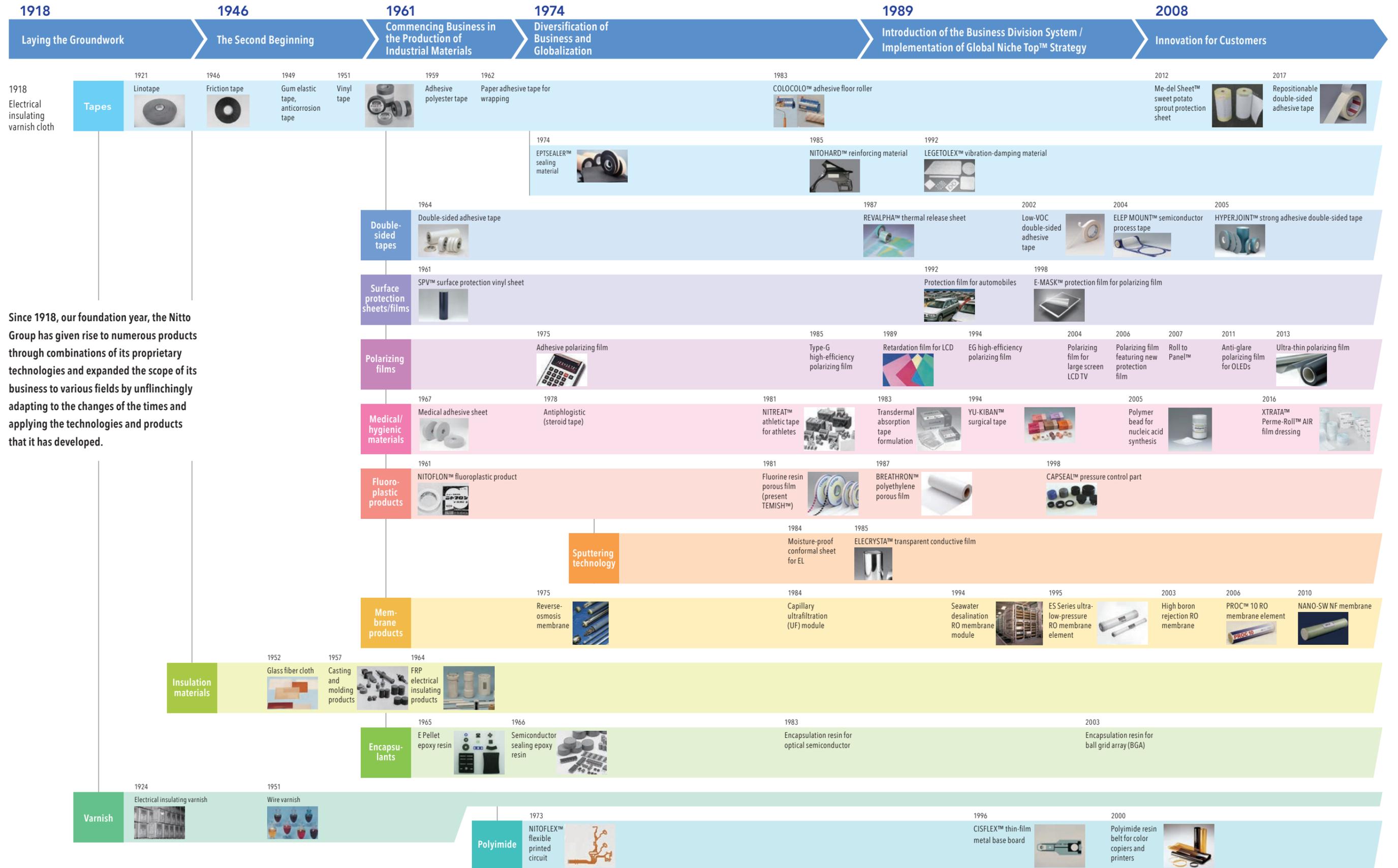
Indicating our Values, Attitudes and Mindset, and Code of Conduct
"The Nitto Way"

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.

Corporate Philosophy



History of Technology Innovation



Since 1918, our foundation year, the Nitto Group has given rise to numerous products through combinations of its proprietary technologies and expanded the scope of its business to various fields by unflinchingly adapting to the changes of the times and applying the technologies and products that it has developed.

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



Yosuke Miki

Director, Executive Vice President, CTO
General Manager, Corporate Technology Sector

Sorting Projects Based on the Outlook of Things that Will Grow, Recover, or not Recover

COVID-19 has completely changed the way we live and work. As new strains of the virus spread, many businesses have embarked on new initiatives to prevent infection and protect the lives and well-being of their customers and employees. Working from home and remote meetings and interviews are two prime examples. If such tools and models of online communication can produce similar results to in-person alternatives, as well as reflect major cost savings, such as time, transportation, and rent, I imagine there will be quite a few businesses that choose to continue in this way after the pandemic ends.

Once these changes (countermeasures) become irreversible, it is expected that some of the existing markets will shrink or expand and that new markets will emerge. Other areas were also forced into temporary downturns due to the spread of COVID-19 and the resultant changes in our lifestyles and society at large, but these areas should see a swift rebound once vaccines and remedies become readily available.

At the Nitto Group, the "new product ratio*" now stands at about one-third of net sales, and we will boost this number to gain competitive advantages in the constantly changing market. To make this happen, we are recategorizing both fledgling and ongoing development projects into the three categories of things that will grow, recover, or not recover, and preferentially allocating resources to the relatively attractive options.

* The ratio of sales from products released within the last 42 months to total sales

Visualizing the Commercialization Process with the "0 → 1 → 10 → 100" Formula

To create a business that seamlessly contributes to earnings, it is important to clearly show which phase of commercialization the numerous development projects are in so that we can take action accordingly. To make things easy to understand, we came up with a development flow of "0 (idea) → 1 (project launch) → 10 (productization) → 100 (commercialization)."

The first phase from "0" to "1" is the process where we verify if an idea fresh from the laboratory can really "sell (needed in the real world)." At such opportunities as "Technology *Kuruma-za* (round-table group discussions)" and "Nitto Innovation Challenge (new business creation convention)," we lay many outstanding ideas on the table for consideration to assess their potential.

In the second phase, from "1" to "10," we start concrete action to form a product out of the chosen ideas. Here, we always start from existing businesses, and this segment involves three different approaches of development of "new" applications by bringing established applications to other markets, development of "new" products by advancing technologies, and creation of "new" demand through these approaches. We call the three business practices "*Sanshin* Activities."

Another long-standing forte of the Nitto Group is "convergence," that is, integrating technology, wisdom, and know-how across divisions. Should it be deemed necessary, we can even opt for an alliance with outside organizations. The conclusion that we have to reach at this phase is whether we can envision a scenario of us winning the way only the Nitto Group can by combining these methods.

In the final phase, from "10" to "100," because it involves a large amount of investment, having customers and partner businesses agree to the business scheme, including QCD*, is a prerequisite. By starting up mass production quickly and smoothly, we aim to establish advantageous positions in the market by delivering Area Niche Top™ and Global Niche Top™ products.

* Quality, Cost, and Delivery

Technology *Kuruma-za* Serving as an Engine for Promotion

As we move along the aforementioned development flow of "0 → 1 → 10 → 100," candidate projects are repeatedly screened until the strongest projects remain. Now, what determines their survivability is the quality and quantity of projects at the initial phase of "0 → 1."

Sometimes, free-wheeling ideas that only occur to amateurs can be very effective. At the same time, we should not underestimate the importance of commitment by technology professionals, who have a set of prior knowledge on market conditions, technologies on the background, and relevant patents and thereby can judge ideas, when it comes to developing a vision for a new business.

Here, let me explain what "Technology *Kuruma-za*" is, which is the Nitto Group's proprietary program designed to drive the shift from "0" to "1." First convened in 2017, Technology *Kuruma-za* is an avenue for cross-sectional communications where several dozens of people, including heads of R&D divisions and development managers of business execution bodies, meet once a month to hold casual discussions on how they should go about their development projects. At first, the primary subject for discussions was a departure from sectionalism, which included total optimization, inter-sectional cooperation, fusion of technologies that belong to different divisions (convergence), and stimulation of communication. From fiscal 2020, however, its operation was improved in order to enhance effectiveness as it moved on to the next phase. In more concrete terms, a team of 4-5 is given a roughly defined topic, to which they have to provide an answer after three months of intensive discussions.

In the discussion process, it is necessary to conduct surveys on markets, patents, and technological trends. Subordinates of the team members and appointed members of *Kuruma-za* offer backup support to the team's endeavors as necessary. Then, based on the results of such activities, they put together a final recommendation, which can be summed up as "This could be a scenario that you need to enter this market."

All the members of *Kuruma-za* attend both interim and final reporting sessions to engage in Q&A and discussions until they can produce an output that also reflects the wisdom contributed by non-team members. It is from here that development activities are kicked off toward productization and commercialization. It is roughly in this way that we seek to increase the quality and quantity of development projects.

Injecting Resources to Boost Development

Now, when you reach the "1 → 10" phase where actual product development begins, you need funds, though still in a small amount compared to what it takes to make large-scale capital expenditures at the "10 → 100" phase. At this early stage, however, you may be unaware or unsure of the cost-effectiveness of the money you are going to spend, or you may miss an opportunity if you follow the regular approval process of the company.

To deal with such a situation, the Nitto Group maintains a "management fund" system to provide funds flexibly. In order to expedite the development of new technologies or products within the company, this system uses a different set of criteria for making quick decisions on projects. For up to a certain amount, the CTO has the decision-making authority to distribute funds.

Within the projects receiving management funds, the number of those related to open innovation is on the increase. As technology continues to advance, companies find it difficult to afford things entirely on their own. Even if it is technologically possible, there are not a few cases where it would make better sense cost-wise or end up making greater contributions to total earnings if you cooperate or collaborate with outside organizations when necessary.

When we encounter businesses or research institutions that possess attractive technologies or intellectual properties, we can use the management fund to promote collaboration in the forms of capital alliance or provision of development funds. In order to expedite commercialization, we will encourage people to proactively use this system.

Shifting to an R&D Strategy with ESG at its Core

Fiscal 2020 saw interest in ESG rise sharply. The tendency of capital to enter ESG-minded companies accelerated, and national governments, businesses, and individuals alike experienced the bitter reality of the ramifications of being selfish under the pandemic. Some visionary businesses have already begun involving players in their supply chain to address social issues.

The Nitto Group owes part of its success to its unique marketing that entails a tremendously close connection to its customers, but we should raise our gaze to pursue business with a focus on ESG.

The Mission of our Corporate Philosophy reads, "Contribute to customers' value creation with innovative ideas," but we will modify this to say, "The global environment, humankind, and society too are our valued customers." This is not to merely say, "We also take note of/into

account the public and other stakeholders," but instead means that regardless of whether we are directly supplying products, we think of everyone as our customers and strive to maximize their satisfaction and the value we deliver to them.

We used to start by locating "customers' everyday trouble" to initiate the development of technologies and products. Going forward, we will begin by "envisioning the shape of the future and what challenges will need to be resolved." In other words, our development activities will be triggered by challenges in our society. Rather than seeking to "pursue earnings first" and "produce results in a relatively short period," we will make it clear that we will "also pursue earnings" and "attach importance to long-term perspectives and sustainability."

I am not saying that we will make a complete shift from conventional principles to new ESG-oriented principles, but we aim to achieve each at a higher level as we strike a balance between the two. This is the R&D strategy/policy that the Nitto Group will follow from now on.

Let me give you two examples. In this world, there are people who suffer from rare diseases with no prospect for treatment. The Nitto Group's landmark product, nucleic acid medicines are pharmaceutical products produced from the components of DNA and RNA, known as nucleic acid (oligonucleotide), that inhibit the expression of genes responsible for certain diseases. One of the sources of our strength here is our expertise in the drug delivery system (DDS), which delivers drugs to target organs without affecting others. With a strong desire to offer relief to patients with intractable rare diseases, our development team taps into pertinent technologies to work on pharmaceutical products for such diseases day in and day out.

We are also taking a variety of approaches to deal with CO₂ emissions. We are not merely curbing emissions, but we are utilizing our proprietary membrane technologies to separate CO₂ from exhaust gases, condense it, and convert it to other forms of valuables. By sharing such technologies with a broad range of third-party businesses, rather than using them only at our own plants, we are working on a system that allows us to monetize the process and contribute our services to society.

Monetizing Intellectual Property

How should we monetize intellectual property, which is the single biggest constituent of our intangible resources? Roughly speaking, there are two different strategies for this: patent application and utilizing patents held by the company.

We have three approaches for the former.

First, we take the offensive to acquire patents in fields in which competitors may have an interest, in an attempt to gain a competitive advantage over them. Second, we build entry barriers by establishing rights to technologies that form the core of our main fields. The third approach is to let others use our technologies, which we have built but did not bring to market for some reason. We call these approaches "Offense," "Defense," and "Exit," respectively, and file patent applications both systematically and strategically with these approaches in mind.

To utilize patents held by the Nitto Group, there are roughly four avenues for monetization.

First, utilizing them for our operations, i.e., we establish proprietary technologies, protect them by acquiring patents, and make the most of them to maximize earnings. This is the most traditional approach.

But this is not enough. We can bundle the knowledge gained in the R&D process without being put to practical application by acquiring rights to them, hoping that some entity may show an interest in using them. When that happens, we can expect to receive gains in the forms of license revenue through the exercise of the rights to such technologies

and gains on sales of the technologies. These are the second and third approaches.

We must remember, however, that there is a cost to maintaining intellectual property. In some cases, it makes better financial sense to get rid of dormant patents that are not needed by the Nitto Group or others but are being kept as a last resort.

By considering these four possibilities while making maximum use of intellectual property, we ensure that we recoup resources invested in development and boost earnings of the Nitto Group.

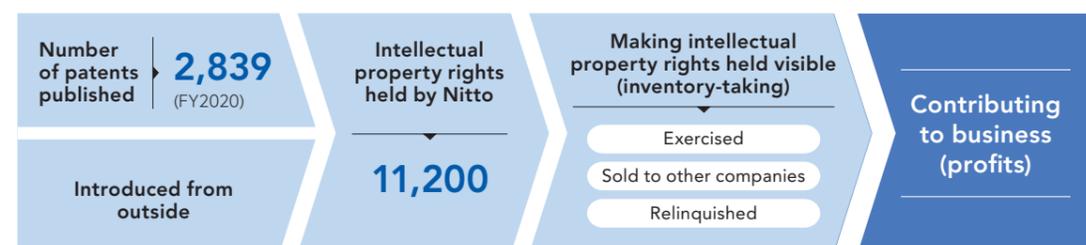
Creating Value out of Intangibles

For the last several years, we have focused on expanding earnings by utilizing intangible assets. In the past, we were keenly aware of the need to utilize patents, manufacturing know-how, and other forms of intellectual property, but that is not enough.

Here, I have touched on Technology *Kuruma-za*, a vehicle for conceiving novel ideas for better products and businesses by tapping into each person's imagination, and the management fund, a system for flexibly internalizing external wisdom. It is safe to say these systems and programs that serve as sources of competitiveness, as well as the principles of action in pursuing ESG and corporate culture, constitute an essential part of our intangible assets, and we cannot do without them to enhance our competitiveness. We will make the utmost efforts to hone and tap into these assets to create and deliver products and technologies with enhanced social value. So, please keep your eyes on the Nitto Group!



Making Intellectual Property Rights Visible



Innovation to Shape the Next Generation

Plastic Optical Fiber Cables

The advent of 5G, IoT, and other new technology platforms has given rise to the need for new technologies and products that support high-speed, large-capacity telecommunications. The Nitto Group is focusing on the development of plastic optical fiber cables (active optical cables), for which mass production and a market debut are imminent.



Optical fibers play a critical role in the communication network that supports our lives and business. Most conventional optical fibers are made of glass, with their chief applications being long-distance backbone networks, including intercontinental undersea cables, instead of cables that are wired through the walls of small rooms.

In collaboration with partner businesses and a university, the Nitto Group is working on plastic optical fiber cables. In parallel, the Nitto Group successfully developed optoelectronic hybrid boards that transmit both optical and electrical signals by forming polymer light waveguides on a printed circuit board, with possible applications for electronic and

medical equipment, which require high speeds and low noise. We are currently working on launching cable products that combine plastic optical fibers and these optoelectronic hybrid boards.

At the Nitto Group, we develop new technologies and products by following the process of "0→1→10→100." Currently, plastic optical fibers are close to "10 (productization)." Through repeated dialogues with customers in the housing and communication sectors, who have high hopes for the Nitto Group's plastic optical fiber cables and are considering using them, we are making preparations for their market debut.

Voice Messages from the Development Managers



Shifting Focus to ESG-Oriented Manufacturing

Nao Murakami
General Manager
New Business Development Division

Plastic optical fiber cables, which are being materialized by the Nitto Group, offer greater freedom in wiring and placement compared to conventional glass fiber cables. Crucially, this is possible without any reduction in transmission properties.

In developing these innovative products, we took advantage of the open innovation approach to incorporate photonics polymer technology from Keio University, our joint research partner, into the Nitto Group's proven technological basis. The result is thinner, lighter, and more flexible plastic optical fibers.

Another important subject for the future is how we should modify our current production setup to take into account ESG. As we work on the initial stages of mass production, we are doing our best to figure out a production process with minimal environmental impact, such as CO₂ emissions, in addition to focusing on efficiency and cost.



Maximizing the Benefits of Wired Telecommunication

Yasuto Ishimaru
General Manager
Optical Communication Business Promotion
Department
New Business Development Division

In the era of 5G and IoT, which should bring about innovation to housing, healthcare, and self-driving vehicles, relevant telecommunication must be capable of high-speed and large-capacity, multiple connections, and low latency.

Even though wireless communication has become faster with the 5G technology standard, its information transmission quantity is more than ten times slower than optical communication. One application that requires broadband telecommunication is real-time transmission of 8K videos, for which optical communication is preferred. Plastic optical fiber cables are also expected to be chosen in cases where the reliability of communication quality is critical, and in such instances, wired communication will be selected.

In the development process of "0→1→10→100," the bottleneck was the transition from "1" to "10." In the field of optical communication, the smallest imperfection can sway the product quality significantly. We have worked on such issues one by one and offered solutions to them. Every member of the team is determined to unite as one to start producing them on a commercial basis.

Segment Information

Summary of overall business

During this fiscal year, a sense of economic slowdown temporarily increased due to the impact of the further spread of COVID-19 infections. With the resumption of economic activities, however, consumption recovered. In the Nitto Group, things that will grow as new demands have arisen through changes such as the evolving electronics market and the growing life science market with the spread of new lifestyles. Meanwhile, the demands that had existed in the past were split into things that will recover and things that will not recover. To accommodate these changes, the Nitto Group acted speedily and flexibly.

In this environment, in the key markets for the Nitto Group, demands grew for assembly parts of electronic devices, process parts in the production of semiconductors, and optical films used in laptop computers and tablets, on the back of the spread of teleworking. As for optical films used for TV, we posted royalty income through licensing agreements as we enhanced collaboration with our partners as part of the intellectual property strategy the Nitto Group promotes. With respect to printed circuits that are expected to grow in the future, smartphone parts began contributing to our business results as an initiative for a new market using high precision substrates. In addition, in the nucleic acid medicine market, expectations for nucleic acid medicines grew more than ever for the development of therapeutic drugs and vaccines for COVID-19, resulting in steady demand for contract manufacturing

business and related materials. Additionally, demand for porous materials also expanded as a material for medical masks.

Meanwhile, the transportation business suffered a material negative impact from COVID-19 as vehicle production plummeted in the first quarter. Although demand recovered thereafter, it did not reach the level seen in the previous fiscal year. As for optical films used in smartphones, although there was a progress in their use for high-end models, demand did not reach the level of the previous fiscal year.

In responding to COVID-19, the Nitto Group prioritized the health and safety of every person and worked on preventing the spread of infections while endeavoring to ensure the continued supply to our customers. As part of these efforts, we promoted new workstyles such as teleworking and online conferences using information communication technologies. This led to the improved productivity and smaller expenses throughout the Group.

In the fourth quarter, we posted impairment losses for structural reforms and other reasons.

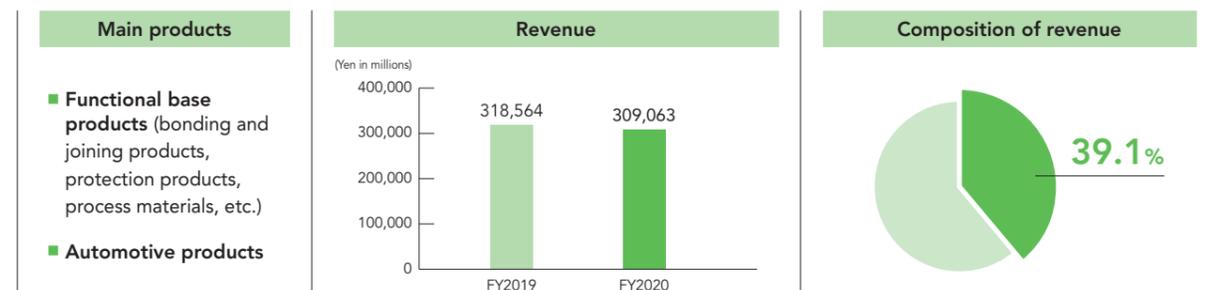
As a result of the above, revenue increased by 2.7% from the previous fiscal year (changes hereafter are given in comparison with the previous fiscal term) to 761,321 million yen. Operating income rose by 34.5% to 93,809 million yen, and the net income attributable to owners of the parent company grew by 48.9% to 70,235 million yen.

FY2020 Segment Revenue / Operating Income

(Yen in Millions)

	Revenue	Operating income
Industrial Tape	309,063 (39.1%)	27,311
Optronics	428,886 (54.2%)	80,727
Life Science	29,855 (3.8%)	-3,011
Others	23,266 (2.9%)	-7,496

Industrial Tape



Operating results

Functional base products grew compared to the previous fiscal year. An increase in the production of high-end smartphones following the evolution of displays pushed up demand for assembly parts. Furthermore, the spread of teleworking and other factors increased demand for ceramic condensers and semiconductors used for electronic devices such as smartphones, tablets, and servers, leading to the growth of demand for related materials used in their manufacturing processes. Meanwhile, demand for materials related to general industries and housing and protective materials for metals declined significantly in the first quarter. Although demand recovered from the second quarter onward, it did not reach the level seen in the previous fiscal year.

Automotive products in the transportation business were weaker than the previous fiscal year. Demand plummeted in the first quarter especially in the United States and Europe. Although demand recovered from the second quarter onward, it did not reach the level seen in the previous fiscal year. In the fourth quarter, we posted impairment losses for structural reforms.

As a result of the above, revenue decreased by 3.0% to 309,063 million yen, while operating income rose by 33.1% to 27,311 million yen.

Issues to be addressed

In the Industrial Tape segment, the transportation business will be integrated with the functional base products business in the next fiscal year. This integration is designed to maximize synergy between the two businesses ahead of the expansion of the next-generation mobility market that is expected to accelerate in the future and the subsequent changes in the supply chain. It is also designed to enhance our efforts for innovation creation in areas such as CASE (Connected, Autonomous, Shared, and Electric). With respect to a demand outlook, vehicle

production is expected to recover, albeit with uncertainties such as concerns about semiconductor supply.

Solid demand is anticipated for electronic materials and semiconductor process materials, driven by the dissemination of 5G and new lifestyles. The Industrial Tape segment will flexibly respond to these changes and endeavor to further differentiate the Group from its competitors through enhancement of technologies.

Furthermore, the entire segment will implement structural reforms to optimize its production system and create a business foundation that will stably achieve a high level of profitability.

Research and development activities

At the adhesive tape manufacturing process, we are making constant efforts to reduce organic solvents and promote the use of biomass materials. With regard to biomass materials, we have taken note of paramylon modified plastics derived from Euglena and will conduct further studies through membership in the Pararesin Japan Consortium.

In an effort to help reduce industrial waste at customers' production processes, we are working on peelable industrial tapes, rather than those providing durable adhesion. In this way, we will continue to focus on the development of sustainable, environmentally friendly products with careful consideration given to ESG and the SDGs.

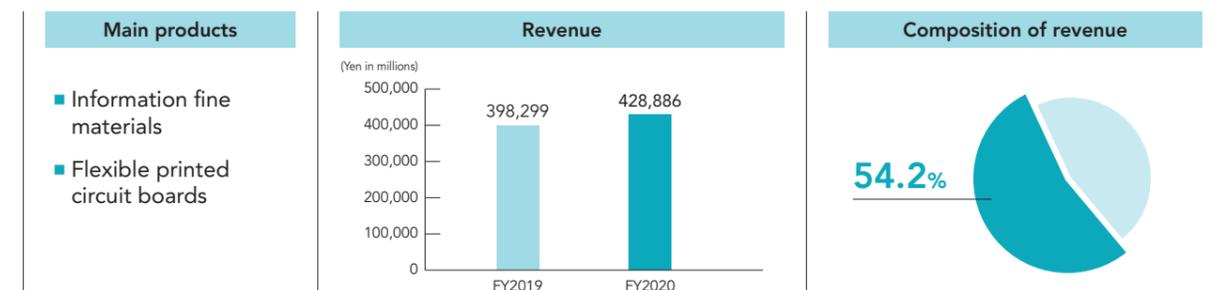
In the semiconductor field, too, the development of environmentally friendly products has been our priority. One promising offering from Nitto that has recently been launched is sintered metal sheets, which use an alternative to environmentally detrimental lead-containing solder. We are planning to expand the application of this pioneering product.

Meanwhile, we are also seeking a broader range of applications of products using fluorine functional materials. Our target markets in this regard include hygiene materials, demand for which has grown amid the COVID-19 pandemic, as well as existing priority markets of semiconductors, electronic components, and mobile devices.

In the field of transport vehicles, including automobiles, railroad cars, and aircraft, we continue to forge ahead with the development of products that help to enhance performance of such vehicles. In anticipation of the rapid expansion of the electric vehicle market, in particular, we have expanded product lines for wire harness materials,

insulating materials for motors, and vent filters for electric/electronic components. In the CASE market, on the other hand, we have developed radio wave absorbing materials for radars, which readily made its market debut.

Optronics



Operating results

Information fine materials grew compared to the previous fiscal year. The greater demand for optical films used in laptop computers and tablets on the back of the spread of teleworking made a large contribution to the segment's business results. Meanwhile, overall demand for products used in smartphones declined despite the new adoption of optical films for organic light emitting displays (OLEDs). Revenue from products used in TV also decreased. However, efforts were made to enhance collaboration with partners, and royalty income was posted in the first quarter through licensing agreements.

Printed circuits grew from the previous fiscal year. The production of hard disk drive (HDD) temporarily dropped in the first quarter but recovered thereafter. Although demand was weak for HDD used for personal computers, demand for high-capacity HDD used in data centers was strong. Furthermore, smartphone parts began contributing to the segment's business results as an initiative for a new market using high precision substrates. To respond to this change, we took actions including increasing our production capacity.

As a result of the above, revenue rose by 7.7% to 428,886 million yen and operating income increased by 40.9% to 80,727 million yen.

Issues to be addressed

For information fine materials, the Group will continue collaborating with our Chinese partner in the TV market. For smartphones, we will work on expanding the use of our optical films for OLED displays against the

background of the evolution of various display technologies. Demand for optical films used in laptop computers and tablets is expected to remain at a high level, with the expansion of teleworking and other factors. We will endeavor to securely capture this demand, while working on further productivity improvement. Demand for Indium-Tin Oxide (ITO) films is anticipated to remain strong with respect to their use for laptop computers and tablets, while it is forecast to decline with respect to smartphone use. We will therefore work on creating new products using production technologies of ITO films.

The use of printed circuits in personal computers, such as HDD, is expected to decline. However, demand for high-capacity HDD used in data centers is forecast to remain solid. To meet this demand, we will work on building a stable supply system. Additionally, we will further strengthen our production capacity of high-precision substrates to increase their supply for smartphone parts.

Research and development activities

For flat panel display applications, in response to the growing demand for monitors, laptop computers, and tablets with a liquid crystal display (LCD) as people stay home, we are developing products that best meet the requirements for each device.

For mobile display applications, such requirements include higher visual quality, lower power consumption, and greater flexibility for OLEDs and other displays, while those for polarizing films include greater optical performance, thinness, and flexibility. We are thus working on thinner and bendable polarizing films that offer higher optical performance.

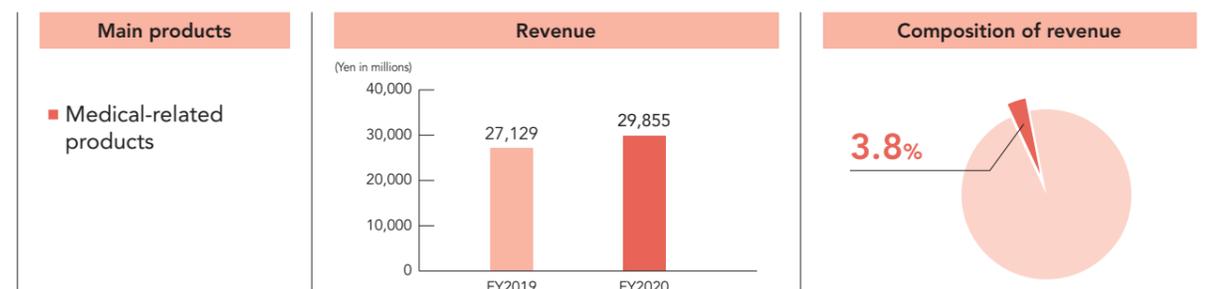
In the auto industry, with the progress in self-driving technology, the number and size of in-vehicle displays have begun increasing, requiring larger polarizing films with higher resistance to heat and ultraviolet (UV) radiation and lower contraction. While working on products that meet these requirements, we are also intent on developing products that offer the performance needed for polarizing film products used with curved and shaped displays, which enhance freedom in the interior design of automobiles.

For display peripheral materials other than polarizing films, we are also pushing ahead with the development of interlayer filling adhesive for displays, materials for the OLED process, and functional films, in a bid to offer value to customers manufacturing displays and equipment with a built-in display. To reduce environmental impact as part of our

ESG-oriented initiatives, we are promoting the development of solventless products and products using recycled materials and bio-based materials.

For flexible printed circuits, in addition to marketing circuits for HDDs made possible by circuit formation technology using photosensitive polyimide and the semi-additive process, we are developing products that help to further enhance recording density. We have also created "high-precision substrates" with new mechanical properties, which have been developed by applying a new base material to circuits for HDDs, and commenced mass production for smartphones. We will make continued efforts to develop new products that further enhance the performance of smartphones.

Life Science



Operating results

Life Science grew compared to the previous fiscal year. Demand for nucleic acid medicine contract manufacturing was solid due to the greater expectations placed on nucleic acid medicines as potential therapeutic drugs and vaccinations for COVID-19. Demand for NittoPhase™ also expanded for synthesizing nucleic acid drug.

Meanwhile, demand for transdermal absorption tape formulations and medical and hygiene materials shrank due to factors such as the smaller number of outpatients in hospitals. Although the demand has been recovering, it did not reach the level seen in the previous fiscal year. In the fourth quarter, impairment losses were posted for the reorganization of existing facilities and other reasons.

As for nucleic acid drug discovery, the Group is continuously working on a clinical trial of a drug for pulmonary fibrosis and intractable cancer.

As a result of the above, revenue increased by 10.0% to 29,855 million yen, while operating loss amounted to 3,011 million yen (operating loss of 2,546 million yen was reported in the previous fiscal year).

Issues to be addressed

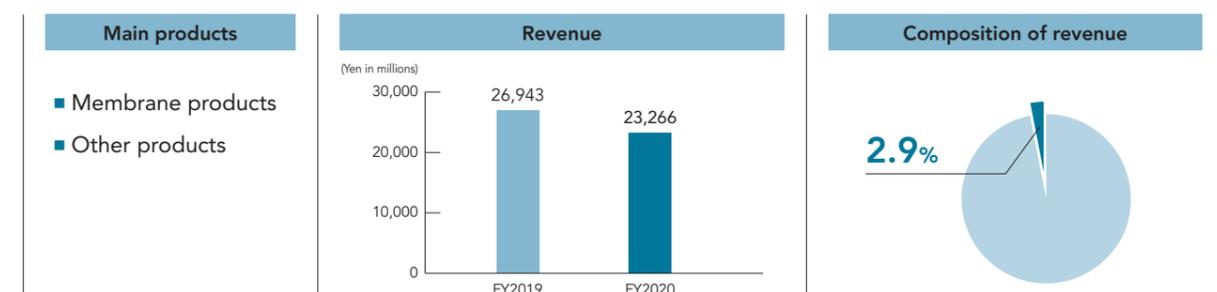
In the nucleic acid medicine market, in addition to the already existing clinical development centered around rare diseases, development of oligonucleotide therapeutics for common diseases and cancer is progressing. The market is also shifting to the stage of commercialization and expected to grow rapidly from now on. Under this circumstance, the Group is enhancing our production capacity in the contract manufacturing business and expanding the design service function in the nucleic acid medicine production process utilizing the know-how we have accumulated so far to further increase our revenue. In drug discovery, the Group will forge ahead with R&D and clinical trials in the areas of treatment drugs for pulmonary fibrosis and intractable cancer in an attempt to develop them into core businesses. We expect to post royalty income in the next fiscal year. Meanwhile, demand for transdermal absorption tape formulations and medical and hygiene materials is expected to recover moderately.

Research and development activities

For nucleic acid process materials, demand for polymer beads, which serve as a scaffolding for polymer synthesis, increased substantially. We will remain focused on the development of products that offer new values to customers, such as higher performance beads and novel process materials with enhanced functionality. For medical materials, we

are utilizing our adhesive technology that is gentle to the skin to develop new functional materials for wearable devices that are directly applied to the human body. In an attempt to branch out into new business domains, the life science business is making inroads into new markets and territories by strengthening the framework for existing partnerships with other business sectors/divisions within the Group and alliances with external organizations.

Others



Operating results

Membrane products (polymer separation membranes) were weaker than the previous fiscal year due to the significant impact of COVID-19. Demand for membrane products was sluggish, especially for industrial applications and in the field of energy. Please note that this segment includes new businesses that have yet to generate sufficient levels of revenue.

As a result of the above, revenue shrank by 13.6% to 23,266 million yen and operating loss amounted to 7,496 million yen (operating loss of 2,622 million yen was reported in the previous fiscal year).

Issues to be addressed

Demand for membrane products is anticipated to bounce back from the decline caused by COVID-19. The speed of its recovery, however, is expected to be moderate, given factors such as the anticipated delayed recovery in the Americas. In this situation, the Group will work on cost reduction efforts through the automation of production process. We will also work on the creation and nurturing of new products in the energy and environment areas. For new businesses, the Group will aim to bring products currently under development, including plastic optical cables, to the market as soon as possible.

Research and development activities

For polymer separation membranes, we have ensured that our products for wastewater recycling, an application we have focused on since their release in fiscal 2019, support the global trend toward Zero Liquid Discharge (ZLD), while at the same time increasing the wastewater recycling ratio to 70% at the Shiga Plant where the membranes are produced.

In fiscal 2021, the Shiga Plant will strive to increase the recycling ratio to 90% or over by introducing a new system, while simultaneously recycling liquid waste to further reduce environmental impact in an attempt to become a recycling-oriented green plant.

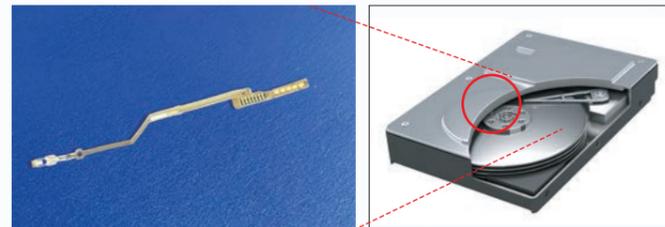
Their membrane technologies will be rolled out to other locations in a bid to drive the Nitto Group's initiatives for ESG and the SDGs.

For the Benefit of Society

Development of Infrastructure for Intelligent Society **Circuit Boards for Hard Disk Drives**

Amidst the ongoing progress in information and communication technology, virtual information technology infrastructure and data centers are facilitating the management and utilization of vast amounts of data gathered by IoT devices. To store such quantities of data at data centers and elsewhere, hard disk drives (HDDs) are mainly used.

Traditionally, the role of HDD suspensions has been to merely hold the magnetic head, and data was transferred via separate wires. Thin-film metal baseboard CISFLEX™, however, takes advantage of delicate spring characteristics to keep the head less than 10 nm above the magnetic disk, thus playing a crucial role in transmitting signals that prompt HDDs to read/write data. This innovative product also helps to reduce power consumption at data centers, as it increases HDDs' recording density, which in turn lowers power consumption per unit of memory capacity. Through the supply of materials for HDDs, the Nitto Group is underpinning the infrastructure development toward digital transformation, which is accelerating across the globe.



Thin-film metal base board - CISFLEX™ CISFLEX™ in a hard disk drive

Promotion of Cyclic Use of Plastics, Metals, Water, Carbon, and other Materials

RO Membranes for ZLD

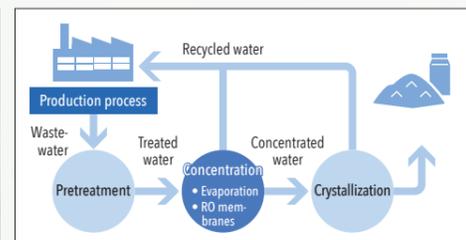
As effluents from plants and business establishments continue to soar throughout the world, some countries and regions are limiting effluents or tightening relevant laws and regulations to prevent environmental pollution and drought. Much is expected in this regard from the wastewater recycling system ZLD, which is designed to recover all liquid waste without discharge external to the system.

The key to successfully configuring this system in terms of running cost and otherwise is RO membrane modules. The Nitto Group's latest offering here is the PRO Series, developed by Hydranautics, a consolidated subsidiary in the U.S. PRO Series is a membrane technology solution optimal for the ZLD and other systems that minimize wastewater discharge.

Improving the wastewater recycling ratio not only protects the environment but also minimizes industrial waste and reduces its disposal cost. Supporting effluent treatment that is becoming increasingly difficult and diversified, Nitto Group's RO membranes play an instrumental role in facilitating the recycling of water resources.



RO membrane PRO Series for the ZLD process



Application of RO membranes in the ZLD process

Control of Infectious Diseases on a Global Scale **Fluorine Functional Materials**

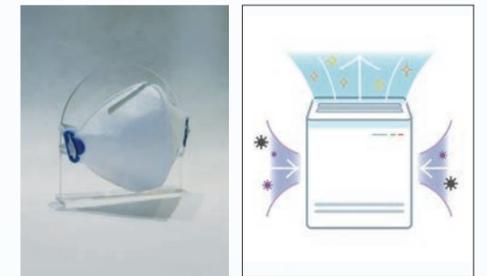
Fluorine resin has a number of unique properties, such as heat resistance, water repellency, chemical resistance, and releasability. The Nitto Group has made porous films out of this versatile material and is providing a variety of fluorine functional materials for semiconductors, mobile devices, and other applications.

In recent years, fluorine functional materials have found broader medical applications, a prime example being fluorine resin porous film TEMISH™, which is used in highly functional masks which effectively control the spread of COVID-19. Having long been used for the special application of such masks, TEMISH™ has increasingly been used for highly functional masks in medical settings, such as N95 masks, which require high performance and reliability.

Other applications of the fluorine functional materials include PTFE nano filter materials for air purification and functional films for pharmaceutical products.

Furthermore, Nitto has been involved in and supporting the "Prediction and Countermeasures for Infection by Virus Contaminated Droplet in Indoor Environment," a research project simulating the dispersion of droplets by supercomputer Fugaku with Dr. Tsubokura Makoto of the RIKEN Center for Computational Science and Kobe University leading the project.

The Nitto Group will remain committed to ensuring people's well-being through the supply of quality materials.



Highly functional medical masks using TEMISH™

Captures both atmospheric viruses and dust (PTFE nano filter materials used to purify air)

Support for Good Health and Longevity **Nucleic Acid Medicines**

Nucleic acid medicines utilize nucleic acids (oligonucleotide), which are produced from substances in the cell such as DNA and RNA, as drugs to be released in the body. Acting directly on the expression of genes that can cause illness, these medicines are garnering more and more attention.

Nitto Denko Avecia Inc. offers a seamless contract manufacturing service for these innovative medicines, from the early development stage to the manufacturing of commercial drugs. In the synthesis process, this U.S.-based subsidiary of ours uses NittoPhase™ HL, particles for nucleic acid synthesis polymer beads born through the fusion between two of the Nitto Group's technologies, i.e., adhesive technology and polymer particle design technology. In order to expand the capacity of the manufacturing process and the development of analytical techniques, as well as ensure a sufficient supply of bulk nucleic acid medicines needed for commercial manufacturing, we have decided to invest in facilities at their headquarters in Milford, MA. We are also planning to make aggressive investments totaling nearly 25.0 billion yen to further ramp up the supply capacity of polymer beads and expand manufacturing for early clinical trials. Through active support for the highly promising nucleic acid medicine market, The Nitto Group is contributing its services to creating a society where people live a healthy life with peace of mind.



Particles for nucleic acid synthesis polymer beads - NittoPhase™ HL



Artist's rendition of Avecia's new plant in Milford

Human Resources

Reasons for Materiality

The Nitto Group considers human resources as our most valuable assets. Recruitment and retention of able human resources will determine the competitive advantage of the entire Group. In order for us to sustain our growth and continue creating new innovations, we see it as necessary to not only recruit global-minded people but also to create a work environment in which employees are constantly encouraged to take on challenges, thus enabling our diverse human resources to demonstrate their abilities to the fullest.

Nitto Group's Approaches

At the Nitto Group, every employee is expected to be a "Nitto Person," who comprehends and lives up to the Nitto Way, that is, one who can function as an integral member of a global team and is capable of joining hands with people of diverse backgrounds without being divided by differences in culture and values. To empower human resources across the globe, we are developing the group-wide foundation for human resource management, which encompasses a global grading system, a personnel evaluation system based on Nitto Competency, and the global Human Resource Information System (HRIS). Going forward, we intend to globally develop more Nitto Persons by accelerating the introduction of these inter-regional human resource development systems throughout the Group.

Our Prospects for 2030 (Performance Targets)

- 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%

Recruitment and Development of Employees

Amid rapid changes in the contemporary business environment, the Nitto Group has expanded its global reach, with its overseas sales ratio exceeding 77% in fiscal 2020. To sustain business growth, we aim to become a corporate group that continues to innovate by recruiting and developing human resources through enhanced employer branding, diverse recruitment channels, and a systematic training scheme.

Recruitment of Globally-Capable Human Resources

Out of a desire to have persons in the Group who have excellent communication skills, the zeal to create new values, and motivation for community service, we established the Nitto Internship Academy to provide student interns with opportunities to grow through various experiences at Nitto.

Four unique programs are available; after being briefed on the Nitto Group's hallmark innovations and strategies, interns are invited to join Nitto employees from the front line of each division to come up with ideas on new businesses or work on a task at various workplaces, which may not be very visible from the outside due to the B2B nature of the Group. In fiscal 2020, a total of 138 students participated in the programs, which were offered online to control the spread of COVID-19.

Nitto Internship Academy Programs

	First-year students	Second-year students	Third-year students (M first-year students)	Fourth-year students (M second-year students)
Innovation Internship			Attempting a new business	
1-day Internship	Designing one's own career path			
Extended Internship			Gaining workplace experience	
Experience Internship	Learning about global branding			



Commending outstanding intern teams

Talent Management on a Global Scale

Global Human Resources Management Committee

As a new initiative in fiscal 2020, we established the Global Human Resources Management Committee, which comprises three parties, Regional Leaders (Regional Management), Business Execution Leaders (Business execution departments), and HR Division Leaders (Special function departments), in a bid to accelerate the development of individuals who will support the Group's efforts to expand its global business reach in terms of the two management axes, "regional management standpoint" and "special function standpoint."

In more concrete terms, we plan to organize a leader candidate development program either in each region or globally and draw up a succession plan for presidents / managing directors at overseas Group companies.

Fast-track Leadership Development Program for Selected Talents

The Nitto Global Business Academy (NGBA) was launched in 2011 as an avenue to provide leadership training to promising candidates for global leadership positions. This practical program offers a hybrid curriculum that combines lectures on necessary knowledge for global business leaders, such as demonstrating leadership, creating new businesses, and managing organizations, with action learning for addressing a variety of managerial issues. In fiscal 2021, the program was redesigned into the NGBA-E (Executive) Course for candidates for corporate executive positions and the NGBA-A (Advanced) Course, which combined with global assignment/rotation from an education standpoint, for candidates for business leaders of the next generations. Both are for a small group of trainees and a seamless curriculum that ranges from discovering promising talents from across the globe to the development of leading managers.

Talent Management with Respect for Individuals (Japan)

Expertise-based Specialist Grading System

In Japan, in fiscal 2018, we introduced a job size-based grading system, a new grading system for those in managerial positions that scales according to the magnitude of their responsibilities. Fiscal 2021 will also see the commencement of an expertise-based specialist job grading system, which uses the level of expertise to assign grades.

By directly linking expertise to compensation, we will recruit persons with advanced skillsets, promote their development, and in the long run, produce results and contribute to business performance by having each of them give full play to their specialty. We will start with R&D and other technology divisions and roll the system out to other sectors in or after fiscal 2022.

Trying out a Full Work-from-Home System

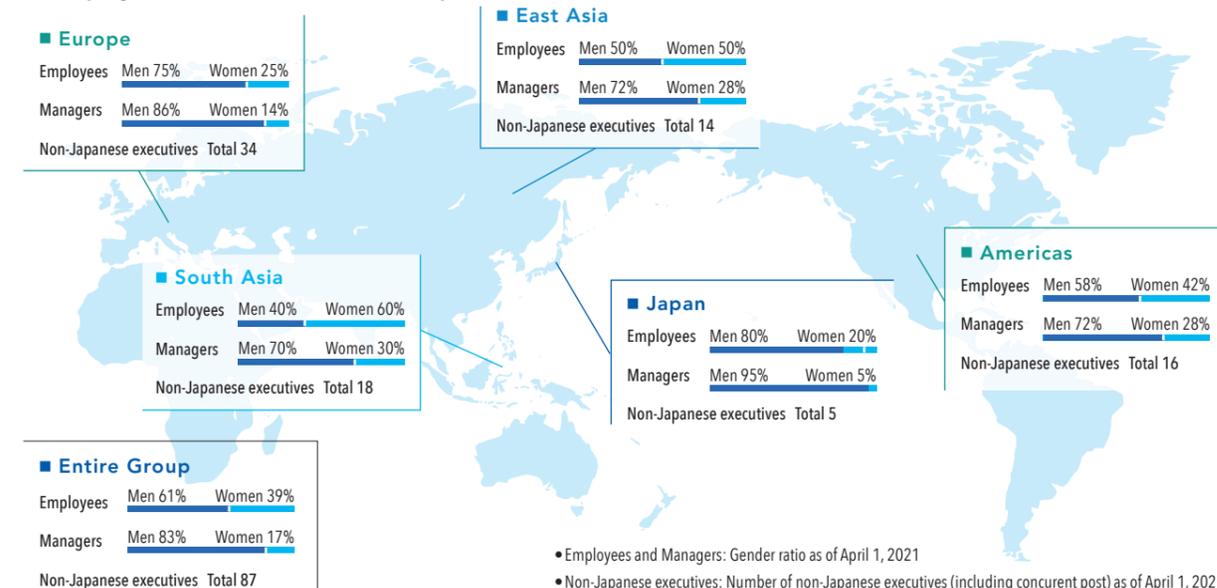
In November 2020, we introduced the "super-smart" work system for those who wish to work from home on a trial basis to allow employees to lead the life and work style of their choice. Under the system, employees work remotely at home and come to the office several times a month as necessary. So far, feedback from those taking part in the system indicates that the physical distance between a supervisor and members of a team may not necessarily be a disadvantage, that active use of teleworking tools has made it easier to communicate with others, and that the quality of ideas and proposals from employees has improved as working remotely allows them to maximize their output and focus on tasks at hand. We will continue seeking the work style that best fits Nitto.

Enhancement of Job Satisfaction

– Efforts to increase employee engagement –

In fiscal 2019, we conducted an engagement survey of 8,995 Nitto Group employees in Japan, with the goal of making ours a company where each of its members feels motivated. In fiscal 2020, we set about improving each of the challenges thus identified in the survey. This was accomplished by doing things such as asking each site to draw up an action plan for increased employee engagement, conducting workshops and 360-degree evaluations for office organization heads, providing coaching opportunities, and organizing activities to promote workplace communication.

Employment Data of the Nitto Group



In fiscal 2021, we plan to conduct an engagement survey of all members of the Nitto Group, including those at overseas companies, to spread these initiatives globally.

Promotion of Employee-Driven Innovation

Nitto Innovation Challenge

Each and every employee challenges themselves to innovate—Fostering such a corporate culture is the overriding imperative for the Nitto Group, which sources its competitive advantage from innovative products.

Inviting employees to contribute their ideas for new businesses, the Nitto Innovation Challenge (NIC) is one such initiative. Between April and June 2020, a total of 1,107 unique entries were received from around the world.

NIC is not just another campaign to scout employees for new business ideas; all entries are carefully screened for their feasibility to narrow down choices. Outstanding entries are then carried forward on the Acceleration Program, and an in-house advisor is assigned. As of this writing, the feasibility of ideas on the shortlist is being studied.

In fiscal 2021, in addition to organizing the NIC 2021, we plan to establish an in-house community site and organize webinars and other opportunities on new business development. This will be done so that employees who have a passion for and an interest in the development of new businesses can find like-minded individuals or mentors.

Diversity & Inclusion

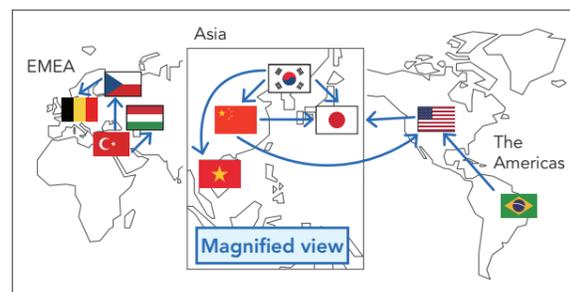
The Nitto Group employs diverse people from around the world, representing a wide range in terms of nationality, cultural background, gender, age, and employment type. As the working/productive age population continues to shrink in Japan, we are hiring people of any gender and nationality, taking a long-term perspective. At the same time, we are promoting diversity in management by continuing to improve the workplace environment in terms of productivity, comfort, and job satisfaction, in a bid to create new values as we internalize the diverse perspectives of such a varied group of people.

Empowerment of Women

Empowerment of women is among the top priority issues at the Nitto Group. As such, we have a target of doubling the current ratio of women in management by 2030. To this end, we have launched a variety of initiatives in Japan, including recruiting more women, offering support for their life events, such as childbirth and childcare, and assisting them in developing an uninterrupted career path. On International Women's Day, we organize educational events within the company.

Cross-Border Assignment of Employees at Overseas Group Companies

Having operations globally as we do, we need to develop employees from around the world and allow them to give full play to their talents. To provide them with opportunities to thrive, we transfer and rotate people across borders. As of April 2021, 38 employees at our overseas Group companies have taken advantage of this international assignment program to work in a country other than the one in which they were originally hired.



Examples of international transfer of employees at overseas Group companies

Creation of a Sense of Unity in the New Era

The ongoing COVID-19 pandemic has seriously affected the business activities of many private enterprises, and the Nitto Group is no exception to this. Although the situation warrants no optimism yet, we have been able to minimize negative impacts on and damage to management through carrying out our work as we take the utmost precaution to ensure the safety and health of our people by controlling the spread of infection.

Out of his sincere wish to deliver words of gratitude and encouragement to every Nitto employee and their family members, who have collectively dedicated themselves to supporting the Nitto Group and its activities by modifying the way they work or otherwise, President Hideo Takasaki sent out a card with his message of encouragement in 15 different languages to all the members of the Nitto Group. Together with words of appreciation, the cards were personally delivered by supervisors, who took every measure to prevent the spread of infection, bringing a smile to everyone's face at the Nitto Group's offices and plants throughout the world.

A supervisor handing over the card, together with words of appreciation and personal protective equipment against COVID-19



Product Safety/Quality

Reasons for Materiality

The Nitto Group operates in 28 countries and regions around the world. As such, we are aware of the magnitude of impact that our business activities have on local communities and economies. As a responsible manufacturer, we deem it imperative to ensure product safety, a secure workplace environment, and respect for human rights throughout the supply chain. In fact, we currently receive customer requests that are more diverse and advanced than ever before, and local authorities are tightening their laws and regulations across the world. We at the Nitto Group consider it part of our corporate social responsibility to ensure that the workplace environment is improved and that human rights infringements are prevented, while at the same time providing products and services that satisfy our customers.

Nitto Group's Approaches

In order to deliver well-being and satisfaction to our valued customers through the supply of products and services, we assign quality managers in the corporate quality division, business execution departments, and Group companies, to build a structure for proper quality management and we have obtained certifications of external international standards for management systems.

To form a safe and secure workplace environment, the Corporate Strategy Meeting meets to discuss programs and any challenges in integrating such activities with management objectives.

Respect for human rights is another key consideration for the Nitto Group that needs to be promoted globally, not only within the Group but also throughout the entire supply chain. The Nitto Group endorses the Universal Declaration of Human Rights and has established its own Basic Policy on Human Rights to promote CSR-based procurement.

Our Prospects for 2030 (Performance Targets)

- Proactive 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

Enhancement of Safety and Quality of Products

The Nitto Group continuously anticipates changes in society and the market to conceive innovative product ideas and enhance product safety and quality in a bid to deliver products and services that satisfy customers. To better cater to our valued customers, we make it a rule to differentiate ourselves by working closely with them from the development stage to ensure that they know they can come to us for consultations on their new challenges or issues early on, allowing us to develop and deliver products and technologies that meet their needs.

We make utmost efforts to avoid critical complaints and product recalls by introducing and implementing the quality management system to enhance the safety and quality of products. We see to it that every product we ship has met these safety and quality specs, and should any problems occur, we are quick to troubleshoot.

The Nitto Group uses upwards of 4,000 varieties of chemical substances, and their proper management is our essential responsibility.

Constantly monitoring trends in the revision of relevant laws and changes in customer requirements, we set for ourselves stricter voluntary standards for proper management of chemical substances.

Furthermore, by centralizing the management of data on chemical substances contained in materials and products, we respond to inquiries from customers promptly and properly.

Improvement of the Workplace Environment

True to its slogan of "We place safety before everything else," the Nitto Group attends diligently to the prevention of occupational accidents and injuries through concerted efforts to create workplace environments where everyone can work in good health without anxiety.

By "everyone," we do not mean Nitto Group employees only. Rather, we consider all persons working on the Nitto Group's premises, including workers from subcontracting businesses and construction services, as members of our team, and we believe that it is our corporate responsibility to ensure their safety. Toward the self-set goal of achieving "zero accidents and injuries," we make every effort possible.

In fiscal 2020, we had five critical/serious accidents, down from 12 in fiscal 2018 and seven in fiscal 2019. Although our continuous efforts are proving to be effective in lowering the number of accidents, we have yet to achieve our ultimate target of zero critical/serious accidents.

Going forward, we will introduce more industrial robots to totally eliminate the risk of occupational accidents and injuries and enhance captaincy to foster a safety culture. At the same time, we are working to establish a system that allows us to respond promptly in the unfortunate event of an accident.

Eliminating the Risk of Occupational Accidents and Injuries

As different plants use different sets of production equipment, we used to determine the risk of accidents at each site and took action commensurate with the risks thus determined. Because many accidents falling under the categories of "Caught in/between" continue to occur, in fiscal 2020, we decided to address this imperative for the Group and have made intensive efforts to eliminate these types of accidents.

In more concrete terms, we have ensured that humans and machines are separated from each other and aggressively promoted automation at production plants. For example, there is a process where operators have to manually handle rubber materials near rolls, which involved a high degree of risk. We introduced industrial robots on several of those lines to automate the operation, which also reduced the burden on operators.

To further reduce avoidable risks, we have begun developing measures to detect hazards and prevent accidents using artificial intelligence (AI).

Fostering a Safety Culture

The Nitto Group has been promoting a small group activity called "Group Activity Toward Excellence (GATE)" throughout the globe. In each of the four areas of "Quality," "Safety," "Environment," and "Rationalization," groups of persons from the front line pool their unique wisdom and experiences and gather to have a friendly competition in improvement activities.

To assure safety, however, on not a few occasions, heads of each site must take the lead in maintaining such activities at their whole sites by showing their stance to their subordinates and delivering results, over and above the bottom-up approaches on the shop floor. Hence the need for captaincy.

As this is the case, we decided to separate safety activities from GATE in fiscal 2020, and instead launched a Safety Promotion Conference.

The conference's objectives are two-fold: to shed light on outstanding efforts and learn from each other in a bid to raise the overall level of safety; and to commend sites and individuals who have made steady efforts consistently, thus fostering a safety culture of "praising wonderful organizations that are committed to safety."

In fiscal 2020, despite the impact of COVID-19, we managed to deliver the conference remotely using online tools to run the event safely, and the team from Nitto Denko (Foshan) Co., Ltd., China performed admirably in both categories of "Occupational Accident Prevention and Fire/Disaster Prevention" and "Traffic Safety" to win the Special Excellence Award in the General category.



The Foshan team celebrating their achievement at the 1st Safety Promotion Conference

Commitment to Health and Productivity Management

The Nitto Group is committed to health and productivity management, knowing that employees' physical and mental health is essential for delivering quality products and services to customers. Accordingly, we set the basic health and productivity policy of "realizing a vibrant organization by enhancing employees' well-being" in Japan. In April 2020, we launched a new three-year occupational health plan with the aim of "improving the workplace environment and individuals' daily lives, both in terms of physical and mental well-being." In recognition of these ongoing health and productivity management initiatives, Nitto Denko Corporation and two of its Group companies, Nitto Business Expert Corporation and Nitoms, Inc., were chosen under the 2021

Certified Health and Productivity Management Outstanding Organizations Recognition Program in the large enterprise category. We will continue to work on health and productivity management under the mantra of "All in it together to promote physical and mental well-being."

Respecting Human Rights throughout the Supply Chain

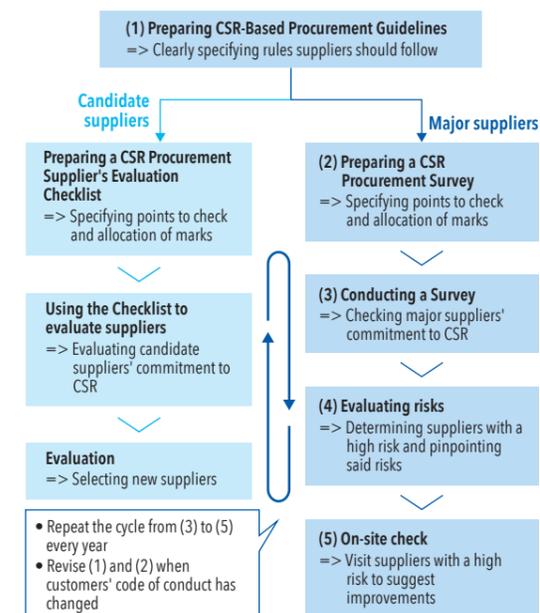
CSR-Based Procurement

Endorsing the Universal Declaration of Human Rights, the Nitto Group has established its own Basic Policy on Human Rights. To prevent human rights infringements not only within the Nitto Group but also throughout its supply chain, we ensure that thorough action is taken in accordance with this Basic Policy.

In more concrete terms, we published the CSR-Based Procurement Guidelines that we expect our suppliers to follow. We ask for their cooperation in sustainability initiatives, including fair trade, compliance with corporate ethics, safety and health, environmental considerations and respect for the human rights of workers, and we have them share the Basic Policy with other players in the supply chain.

Under the CSR-Based Procurement Guidelines, we annually conduct a CSR Procurement Survey with key partners and visit suppliers for a follow-up survey and suggest improvements if deemed necessary. Before going into business with new suppliers, we make it a rule to use the CSR Procurement Supplier's Evaluation Checklist to determine their qualifications.

Overarching approach for CSR-based procurement



Through these activities, by 2030, we will select a group of "key suppliers," whose combined volume of business with the Nitto Group accounts for 90% or more of the total purchases of the Group, to assess the business sustainability of the selected suppliers and help them with the improvement process, thus guaranteeing the integrity of our supply chain.

Initiatives for Driver-Friendly Logistics "White Logistics Movement"

In response to the serious shortage of truck drivers in Japan, the government has taken the lead in promoting the the "White Logistics Movement" since 2019 to stabilize logistics and sustain economic growth. From the perspectives of sustainable growth, compliance, and ESG, the Nitto Group sees the improvement of logistics as a management imperative and has since endorsed the campaign's goal as an integral member of the movement.

What we are doing
■ Use of digital tools to streamline logistics
■ Combining packages addressed to the same recipient, mixed loading, change of transportation modes, as well as coordinating shipment and production schedules
■ Cancellation/suspension of operations in abnormal weather

To begin with, we worked to reduce trucks' standby time at the Onomichi Plant to an average of 30 minutes or shorter in fiscal 2020. As long as logistics services notify us of their estimated time of arrival of their trucks beforehand and we prepare goods to be loaded onto the trucks without delay upon their arrival, the issue can be avoided. In reality, however, many factors hinder this from happening.

We analyzed data on the occurrence of standby time and identified causes that are attributable to customers, production at the plant, logistics, or otherwise. Based on the findings, relevant departments met to discuss solutions to those challenges, and the logistics department closely communicated with carriers for information sharing. As a result, they were able to shorten the average standby time to 25 minutes, which far surpassed the original target. Going forward, they are planning on spreading this initiative to other plants.

Another related project in the form of cooperative distribution was started in May 2020 with a precision equipment manufacturer, who is also a participant in the driver-friendly logistics campaign. To make such a project succeed, it is essential that the two companies closely coordinate the cargo volume and delivery schedule as well as routes. Although the outcomes of the project are still limited, we will build databases of key parameters, including transportation costs, cargo volumes, and destinations, as well as vehicle dispatch plans and results, and loading efficiency. We will share the databases with carriers to expand this initiative in the hope that it will help to reduce CO₂ emissions and improve truck drivers' work environments.

Topics

Supporting Remote Locations at Emergencies

In the past, when a critical/serious occupational accident occurred at any of our sites, not only would the department involved in the affected business send their staff to the scene, but also the business execution departments and the special function departments would immediately respond to assist the members of the plant in question in dealing with the situation.

To ensure that prompt action is taken in emergencies no matter the distance or country or external factors involved, such as travel curbs due to COVID-19, we have recently introduced a remote assist system using Microsoft's HoloLens 2 smart glasses.

With this, it is now possible to get an accurate grasp of the situation to quickly respond and troubleshoot without having to visit the site.

In fiscal 2020, we began implementing the system at our sites and Group companies in Japan and plan to do so at overseas locations from fiscal 2021.

This approach is still in its infancy, but it is expected to make a huge difference in our future safety management operations, which should also facilitate work style reform in the long run.

Environment

Reasons for Materiality

Climate change resulting from CO₂ emissions, depletion of resources, and marine pollution by plastics—the global environment is in a state of crisis. For the Nitto Group, it is essential to make eco-friendly efforts, as we emit CO₂ from the consumption of electric power and fossil fuels and consume plastics, organic solvents, water, and other resources for manufacturing (see the illustration below).

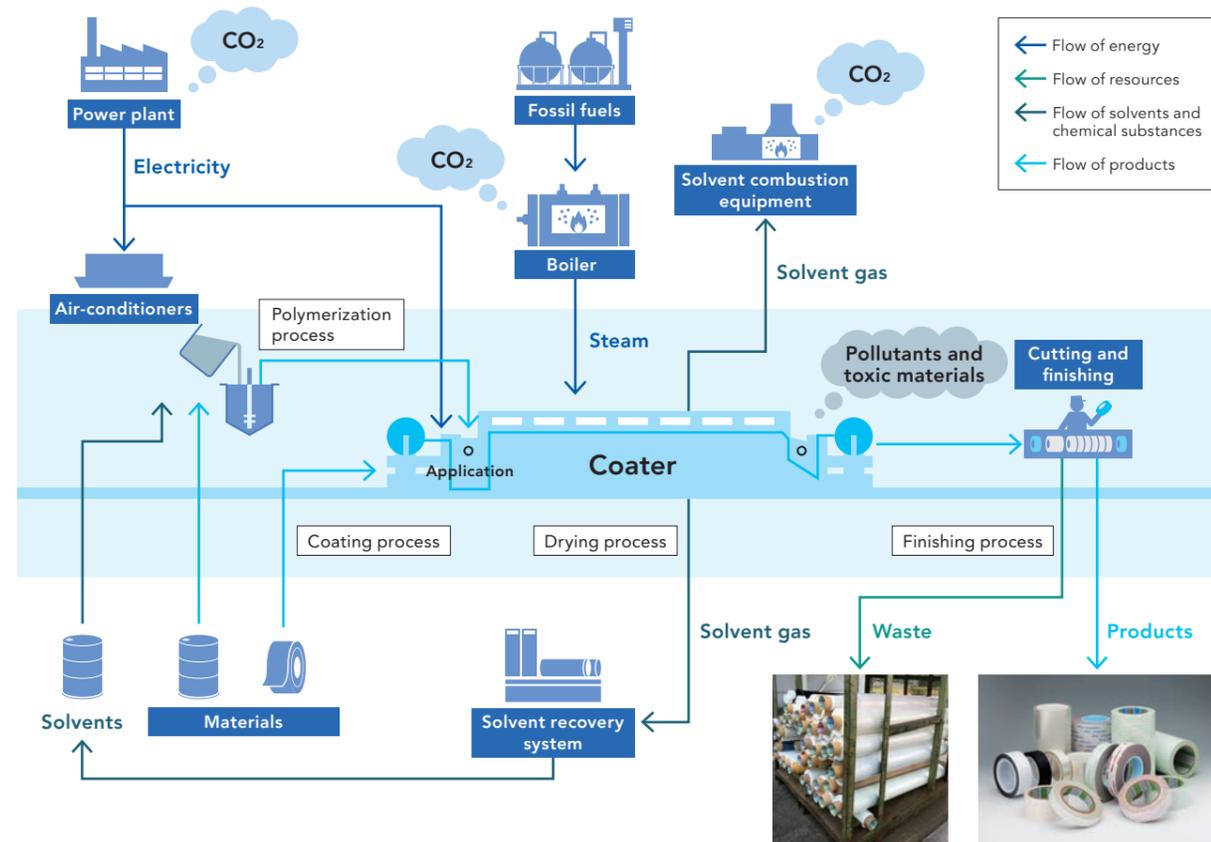
As customers and the public expect private enterprises to make proactive efforts to conserve the environment, environmental awareness constitutes one of the overriding conditions for sustainable business growth. We consider it an integral part of our corporate responsibility to minimize the environmental impact from our manufacturing process in order to confront the crisis facing the global environment.

Nitto Group's Approaches

In order to fulfill our corporate social responsibility through manufacturing, the Nitto Group discusses environmental challenges and programs at the Corporate Strategy Meeting, thus integrating our environmental activities with our management objectives. In fiscal 2021, we set up the Green Committee to promote environmental programs for the entire Group. Placed under the Committee are three subcommittees: the "Decarbonizing Subcommittee," which works to reduce CO₂ emissions by saving, recycling, and recovering energy; the "3R Subcommittee," which works to ensure efficient use of resources by promoting their conservation and cyclic use; and the "Pollution Prevention Subcommittee," which works to reduce the use of chemical substances and the emission of hazardous substances, both of which cause various forms of pollution. Business executing departments and relevant special function departments will work together to achieve the 2030 targets for each project.

We will also be ramping up educational campaigns designed to raise the environmental awareness of each and every employee.

Major environmental impact made in the Nitto Group's manufacturing process



Our Prospects for 2030 (Performance Targets)		
Reduction in CO₂ emissions <ul style="list-style-type: none"> CO₂ emissions: 600,000 tons/year*1 Reduction in CO₂ emissions in supply chains*2 	Efficient use of resources <ul style="list-style-type: none"> Recycling Ratio of generated waste-plastics: 60% or over Reduction in total waste disposed Promotion of usage of recycled resources 	Emission-reduction of pollutants and hazardous substances <ul style="list-style-type: none"> Reduction in VOC emissions

*1 Scope 1 + 2 *2 Scope 3

Green Committee Organization Chart



Reduction in CO₂ Emissions

As climate change heightens the risk of natural disasters globally, private enterprises must act to mitigate these conditions.

The Nitto Group launched its full-scale efforts to reduce CO₂ emissions in 2015 when it set a long-term emissions reduction target. So far, we have spent 5.0 billion yen to save energy for air-conditioning and install LED lights (total between fiscal 2016 and fiscal 2020), which lowered our annual CO₂ emissions to 690,000 tons in fiscal 2020, achieving our original target of "730,000 tons/year by 2025" five years early.

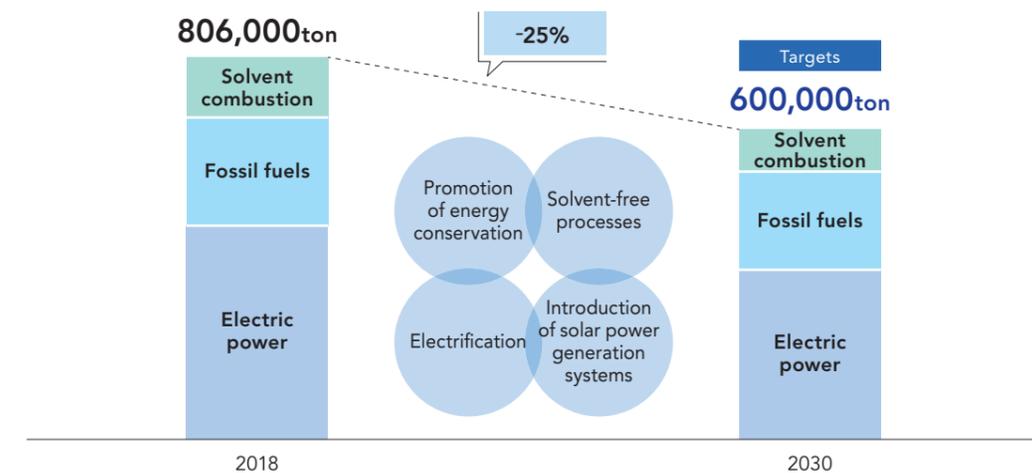
As the next step toward achieving carbon-neutral operations, we have set a new target of reducing annual CO₂ emissions to 600,000

tons/year by fiscal 2030, down by 25% from fiscal 2018.

To achieve this, we will implement a variety of programs, including the promotion of energy conservation at the production process, elimination of CO₂ emitted while combusting solvent gases through the pursuit of solvent-free processes, electrification of the production process (de-fossilized fuel), and introduction of solar power generation systems.

We plan to earmark over 60.0 billion yen for investment in these programs over the coming ten years.

Besides saving and recycling energy, we are redoubling our efforts to develop and implement new technologies, such as carbon recycling technology, to recover and reuse CO₂ from the production process as well as atmospheric CO₂.



Topics

Initiatives for Supply Chains

We are accelerating the shift from air to sea transport for international shipping from Vietnam, where the main mode of transport has been air cargo, even for short distances.

In Japan, too, we are achieving steady progress in making a modal shift for domestic transportation, reducing 124 tons of CO₂ emissions in fiscal 2020.

Going forward, we will take whatever action necessary for energy conservation.

Efficient Use of Resources

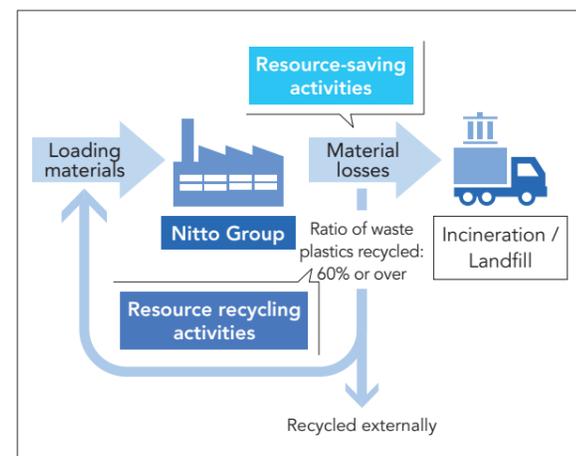
Earth offers bountiful natural resources, such as oil, minerals, and water, but they are ultimately finite. We believe it a critical mandate for any private enterprises to put such limited resources into efficient use.

So far, the Nitto Group has introduced truck scales to its sites in Japan to tighten resource management to reduce emissions through enhanced productivity and recycling of waste.

In fiscal 2020, the total waste disposed the Nitto Group amounted to 128,000 tons (up by 1.2% per unit production from fiscal 2019), which was below the 3.0% reduction target. This was primarily because of lower productivity due to fluctuations in orders caused by new product launches and the disturbances created by COVID-19.

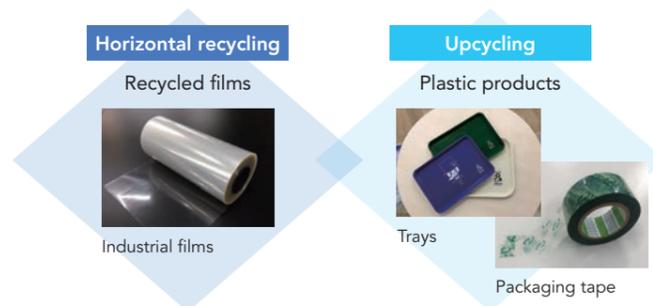
Going forward, we are looking to establish stable manufacturing practices immune to external factors, while at the same time promoting resource-saving activities by using Material Flow Cost Accounting (to be detailed in the next section).

We have also set new 2030 targets for the cyclic use of resources, which include a generated waste-plastics recycling ratio of 60% and over and aggressive use of recycled materials as raw materials.



Recycling waste-plastics

We will expedite the reuse of waste-plastics as films (horizontal recycling) and their transformation into high-value-added plastic products (upcycling).



Resource-Saving Activities

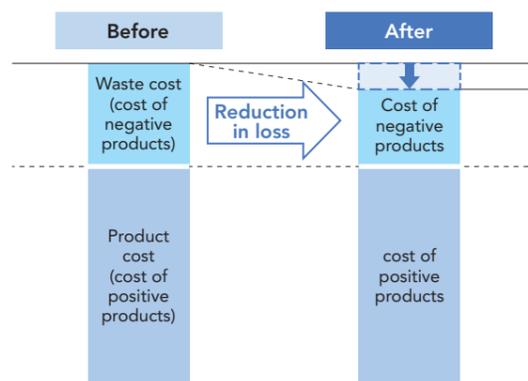
Material Flow Cost Accounting (MFCA) is a method of environmental management accounting. From the flow of materials (raw materials, secondary materials, etc.) at the production process, the volume and monetary value of materials are visualized to minimize materials loss, resulting in waste reduction.

The methodology of MFCA and its application across supply chains are defined in ISO 14051:2011 and ISO 14052:2017, respectively, and Nitto has contributed greatly to its standardization process as a lead company.

In February 2021, ISO 14053:2021, a more practical version with a lower barrier to entry, was published, and we are planning to utilize this new standard to further spread MFCA within the Nitto Group.

At the Membrane Division, where those on the shop floor took the lead in implementing MFCA ahead of others, they successfully slashed the "cost of negative products" at the ultra-high performance RO membrane formation process by nearly 10%.

We believe that MFCA will help us to save more resources once more divisions have advanced to the implementation phase to visualize the flow of materials with greater clarity.



Using MFCA for efficient use of resources

Efforts to Promote Cyclic Use of Resources

Recycling Wastewater

Besides using water resources efficiently, we attach a great deal of importance to recycling water so that the impact on our business activities is minimal should water supply be restricted due to abnormal weather or otherwise.

At the Shiga Plant, we are recycling wastewater by combining technologies for evaporative concentration and volume reduction with our proprietary technology of ultra-high pressure reverse osmosis (RO) membrane treatment. Having set the target recycling ratio at 90% for fiscal 2022, we are heading for our ultimate goal of "zero wastewater generated from processes." The knowledge gained in this regard is shared with other plants.

Meanwhile, at the Onomichi Plant, a water recycling facility using similar technologies was completed in October 2020 and subsequently went into operation. It is now possible to recycle 100% of wastewater from production processes, to establish a new model of water recycling. Also, the risk of suspended production due to restricted water supply, as was seen during the 2018 western Japan heavy rain disaster, has been reduced.



Water recycling facility at the Onomichi Plant

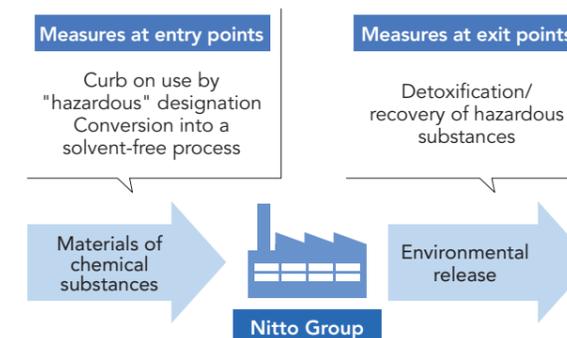
Emissions-reduction of Pollutants and Hazardous Substances

To minimize the impact on the work environment and the environment surrounding our plants, we are making efforts to reduce emissions of organic solvents and hazardous substances.

Nitto Denko Corporation began its programs to reduce toluene emissions in 2016, treating solvent gases and preventing leakage from buildings.

In fiscal 2020, atmospheric toluene emissions were 190 tons, a reduction of 400 tons from fiscal 2016. We have recently expanded the scope of such activities to include the entire Nitto Group and now monitor volatile organic compounds (VOCs), on top of toluene. We have also drawn up reduction targets and action plans for 2030.

By expediting the introduction of solvent-free processes, identifying hazardous substances according to stricter standards than what laws/regulations dictate, and regulating their use, the Nitto Group will strive to further reduce its environmental impact.



Development of Mono-Material Technology

Because one of our mainstay products is adhesive tape, it is necessary to decompose it into mono-materials to promote horizontal recycling. So far, we have verified a variety of techniques for the separation process. In fiscal 2021, we aim to establish the separation process, recycle films, verify their quality, put the entire process into practical application, and increase its scale on a commercial basis.

Directors and Auditors As of Jun 18, 2021



Outside Corporate Auditor

Masakazu Toyoda

Corporate Auditor

Masami Kanzaki

Outside Director

Tamio Fukuda

Director, Executive Vice President, CTO

Yosuke Miki

Director, Executive Vice President, CFO

Yasuhiro Iseyama

Outside Director

Takashi Hatchoji

Corporate Auditor

Shin Tokuyasu

Outside Corporate Auditor

Mitsuhide Shiraki

Outside Director

Yoichiro Furuse

Outside Director

Michitaka Sawada

Representative Director, President, CEO, COO

Hideo Takasaki

Director, Senior Executive Vice President

Nobuhiro Todokoro

Outside Director

Wong Lai Yong

Outside Corporate Auditor

Masashi Teranishi

Directors

Hideo Takasaki

Representative Director, President, CEO, COO

April 1978	Joined Nitto Denko Corporation
June 2008	Director, Vice President
June 2010	Director, Senior Vice President
June 2011	Director, Executive Vice President
June 2013	Director, Senior Executive Vice President
April 2014	Representative Director, President, CEO, concurrently COO (present)

Yosuke Miki

Director, Executive Vice President, CTO

April 1993	Joined Nitto Denko Corporation
June 2016	Vice President, General Manager of Information and Communication Technology Sector
April 2017	Vice President, Deputy CTO General Manager of Information and Communication Technology Sector, concurrently Deputy General Manager of Corporate Technology Sector and General Manager of New Business Development Division
June 2017	Director, Vice President
June 2019	Director, Senior Vice President
April 2020	Director, Senior Vice President, Deputy CTO General Manager of Information and Communication Technology Sector, Deputy General Manager of Corporate Technology Sector
June 2020	Director, Executive Vice President, CTO General Manager of Corporate Technology Sector, General Manager of Information and Communication Technology Sector
April 2021	Director, Executive Vice President, CTO (present)

Nobuhiro Todokoro

Director, Senior Executive Vice President

April 1989	Joined Nitto Denko Corporation
June 2015	Vice President, General Manager of Information Fine Materials Unit, Information Fine Materials Sector
April 2017	Vice President, General Manager of Information Fine Materials Sector
June 2017	Director, Senior Vice President, General Manager of Information Fine Materials Sector
June 2019	Director, Executive Vice President
June 2021	Director, Senior Executive Vice President (present)

Yasuhiro Iseyama

Director, Executive Vice President, CFO

June 1991	Joined Nitto Denko Corporation
October 2009	General Manager of Accounting Department, Strategic Administration Division, Optical Sector
July 2013	General Manager of Accounting Department, Strategic Administration Division, Functional Base Products Sector
October 2013	General Manager of Accounting Department, Strategic Administration Division, Functional Base Products Sector concurrently General Manager of Accounting Department, Planning & Management Department, Automotive Products Sector
April 2016	Deputy General Manager of Corporate Accounting & Finance Division, Corporate Strategy Sector
June 2017	Vice President, General Manager of Corporate Accounting & Finance Division
June 2020	Director, Senior Vice President, CFO
June 2021	Director, Executive Vice President, CFO (present)

Yoichiro Furuse

Outside Director (Independent Director)

April 1964	Joined Sumitomo Bank, Ltd.
June 1989	Director, Sumitomo Bank, Ltd.
October 1993	Executive Director, Sumitomo Bank, Ltd. (retired in June 1996)
June 1996	Senior Managing Director, Mazda Motor Corporation (retired in June 2000)
June 2001	Director, Sanyo Electric Co., Ltd.
June 2002	Representative Director and Vice President, Sanyo Electric Co., Ltd. (retired in October 2005)
January 2006	Representative Director, Evanston Corporation (present)
June 2007	Outside Director, Nitto Denko Corporation (present)
September 2010	Non-Executive & Independent Director, Global Logistic Properties Limited (retired in December 2017)
July 2015	Chairman of Japan, Permira Advisers KK (present)
October 2015	Director, Sushi Global Holdings Ltd. (retired in December 2016)
March 2016	Outside Director, Nasta Co., Ltd. (present)
January 2018	Consultant of GLP Pte. Ltd. (present)

Takashi Hatchoji

Outside Director (Independent Director)

April 1970	Joined Hitachi, Ltd.
June 2003	Vice President and Executive Officer, Hitachi, Ltd.
April 2004	Senior Vice President and Executive Officer, Hitachi, Ltd.
April 2006	Representative Executive Officer, Executive Vice President, and Executive Officer, Hitachi, Ltd. (retired in March 2007)
June 2007	President and Representative Director, Hitachi Research Institute (retired in March 2009)
April 2009	Representative Executive Officer, Executive Vice President, and Executive Officer, Hitachi, Ltd. (retired in March 2011)
April 2011	Chairman of the Board, Hitachi America, Ltd. (retired in March 2015)
June 2011	Director, Hitachi, Ltd. (retired in June 2015)
June 2015	Advisor, Hitachi, Ltd. (retired in June 2016)
June 2015	Outside Director, Nitto Denko Corporation (present)
June 2017	External Audit & Supervisory Board Member, Marubeni Corporation (retired in June 2020)
June 2017	Outside Director, Konica Minolta, Inc. (retired in June 2021)
June 2020	Outside Director, Marubeni Corporation (present)

Tamio Fukuda

Outside Director (Independent Director)

April 1989	Design Advisor of Samsung Electronics Co., Ltd., South Korea (retired in September 1999)
October 1999	Professor, Graduate School of Science and Technology, Kyoto Institute of Technology
April 2013	Professor Emeritus, Kyoto Institute of Technology (present)
June 2018	Outside Director, Nitto Denko Corporation (present)

Wong Lai Yong

Outside Director (Independent Director)

September 2013	Founder and Chief, Principal Trainer and Consultant, First Penguin Sdn. Bhd. (present)
July 2018	Director, Penang Women's Development Corporation (present)
October 2019	Adjunct Associate Professor, Shizenkan University Graduate School of Leadership & Innovation Deputy Center Leader, Center for Sustainability and Innovation (present)
June 2020	Outside Director, Nitto Denko Corporation (present)

Michitaka Sawada

Outside Director (Independent Director)

April 1981	Joined Kao Soap Co., Ltd.
June 2008	Director, Executive Officer, Kao Corporation
June 2012	Representative Director, President and CEO, Kao Corporation
June 2020	Outside Director, Panasonic Corporation (present)
January 2021	Director and Chair of the Board of Directors, Kao Corporation (present)
June 2021	Outside Director, Nitto Denko Corporation (present)

Auditors

Masami Kanzaki

Corporate Auditor

April 1978	Joined Nitto Denko Corporation
June 2008	Vice President, Representative Director of Nitto Shinko Corporation
June 2009	Vice President, Deputy General Manager of Sales Sector, Manager of Tokyo Sales Branch
April 2010	Vice President, CIO
June 2011	Senior Vice President, CIO
June 2013	Executive Vice President, CIO
June 2014	Executive Vice President, General Manager of Sales Management Sector
June 2015	Corporate Auditor (full-time service) (present)

Shin Tokuyasu

Corporate Auditor

April 1985	Joined Nitto Denko Corporation
July 2005	General Manager of Accounting Department, Optical Division
October 2009	General Manager of Accounting & Finance Department, Corporate Accounting Division, Corporate Sector
November 2011	General Manager of Accounting & Finance Department, Corporate Accounting Division, Corporate Sector and General Manager of Monitoring Department
February 2014	General Manager of Accounting & Finance Department, Corporate Accounting Division, Corporate Sector, concurrently General Manager of Business Management Division, Information Fine Materials Unit
April 2014	Deputy General Manager of Corporate Accounting & Finance Division, Corporate Sector
April 2015	Deputy General Manager of Corporate Accounting Division, Corporate Sector, concurrently General Manager of Accounting Department, Business Management Division, Automotive Products Sector
April 2016	Representative Director of Nitto Automotive, Inc.
June 2017	Vice President, Representative Director of Nitto Automotive, Inc.
July 2018	Vice President, General Manager of Compliance Division
April 2019	Vice President, General Manager of Corporate Sustainability Division
June 2019	Corporate Auditor (full-time service) (present)

Masashi Teranishi

Outside Corporate Auditor (Independent Corporate Auditor)

April 1969	Joined The Sanwa Bank, Ltd.
January 2002	President and Representative Director of UFJ Bank Limited
June 2002	Director of UFJ Holdings, Inc. (retired in June 2004)
May 2004	Representative Director of UFJ Bank Limited (retired in May 2004)
July 2004	Honorary Adviser of UFJ Bank Limited
January 2006	Honorary Advisor of The Bank of Tokyo-Mitsubishi UFJ, Ltd. (present)
June 2008	Outside Corporate Auditor of Nitto Denko Corporation (present)
June 2011	Outside Director of Tsukishima Kikai Co., Ltd. (retired in June 2018)

Masakazu Toyoda

Outside Corporate Auditor (Independent Corporate Auditor)

April 1973	Joined the Ministry of International Trade and Industry (Currently the Ministry of Economy, Trade and Industry (METI))
August 2003	Director-General, Commerce and Information Policy Bureau, METI
July 2006	Director-General, Trade Policy Bureau, METI
July 2007	Vice-Minister for International Affairs, METI (retired in July 2008)
August 2008	Secretary General of the Cabinet Secretariat's Strategic Headquarters for Space Policy (retired in August 2010)
November 2008	Special Advisor to the Cabinet Secretariat (retired in August 2010)
June 2010	Outside Statutory Auditor of Murata Manufacturing Co., Ltd. (retired in June 2016)
July 2010	Chairman & CEO of The Institute of Energy Economics, Japan (present)
June 2011	Outside Corporate Auditor of Nitto Denko Corporation (present)
March 2015	Outside Director of Canon Electronics Inc. (present)
June 2016	Outside Director of Murata Manufacturing Co., Ltd. (retired in June 2018)
June 2018	Outside Director of Nissan Motor Co., Ltd. (present)

Mitsuhide Shiraki

Outside Corporate Auditor (Independent Corporate Auditor)

April 1990	Professor, Faculty of Political Science and Economics, Kokushikan University
April 1999	Professor, School of Political Science and Economics, Waseda University
April 2005	Professor, Faculty of Political Science and Economics, Waseda University (present)
October 2009	Vice President of Japan Academy of International Business Studies
June 2012	Outside Corporate Auditor of Nitto Denko Corporation (present)
October 2012	Permanent Director of Japan Academy of International Business Studies
August 2013	President of Japan Society of Human Resource Management (retired in August 2015)
October 2015	Chairperson of Japan Academy of International Business Studies (present)

Vice Presidents As of July 1, 2021

Name	Title	Responsibilities and significant concurrent positions
Hideo Takasaki	Representative Director, President CEO, COO	
Nobuhiro Todokoro	Director, Senior Executive Vice President	
Yasuhito Ohwaki	Senior Executive Vice President CIO General Manager, Corporate Sustainability Division General Manager, Export Control Center	In charge of ESG promotion, compliance, risk management, IT, and export control
Yukihiro Iizuka	Executive Vice President General Manager of North/South American regions President, Nitto, Inc.	In charge of management of North/South America
Toshihiko Takayanagi	Executive Vice President General Manager, Sales Management Division General Manager of Taiwan	In charge of sales management & sales support, and management of Taiwan
Yosuke Miki	Director, Executive Vice President CTO General Manager, Corporate Technology Sector	In charge of corporate technology (R&D)
Sam Strijckmans	Executive Vice President General Manager of EMEA (Europe, the Middle East, and Africa) President & CEO, Nitto EMEA NV	In charge of management of EMEA (Europe, the Middle East and Africa)
Yasuhiro Iseyama	Director, Executive Vice President CFO General Manager, Corporate Accounting & Finance Division	In charge of accounting & finance, and IR
Kazuki Tsuchimoto	Senior Vice President Deputy CTO General Manager, Manufacturing & Production Engineering Division	In charge of manufacturing technology & process technology
Seiji Fujjoka	Senior Vice President General Manager, Medical Division	In charge of medical business
Atsushi Ukon	Senior Vice President President, Nissho Corporation	In charge of management of business companies
Bae-Won Lee	Senior Vice President General Manager of Korea Representative Director and President, Korea Nitto Optical Co., Ltd.	In charge of management of Korea, and information fine materials business
Norio Sato	Senior Vice President General Manager, Functional Base Products Sector	In charge of functional base products business
Katsuyoshi Jo	Vice President General Manager of PRC Chairman/President, Nitto Denko (China) Investment Co., Ltd.	In charge of management of PRC
Tatsuya Osuka	Vice President	In charge of management of Japan plants
Tatsuya Akagi	Vice President General Manager, Information Fine Materials Sector	In charge of information fine materials business
Kenjiro Asuma	Vice President	In charge of environmental strategy
Norikane Nabata	Vice President General Manager, Corporate QES (Quality, Environment & Safety Management) Division	In charge of quality, environment & safety management
Scott Shu	Vice President General Manager of South Asia/Oceania General Manager of India Chairman/President, Nitto Denko (Singapore) Pte. Ltd.	In charge of South Asia/Oceania and India
Yukihiro Horikawa	Vice President General Manager, Information and Communication Technology Sector	In charge of ICT business
Nobuyuki Aoki	Vice President General Manager, Human Resources Management Division, concurrently General Manager of Corporate Strategy Management Division	In charge of human resources & education, diversity & inclusion promotion, management strategy, and PR
Hideo Takabuchi	Vice President CPO General Manager, Business Reform Promotion Division	In charge of logistics, business reform, and procurement
Yasuhiro Hayashi	Vice President General Manager, Legal and Corporate Affairs Division	In charge of legal and general affairs

* CEO: Chief Executive Officer, COO: Chief Operating Officer, CTO: Chief Technology Officer, CIO: Chief Information Officer, CFO: Chief Financial Officer, CPO: Chief Procurement Officer

Executive Compensation

Policy on Compensation of Full-time (Corporate) Directors [Executive Compensation Policy]

<1> Compensation for Directors

a. Basic policy related to compensation for Directors

- The content of remuneration shall be such that Nitto Persons* are allowed to be appointed as a Director.
- The remuneration structure must motivate Directors to contribute to Nitto's sustainable growth and the enhancement of its corporate value over the medium and long term.
- The remuneration determination process shall be fair and transparent.

* In addition to meeting the basic requirement of having profound insights and high levels of expertise acquired from past experience, a Nitto Person is a person who can comprehend and practice Nitto's Corporate Philosophy, deliver results, and keep taking on new challenges.

b. Components of remuneration

Directors (excluding Outside Directors) shall be remunerated as summarized in the following table.

c. Policy related to the designing of the compensation level

In order to ensure that compensation for Nitto's officers, etc. is at a competitive level vis-à-vis industry standards, their compensation level is set by benchmarking a group of major companies of a similar scale in the same industry as Nitto.

d. Component ratio of remuneration

For the purpose of standard evaluation, the target component ratio of remuneration is: Compensation in cash : Bonus for Directors : Restricted share remuneration = 40% : 40% : 20%. Performance-linked share-based remuneration is provided as additional remuneration when medium-term targets are achieved, but not provided for a standard evaluation.

e. Policy related to the determination process

The policy related to the standard amount, calculation method, component ratio among different types of compensations, timing or conditions of payment, etc. for the remuneration of each Director shall be decided by the Board of Directors, by comprehensively taking into account factors such as the Company's business conditions, management environment, the levels of remuneration to officers at

major companies of a similar scale in the same industry as the Company, after receiving a report on the results of deliberations by the Management, Nomination and Remuneration Advisory Committee.

Decisions on concrete details of basic compensation for each term of office and the allocation of executive bonuses to each Director shall be entrusted to the President (who is also a Board Member) pursuant to a resolution of the Board of Directors. Because the President is in a position to evaluate if targets for Directors other than Outside Directors have been met, it is deemed rational for him/her to make a decision on the allocation. Compensation in cash shall be determined according to the position, responsibility, and length of service, whereas bonuses for officers shall be determined by taking into account the progress of achievement of targets set for areas of responsibilities of each Director in accordance with the predetermined standard amount and calculation method above, in order to prevent arbitrary decisions from being made. For performance-linked share-based remuneration and restricted share remuneration, the Board of Directors shall determine the number of shares to be granted to each Director using a predetermined formula.

<2> Compensation for Corporate Auditors

a. Basic policy related to remuneration of Corporate Auditors

- The content of remuneration shall be such that Nitto Persons are allowed to be appointed as a Corporate Auditor.
- The remuneration structure shall be such that it contributes to the fulfillment of their duties, including audits of the performance of duties by Directors.

b. Components of remuneration

Remuneration of Corporate Auditors does not include any share-based or other performance-linked portions and instead is comprised solely of fixed compensation in cash.

c. Policy related to the designing of the compensation level

In order to ensure that compensation for Nitto's officers, etc. is at a competitive level vis-à-vis industry standards, their compensation level is set by benchmarking a group of major companies of a similar scale in the same industry as Nitto.

d. Policy related to the determination process

Remuneration of individual Corporate Auditor is determined through consultations among themselves.

Type	Category	Policy related to the content of remuneration, methods of calculating the cash amount/ number of shares, and the timing of payment
Fixed compensation	Compensation in cash	Monthly compensation as determined by position, responsibility, and length of service is paid in cash.
Short-term performance-linked compensation	Bonus for Directors in cash	Compensation in cash is paid after the relevant business term is over to raise awareness about the Group's performance improvement for each business term. The amount of compensation paid to each Director is determined by the progress of achievement of the Group's performance indicators on consolidated operating income and consolidated ROE* over the period of one business term and by the progress made against the targets set for each Director's areas of responsibilities.
Medium-term performance-linked compensation	Performance-linked share-based remuneration	This additional compensation is designed to incentivize Directors to improve business performance over the mid-term, and share-based remuneration is granted once every three consecutive business terms. The number of shares to be granted to each Director is determined based on consolidated operating income and consolidated ROE* when three years have passed since the commencement of their performance evaluation period. Targets should be set high, and no compensation is paid if the targets are not met. The number of shares to be granted ranges between 80% and 150% according to the progress against the targets.
Medium- and long-term performance-linked compensation	Restricted share remuneration	Share-based remuneration is granted for each business term to align the interests of Directors and shareholders and reflect medium- and long-term business performance in their compensation. The number of shares to be granted to each Director is determined by position, responsibility, and length of service. The amount of remuneration is linked to the market price by setting restrictions on transfer until retirement.

* Consolidated operating income is chosen as an indicator for their commitment to delivering results, whereas consolidated ROE serves as an indicator for measuring business stability. In light of their roles and independence, Outside Directors are remunerated by fixed compensation only.

(3) Development of the Nitto Group's reporting system

The appropriateness of business operations of the entire Group shall be ensured by establishing a system whereby Nitto is involved in the Group companies' decision making on their management issues and other important matters. These include requiring a resolution of, prior consultations with, or reporting to Nitto.

(4) Appointment of officers in charge

The Group's decision-making regulations and standards and other instruments (hereinafter, the "Decision-Making Rules") shall be developed to clarify matters such as a decision-making entity, a responsible person, the scope of his or her responsibilities, business execution procedures, and the recipients of reports, concerning the business execution of the Group. An officer in charge of management strategies shall be responsible for developing the Decision-Making Rules and shall periodically review their contents.

(5) Development of a system for management and safekeeping of business documents

All documents associated with the execution of duties by Nitto's Directors, including, but not limited to the minutes of Nitto's general meetings of shareholders, Board of Directors meetings, and Corporate Strategy Meetings, and *ringi* collective decision-making documents, shall be safekept and managed in a manner that is appropriate and reliable for the chosen storage medium, such as printed paper or electromagnetic media, in accordance with the regulations on control and safekeeping of documents, and shall be kept in a condition that allows inspection as necessary.

4. Internal audit system (Article 362, paragraph (4), item (vi) of the Companies Act)

An internal audit department shall be created to conduct internal audits within the Nitto Group. The results of internal audits shall be reported to the Board of Directors.

5. Policy on support for audits by Audit & Supervisory Board Members

(Article 100, paragraph (3) of the Ordinance for Enforcement of the Companies Act)

(1) Support for audits by Audit & Supervisory Board Members in general

Nitto's Directors shall recognize and comprehend the importance and usefulness of audits by Audit & Supervisory Board Members, ensure that such recognition and comprehension are shared throughout the Nitto Group, and strive to enhance the Group's internal audit system.

(2) Appointment of staff for Audit & Supervisory Board Members

Staff for Audit & Supervisory Board Members shall be appointed as employees who should assist the duties of the Audit & Supervisory Board Members of Nitto.

- Staff of Audit & Supervisory Board Members shall be affiliated with an independent department and perform their duties under the direct command of Audit & Supervisory Board Members.
- The appointment and transfer of staff for Audit & Supervisory Board Members shall be determined with the approval of full-time Audit & Supervisory Board Members.
- Full-time Audit & Supervisory Board Members shall determine the evaluation of staff for Audit & Supervisory Board Members.
- Staff for Audit & Supervisory Board Members shall not hold a concurrent position that concerns business execution.

(3) Development of a system of reporting to Audit & Supervisory Board Members

- Nitto's Directors and employees shall report to the Audit & Supervisory Board Members of Nitto significant matters that may affect the operations and/or performance of the Nitto Group in accordance with the audit plan determined by the Audit & Supervisory Board and/or its Members.
- Notwithstanding the above, Audit & Supervisory Board Members of Nitto may, whenever necessary, demand reports from Nitto's Directors and employees, their attendance at important meetings, and access to the minutes of such meetings or *ringi* collective decision-making documents and other reports.
- A system shall be established to ensure that Nitto's Audit & Supervisory Board Members are reported to promptly and adequately concerning whistleblowing and the Emergency.
- A system shall be established to prevent any disadvantageous treatment of a person on the ground of him or her making a report to Nitto's Audit & Supervisory Board Members.

(4) Policy on expenses for audits by Audit & Supervisory Board Members

- When Nitto's Audit & Supervisory Board Members of Nitto demand from Nitto any advance payment or reimbursement of expenses that are incurred in the execution of their duties, such expenses or liabilities shall be processed promptly after deliberations by the division in charge, unless it is proven that the expenses or liabilities thus claimed were unnecessary for the execution of duties by the Audit & Supervisory Board Members in question.

(5) Other policies

- A system shall be established to allow Nitto's Audit & Supervisory Board Members to conduct audits efficiently in collaboration with accounting auditors, the department in charge of internal audits, and others concerned, and through exchanges of opinions and information with corporate auditors of Group companies.
- In addition to the audit described above, a system shall be established to allow Nitto's Audit & Supervisory Board Members to demand a report from corporate auditors, directors, and senior executives of the Nitto Group companies whenever necessary.

Risk Management

Review of Major Risks

In fiscal 2020, the Nitto Group's management team determined the major risks for its business activities by gathering information from business execution departments, regional management, and special function departments to analyze risk factors.

Major risks are roughly classified into two: "Business Risks," which concern risks associated with business and "Operational Risks," which concern other risks that can affect the Nitto Group overall. Starting from fiscal 2021, "Governance for overseas Group companies" was added to the list of Operational Risks in reaction to the misconduct that was found at one of our overseas Group companies in fiscal 2019.

Major Risks

Business Risks	Business environment	Risks for each business segment • Industrial Tape • Optronics • Life Science • Others
	International trade, forex risks	
	Customers' financial conditions	
	Access to raw materials	
	R&D	
Operational Risks	Product safety	Infectious diseases
	Environment	M&As
	Information security	Intellectual property rights
	Changes in laws/regulations & compliance	Securing human resources
	Governance for overseas Group companies	Working environment
	Accidents and injuries	Defined benefit liabilities

-> See details of the major risks on Nitto's website <https://www.nitto.com/jp/en/sustainability/governance/management/>

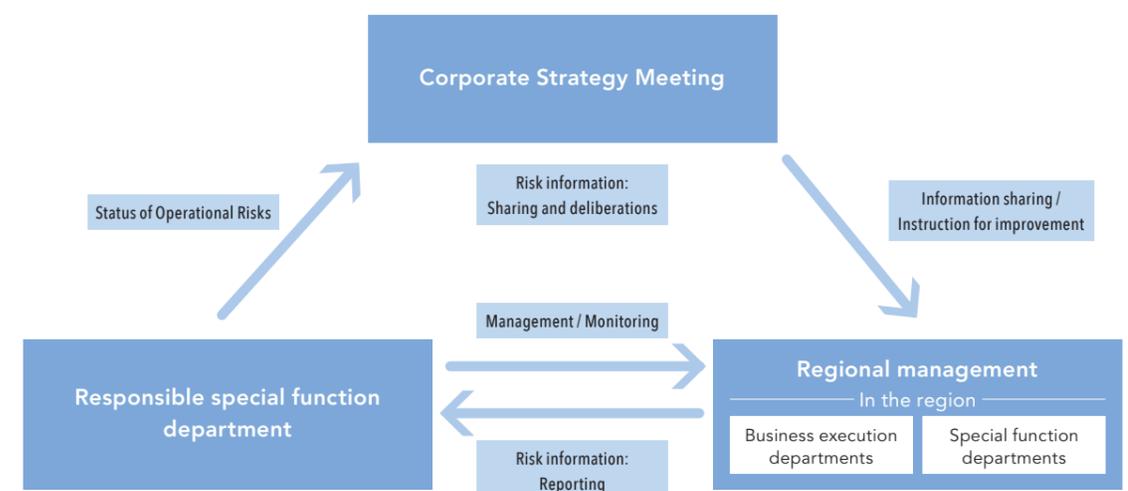
Rolling Out a New Risk Management System

The Nitto Group takes extra care to properly manage various business risks. As a new initiative in this regard, in fiscal 2021, we began rolling out a new risk management system, placed under the supervision of a newly-appointed officer responsible for corporate risk management.

Previously, the Internal Control Committee, which is managed by a group of limited members, was the Nitto Group's primary vehicle for risk management. Starting from fiscal 2021, given the increasing importance of risk management and the associated need for improved effectiveness of internal control, we will use the Corporate Strategy Meeting, whose members include Directors and Vice Presidents, as a vehicle to share information and deliberate on major risks.

As before, Business Risks will be monitored by relevant business execution departments. For Operational Risks, the selection of risks to be managed will be initially sorted by the new system, after which the special function department responsible for managing the risks thus identified will be determined. The corporate special function department supervises and monitors business execution departments and special function departments in each region and reports and shares the risk information thus compiled at the monthly Corporate Strategy Meetings. On the other hand, regional management is responsible for putting together and monitoring risk information within their region. Risk information and deliberation results shared at the Corporate Strategy Meeting will be fed back to relevant business execution departments via regional management or otherwise. Thus, with each party playing an active role and making systematic improvements to maintain this cycle, we will reinforce internal control.

Flow of Operational Risk Management by the Nitto Group



Reinforcing BCP/BCM

Education/Training

For us to take prompt and appropriate action in times of emergency, we are enhancing our Business Continuity Plan (BCP) and Business Continuity Management (BCM) framework. In fiscal 2020, we organized a business continuity seminar for management and a decision-making drill in the event of an earthquake.

At the seminar, participants learned about topics on the heightening risks that businesses are exposed to, including the latest information in this regard. They also deepened their understanding of the status of BCP at their companies.

The decision-making drill was participated in by individuals to be included in the Disaster Response Headquarters at emergencies. They were given experiences of making decisions in several simulated disasters. On the occasion, outside experts were invited to give advice on important things in decision-making and matters that need to be prepared at ordinary times. As the participants compared notes, they reached a consensus on information and process necessary for making decisions in emergency situations.

We will continue supporting these activities in order to establish BCP/BCM and increase their effectiveness.

Revising the BCP Manual

In response to the COVID-19 pandemic, we have made an overall review of the BCP manual to control infectious diseases smoothly.

Our Responses to COVID-19

Formation of Disaster Response Headquarters

On January 28, 2020, we set up the China Region Disaster Response Headquarters and the Nitto Group Disaster Response Headquarters, which are chaired by the General Manager of the China region (Vice President) and the President of Nitto Denko Corporation, respectively. As the infection began to spread thereafter, the Nitto Group Disaster Response Headquarters increased measures to protect the Nitto Group from infection by cooperating and sharing information with each region, in order to ensure that prevention strategies were thoroughly known and implemented and that supplies for communicable disease control are accommodated within the Group.

Prevention of COVID-19

As per our policy outlined in the Nitto Way, "We place safety before everything else." To live up to this, we have introduced necessary measures depending on operational formats at each site, including staggered commuting and work-from-home, placing the safety and health of our employees and their family members before everything else. To facilitate the expansion of work-from-home, we have enhanced our ICT infrastructure by, for instance, reinforcing communication networks and introducing an electronic sealing system.

To prevent localized epidemics, we have tightened control of access to shared facilities and entry to the company premises and drawn up procedures to prevent contagion should someone become infected.

In case of closure of a site pursuant to the procedures or suspended operations under the guidance of local governments, we have prepared plans for alternative and early resumption of production. Thanks to our comprehensive preventive efforts, we have had no COVID-19 clusters within the Group.

In anticipation of the need to cope with COVID-19 for the foreseeable future, we will reinforce our BCP/BCM to prepare ourselves for the outbreak of more unknown infectious diseases in the future.

Compliance

Upgrading the Compliance Promotion System

The Nitto Group takes a strong stance to ensure that each of our members is strictly compliant and does not overlook even the smallest concern that is reported or otherwise brought to attention. Our goal is to be an ethically sound organization where any cases of noncompliance are reported immediately and subsequently improved and corrected.

In the past, the CSR Department governed compliance and risk management under the supervision of the officer responsible for CSR. In April 2021, however, the Compliance Promotion Department was established to undertake these duties under the supervision of the officer responsible for compliance.

Ensuring Strict Compliance

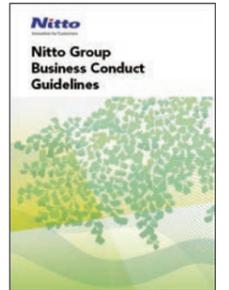
At the Nitto Group, the Nitto Group Business Conduct Guidelines have been the foundation, as well as the cornerstone, of compliance ever since they were established in 2006. Now available in 16 different languages, every member of the Group has a copy of these Guidelines so that they can follow them.

For international trade, we obtained blanket permission pursuant to the Foreign Exchange and Foreign Trade Act in 1994 and a license as an authorized exporter pursuant to the Customs Act in 2008, and have since consistently engaged in the Japanese exporting business. In order to ensure compliance for CSR-based procurement, in 2016 we established the CSR-Based Procurement Guidelines (subsequently revised in 2019) to involve suppliers in our initiative in this regard.

In the Nitto Group Basic Policy on Human Rights revised in 2018, we declared our respect for the human rights of every business partner throughout our supply chain.

As described above, the Nitto Group has a history of providing its employees with thorough compliance training by expanding the scope of compliance from "goods" to "people" in accordance with the Business Conduct Guidelines.

In fiscal 2020, the Compliance Promotion Department provided training courses on such topics as power harassment, CSR for recruits (including compliance), Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors, and Customs Act.



Nitto Group Business Conduct Guidelines

Whistle-Blowing System

The Nitto Group has continuously upgraded its whistle-blowing system, starting with an internal system for its employees, the Partner Hotline, which allows business partners to file reports on CSR-based procurement with Nitto, and another that allows its employees to report to independent organizations. This framework has since been expanded to Americas, South Asian countries, China, and Taiwan and will be introduced to South Korea and Europe in fiscal 2021.

We will further implement each system to facilitate the early detection of legal violations and ethical issues and ensure prompt action against them.

Topics

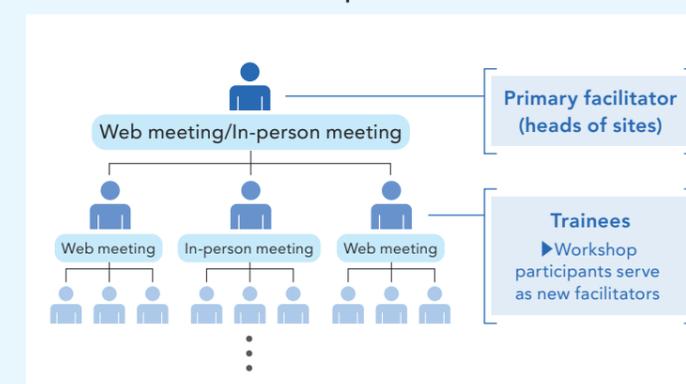
Sustainability Workshops to Gain Ownership of Sustainability Challenges

To prevent misconduct and urge everyone to address material issues for sustainability, the Nitto Group began offering Sustainability Workshops in fiscal 2020. Unlike its previous incarnation, CSR workshops for managers, which were organized and taught by the CSR department, Sustainability Workshops are organized independently by each site and Group company under the lead of the respective sustainability promotion managers (heads of each site and local subsidiary). This structure was chosen out of our wish to have Nitto Group employees develop ownership of such issues and spontaneously act on them.

In fiscal 2020, the Sustainability Workshop was offered to Assistant Managers and above on the two topics of "How to prevent misconduct" and "Addressing material issues for sustainability." It was originally supposed to take place in the *Kuruma-za* round-table setting but was partially given online because of COVID-19.

Though we are still in a trial stage, we are hoping to spread this initiative to all of our sites and Group companies to bring about changes in the way each employee thinks and acts, which we believe will lead to finding solutions to the challenges of the Nitto Group.

Administration of Workshops



Original anti-misconduct textbook



Online Kuruma-za discussions

Messages from Outside Directors



Yoichiro Furuse
Outside Director

Seeing Improvements in the Operational Effectiveness of Board Meetings

Having long served as an Outside Director of the company, I can assure you that the operational effectiveness of Nitto's board meetings in these few years has only improved on the back of the greater diversity of the board members. First of all, they spend sufficient time deliberating items on the agenda, in addition to hearing reports and making resolutions. No one comes to a meeting without reading handouts beforehand, being conscious of the time for presentations. This, in turn, gives us extra time to compare notes on a given agenda item. I must say that this is very "Nitto" in that emphasis is placed on good communication and vigorous discussions, and this remains intact when we meet online in the time of the COVID-19 pandemic.

If I were to pick out an area for improvement, I would say that it would be wonderful if we had opportunities to more thoroughly discuss how Nitto can create more business opportunities or what strategies should be applied to approach its markets. In the past, Nitto employees often had heated discussions on what their products could do or the future potential of the company in a small wooden Head Office building. It is most gratifying to know that this corporate culture has been firmly handed down to this day in the form of Nitto's commitment to the Global Niche Top™ strategy.



Tamio Fukuda
Outside Director

High Hopes for Enhanced Branding through Efforts to Address Managerial Issues

Without a doubt, we are witnessing a paradigm shift away from the era of mass production and mass consumption. No company can fulfill its corporate responsibility by merely producing and selling more. Understanding this, Nitto has taken the commendable step of establishing its "material issues for sustainability" to clearly state its stance as a responsible member of society.

I also like the way Nitto illustrates its material issues for sustainability as it clearly shows how "Co-creating value through innovation" and "Enhancing management process for co-creating value" relate to each other for the public to understand easily.

How it should go about addressing such issues poses one of the most critical challenges for Nitto's management, and I would like to see more divisions and departments get involved in this discussion with even greater verve. My role as an Outside Director is to help them to make this happen.

Addressing material issues for sustainability could be said to be a part of company branding, just as bringing about innovation is. If everyone at Nitto unites as one to work on this, I am sure that it can send a clear message to its stakeholders.

Personally, I hope that such endeavors will lead to the establishment of a globally recognizable brand, in the vein of "Nitto for XX."



Takashi Hatchoji
Outside Director

We Should Involve All the Players in the Supply Chain to Tackle Environmental Issues

Nitto has fostered a corporate culture that encourages its employees to thoroughly discuss subjects, including environmental issues. At board meetings, we discuss how we should respond to issues, with a common perception that we should fulfill our corporate responsibility to contribute to sustainability.

Environmental concerns need to be addressed by the entire Nitto Group and its supply chain. We are working on this by establishing "material issues for sustainability," knowing that doing so is our responsibility as a company and can lead to new business opportunities. A good example of this is membrane products for treating water. Nitto's R&D team has long been working on such innovative products that we hope will generate renewed growth.

Nitto is a company that places customers first when it comes to business. As such, it will remain committed to addressing issues that involve the global environment, humankind, and society which our customers are part of. Now that customers are busy addressing this vital subject of environmental issues, I hope that Nitto will find ways to further business growth by pursuing various activities for their solution with global customers through the open innovation approach.



Wong Lai Yong
Outside Director

Hoping to See Nurturing of Nitto Persons to Enhance Corporate Value and Contribute to Solving Environmental and Social Issues

Since my time as a graduate student, I have been working on the empowerment of global human resources. Having had the pleasure of serving as Nitto's Outside Director for about a year, I have been impressed by its open and inviting culture. I speak rather candidly about anything, and I am able to express my views on an equal footing with other members at board meetings. I have never felt that I have been treated differently in any way because I am a foreigner or a woman.

At the board meetings, I conveyed my comments on how we can ensure diversity through a human resource strategy. Nitto has my deepest respect for empowering people with diverse backgrounds to work across national borders and encouraging employees with disabilities to challenge themselves, but it still has some room for improvement.

As part of its improvement efforts, Nitto has set a long-term target of increasing the ratio of women in management, and such a proactive attitude has my full backing. Although achieving this challenging target will be no easy task, I sincerely hope that Nitto will continue to do whatever it can to resolve environmental and social issues while seeking to increase its corporate value as it strives to develop "Nitto Persons" and pursue greater diversity.

Our new Outside Director, Michitaka Sawada, is not featured here, as he was just elected on June 18, 2021.

Business Results: 10-Year Summary

	Japanese GAAP					IFRS					IFRS		
	2011	2012	2013	2013	2014	2015	2016	2017	2018	2019	2020	2020	
Statement of income (Yen in Millions)													
Revenue	607,639	671,253	749,835	749,504	825,243	793,054	767,710	857,376	806,495	741,018	761,321	7,200,615	
Operating income (ratio to revenue)	56,491 (9.3%)	68,482 (10.2%)	72,254 (9.6%)	72,503 (9.7%)	106,734 (12.9%)	102,397 (12.9%)	92,589 (12.1%)	125,722 (14.7%)	92,777 (11.5%)	69,733 (9.4%)	93,809 (12.3%)	887,251 (12.3%)	
Income before income taxes	49,848	63,265	69,641	70,642	105,947	101,996	91,791	126,168	91,910	69,013	93,320	882,626	
Net income	31,346	44,198	51,306	52,188	78,028	81,989	63,690	87,463	66,616	47,224	70,308	664,977	
Net income attributable to owners of the parent company (ratio to revenue)	31,066 (5.1%)	43,696 (6.5%)	51,018 (6.8%)	51,892 (6.9%)	77,876 (9.4%)	81,683 (10.3%)	63,453 (8.3%)	87,377 (10.2%)	66,560 (8.3%)	47,156 (6.4%)	70,235 (9.2%)	664,286 (9.2%)	
Total comprehensive income	32,345	70,945	72,415	72,518	108,098	44,552	63,344	83,907	62,060	35,359	89,796	849,295	
Net cash provided by (used in) operating activities	58,492	68,152	78,286	78,444	119,481	140,658	119,939	122,551	98,569	123,641	116,309	1,100,057	
Net cash provided by (used in) investing activities	-37,064	-56,269	-15,735	-15,893	-53,857	-57,085	-49,739	-50,215	-49,955	-59,991	-57,538	-544,197	
Net cash provided by (used in) financing activities	-23,978	-14,822	-18,131	-18,131	-68,966	-44,902	-28,884	-44,919	-58,419	-51,637	-68,297	-645,957	
Cash and cash equivalents at the end of the period	145,712	152,275	203,446	203,446	214,559	240,891	280,343	304,709	297,682	304,922	300,888	2,845,815	
Segment information by geographic area (Yen in Millions)													
Japan	Revenue	194,636	192,600	186,320	185,990	189,779	180,987	186,979	200,556	194,087	166,419	173,918	1,644,926
	Operating income	39,571	44,338	43,263	44,112	70,322	60,793	51,979	75,982	53,545	51,149	54,526	515,710
Americas	Revenue	35,739	40,014	52,085	52,085	59,451	75,344	80,123	82,568	75,967	66,659	58,425	552,587
	Operating income	-1,363	1,768	1,198	1,373	-1,725	12,241	16,570	12,225	7,928	2,429	2,162	20,448
Europe	Revenue	21,189	31,057	38,834	38,834	43,041	42,750	40,521	45,578	45,683	40,402	38,806	367,029
	Operating income	480	898	3,104	3,025	2,729	3,081	3,727	4,218	3,071	-1,460	3,580	33,860
Asia & Oceania	Revenue	356,074	411,942	472,594	472,594	532,971	493,972	460,085	528,672	490,757	467,536	490,172	4,636,073
	Operating income	15,514	20,258	22,158	23,874	36,573	24,410	22,905	32,793	26,065	21,419	34,659	327,807
Per share information (Yen)													
Equity attributable to owners of the parent company per share	2,635.9	2,961.9	3,172.0	3,159.9	3,706.0	3,785.9	4,027.6	4,328.5	4,465.7	4,479.3	4,838.1	45.76	
Basic earnings per share	188.9	265.5	309.3	314.6	471.8	495.2	390.9	539.0	423.5	301.3	472.7	4.47	
Diluted earnings per share	188.6	264.9	308.6	313.9	470.9	494.6	390.5	538.4	423.1	301.1	472.4	4.47	
Price earnings ratio	17.7	20.9	16.0	15.7	17.0	12.6	22.0	14.8	13.7	16.0	20.0	-	
Dividends per share	100 (52.9)	100 (37.7)	100 (32.3)	100 (31.8)	120 (25.4)	140 (28.3)	150 (38.4)	160 (29.7)	180 (42.5)	200 (66.4)	200 (42.3)	1.89 (-)	
Shares outstanding (thousands)	173,758	173,758	173,758	173,758	173,758	173,758	173,758	173,758	158,758	158,758	149,758	-	
Number of treasury shares (thousands)	9,283	8,938	8,756	8,756	8,614	11,465	11,434	13,592	1,908	4,839	1,792	-	
Average number of common shares (thousands)	164,460	164,595	164,950	164,950	165,079	164,940	162,311	162,112	157,165	156,501	148,580	-	
Number of shareholders	65,321	49,234	55,009	55,009	35,014	37,694	29,742	35,847	37,684	36,871	28,456	-	
(Yen in Millions)													
Total assets	651,908	740,949	781,352	783,583	855,433	825,905	879,899	937,796	913,418	921,900	965,901	9,135,543	
Equity attributable to owners of the parent company	433,541	488,179	523,391	521,385	612,016	614,425	653,772	693,278	700,443	689,446	715,868	6,770,718	
Ratio of profit attributable to owners of the parent company to total assets (ROA)	4.8%	6.3%	6.7%	6.8%	9.5%	9.7%	7.4%	9.6%	7.2%	5.1%	7.4%	-	
Return on equity attributable to owners of the parent company (ROE)	7.3%	9.5%	10.1%	10.5%	13.7%	13.3%	10.0%	13.0%	9.6%	6.8%	10.0%	-	
Ratio of equity attributable to owners of the parent company to total assets	66.5%	65.9%	67.0%	66.5%	71.5%	74.4%	74.3%	73.9%	76.7%	74.8%	74.1%	-	
Capital investment	33,758	49,807	75,814	75,814	56,721	60,420	36,538	47,193	64,353	58,930	50,597	478,549	
Depreciation expenses	36,806	36,467	43,188	43,223	45,662	48,537	48,556	49,283	45,904	49,390	47,950	453,514	
R&D expenses	25,003	27,573	28,573	28,444	28,240	32,120	30,366	31,243	31,990	33,765	35,261	333,500	
Number of employees (Note 1)	32,198	30,382	31,504	31,504	31,997	30,007	29,617	29,704	29,019	28,751	28,289	-	

<Note>

1. Part-time employees are included.

2. The exchange rate used was JPY105.73 to USD1.00, which was the rate as of fiscal year ended March 31, 2021.

3. Effective from the fiscal year ended March 31, 2014, the Company and some of its consolidated subsidiaries changed the method of recognition of revenue to one based on the time of delivery to customers from the prior one which was based mainly on the time of shipment. The figures for the fiscal year ended March 31, 2013, are those after the retrospective application of the change except for the figures in "Segment information by geographic area".

4. From the fiscal year ended March 31, 2015, the Nitto Denko Group has implemented the International Financial Reporting Standards (IFRS) to prepare its consolidated financial statements (date of transition to IFRS: April 1, 2013). Accordingly, the financial data for the fiscal year ended March 31, 2014 is also presented based on the IFRS.

5. From fiscal year ended March 31, 2019, "royalty income," which was previously included in "other income" on the consolidated statements of income, is included in "revenue." Accordingly, the above numbers from fiscal year ended March 31, 2018 have been reclassified to reflect the change.

6. The above 10-year Summary is presented based on the International Financial Reporting Standards (IFRS). The term based on the Japanese standard for "Revenue" is "Net sales," "Net income attributable to owners of the parent company" is "Net income," "Equity attributable to owners of the parent company per share" is "Net assets per share," "Basic earnings per share" is "Net income per share," "Total assets" is "Total assets," "Equity attributable to owners of the parent company" is "Equity," "Ratio of profit attributable to owners of the parent company to total assets" is "Return on assets," "Return on equity attributable to owners of the parent company" is "Return on equity" and "Ratio of equity attributable to owners of the parent company to total assets" is "Equity to total assets."

Consolidated Financial Statements

Consolidated Statements of Financial Position (Yen in Millions)

	Amount	
	As of March 31, 2021	As of March 31, 2020 (Reference)
(Assets)		
Current assets	610,017	576,056
Cash and cash equivalents	300,888	304,922
Trade and other receivables	182,939	154,473
Inventories	107,668	96,124
Other financial assets	1,399	2,642
Other current assets	17,121	17,893
Non-current assets	355,884	345,843
Property, plant and equipment	270,813	266,948
Right-of-use assets	14,979	16,266
Goodwill	4,593	4,852
Intangible assets	13,620	10,198
Investments accounted for using equity method	392	206
Financial assets	10,856	7,242
Deferred tax assets	25,951	25,694
Other non-current assets	14,676	14,434
Total assets	965,901	921,900

	Amount	
	As of March 31, 2021	As of March 31, 2020 (Reference)
(Liabilities)		
Current liabilities	182,783	161,895
Trade and other payables	100,790	90,811
Bonds and borrowings	545	90
Income tax payables	11,225	10,036
Other financial liabilities	22,834	24,050
Other current liabilities	47,387	36,907
Non-current liabilities	66,431	69,800
Other financial liabilities	17,161	18,976
Defined benefit liabilities	46,754	48,272
Deferred tax liabilities	347	284
Other non-current liabilities	2,167	2,266
Total liabilities	249,214	231,696
(Equity)		
Equity attributable to owners of the parent company	715,868	689,446
Share capital	26,783	26,783
Capital surplus	50,070	50,271
Retained earnings	635,916	643,521
Treasury stock	-10,039	-27,505
Other components of equity	13,136	-3,624
Non-controlling interests	817	757
Total equity	716,686	690,204
Total liabilities and equity	965,901	921,900

Consolidated Statements of Changes in Equity April 1, 2020 – March 31, 2021 (Yen in Millions)

	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
Balance at the beginning of current year	26,783	50,271	643,521	-27,505	-3,624	689,446	757	690,204
Net income			70,235			70,235	72	70,308
Other comprehensive income					19,478	19,478	10	19,488
Total comprehensive income	-	-	70,235	-	19,478	89,714	82	89,796
Share-based payment transactions		-200			5	-195		-195
Dividends			-30,188			-30,188	-22	-30,211
Changes in treasury stock		-50,374		17,466		-32,908		-32,908
Transfers from other components of equity to retained earnings			2,723		-2,723	-		-
Transfer from retained earnings to capital surplus		50,374	-50,374			-		-
Total transactions with owners	-	-200	-77,840	17,466	-2,717	-63,291	-22	-63,314
Balance at the end of current year	26,783	50,070	635,916	-10,039	13,136	715,868	817	716,686

Consolidated Statements of Income (Yen in Millions)

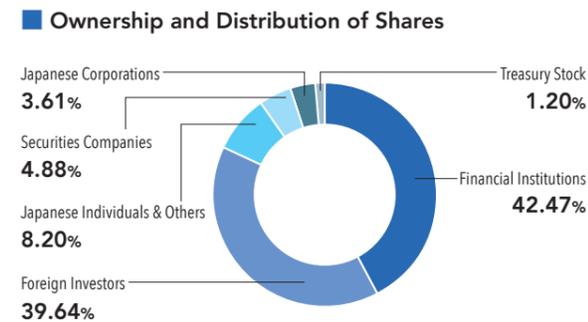
	Amount	
	April 1, 2020 – March 31, 2021	April 1, 2019 – March 31, 2020 (Reference)
Revenue	761,321	741,018
Cost of sales	517,872	519,090
Gross profit	243,449	221,927
Selling, general and administrative expenses	107,722	111,368
Research and development expenses	35,261	33,765
Other income	4,466	5,423
Other expenses	11,122	12,483
Operating income	93,809	69,733
Financial income	559	886
Financial expenses	1,073	1,620
Equity in profits (losses) of affiliates	25	13
Income before income taxes	93,320	69,013
Income tax expenses	23,012	21,788
Net income	70,308	47,224
Net income attributable to:		
Owners of the parent company	70,235	47,156
Non-controlling interests	72	68

Consolidated Statements of Cash Flows (Reference) (Yen in Millions)

	Amount	
	April 1, 2020 – March 31, 2021	April 1, 2019 – March 31, 2020
I Cash flows from operating activities		
Income before income taxes	93,320	69,013
Depreciation and amortization	47,950	49,390
Impairment losses	6,011	7,327
Increase (decrease) in defined benefit liabilities	1,878	2,677
Decrease (increase) in trade and other receivables	-21,058	12,805
Decrease (increase) in inventories	-7,607	-5,132
Increase (decrease) in trade and other payables	9,234	-4,899
Interest and dividend income	587	822
Interest expenses paid	-617	-650
Income taxes (paid) refunded	-24,560	-13,332
Others	11,171	5,619
Net cash provided by (used in) operating activities	116,309	123,641
II Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-57,724	-59,797
Proceeds from sale of property, plant and equipment and intangible assets	341	1,444
Decrease (increase) in time deposits	769	-1,941
Purchase of investment securities	-507	-1,236
Proceeds from sale of investment securities	292	1,531
Purchase of shares of subsidiaries and associates	-880	-
Others	170	7
Net cash provided by (used in) investing activities	-57,538	-59,991
III Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	428	-336
Repayment of finance lease obligations	-5,199	-4,735
Decrease (increase) in treasury stock	-33,312	-16,701
Cash dividends paid	-30,188	-29,820
Others	-25	-44
Net cash provided by (used in) financing activities	-68,297	-51,637
IV Effect of exchange rate changes on cash and cash equivalents	5,492	-4,771
VI Net increase (decrease) in cash and cash equivalents	-4,034	7,240
VII Cash and cash equivalents at the beginning of the period	304,922	297,682
VIII Cash and cash equivalents at the end of the period	300,888	304,922

Shareholder/Stock Information (as of March 31, 2021)

Number of shares authorized to be issued	400,000,000 shares
Number of shares issued	149,758,428 shares <small>(Amount of treasury stock held 1,792,681 shares)</small>
Number of shareholders	28,456
Share unit	100 shares



Major shareholders (top 10)

Name	Number of shares held (Thousands of shares)	Ownership percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,828	19.48
Custody Bank of Japan, Ltd. (Trust Account)	12,040	8.14
Custody Bank of Japan, Ltd. (Trust Account 7)	3,261	2.20
Custody Bank of Japan, Ltd. (Securities Investment Trust Account)	2,849	1.93
State Street Bank and Trust Company 505223	2,636	1.78
State Street Bank West Client - Treaty 505234	2,539	1.72
JP Morgan Securities Japan Co., Ltd.	2,134	1.44
Nippon Life Insurance Company	2,082	1.41
Custody Bank of Japan, Ltd. (Trust Account 5)	1,964	1.33
JP Morgan Chase Bank 385781	1,839	1.24

*The ownership percentage has been calculated based on the number of shares issued, excluding treasury stock.

IR Activities

In following the "Policies Concerning Constructive Dialogue with Shareholders," we reflect the opinions received from our shareholders and investors at shareholders' meeting, company information meetings, and IR activities in management.

	The 153rd meeting <small>(held on June 22, 2018)</small>	The 154th meeting <small>(held on June 21, 2019)</small>	The 155th meeting <small>(held on June 19, 2020)</small>	The 156th meeting <small>(held on June 18, 2021)</small>
Number of attendees at the Ordinary General Meeting of Shareholders	481	467	40	27



The 156th Ordinary General Meeting of Shareholders

The 156th Ordinary General Meeting of Shareholders was held with due cautions given to COVID-19.

Events	Target Audiences	Frequency (per year)
Company information meetings	Japanese/overseas institutional investors	2
Financial results information meetings	Japanese institutional investors / analysts	4
Overseas roadshows	Institutional investors in North America, Europe, and Asia	3
Conferences, etc. sponsored by securities houses	Japanese/overseas institutional investors	6
Information meetings for private investors	Private investors	1

The above events include IR meetings held by the CEO and CFO.

Nitto Denko Himawari Corporation 20th Anniversary

Last year, Nitto Denko Himawari Co., Ltd. celebrated the 20th anniversary of its foundation. This special subsidiary company was established with 25 employees in the year 2000 on the premises of the Toyohashi Plant as part of our commitment to the employment of individuals with disabilities.

It is said that the general one-year retention rate of employees with disabilities is around 60%, but it is over 90% at the Himawari Group. With six locations in Japan, the Himawari Group had over 290 employees on its payroll as of the end of February 2021, making the Nitto Group's percentage of employees with disabilities in Japan 3.5%, exceeding the mandatory ratio of 2.3% as of March 2021. We are determined to cherish the founding desire of the company, that is, "giving individuals with disabilities opportunities to enjoy a sense of accomplishment through manufacturing and feel the joy of labor," in support of their pursuit of independence.



Founding Anniversary Ceremony

Disclaimer

This report contains future projections as well as past and present facts related to Nitto Denko Corporation (non-consolidated) and the Nitto Group (consolidated). These statements are based on information at the time of creation and may not be completely accurate at the time of reading. Please be advised that actual business activity results may differ materially from those described in the projections. All chapters of this report are also available in Japanese. In the event of any discrepancies between the two versions, the Japanese version will prevail.

Business Performance and Financial Information

As we have applied International Financial Reporting Standards (IFRS) from fiscal 2014, business performance and financial information from fiscal 2014 described in this report are based on IFRS.

Trademarks

All logos, product names, and other related names in this report are the trademarks and the registered trademarks of Nitto and other entities in Japan and/or other countries.

Environmental Data

Some of the numbers from previous years have been updated as the scope of Group companies was extended or calculation methods were changed.

ESG Indexes

On May 8, 2020, Nitto was included in the Ethibel EXCELLENCE Investment Register, an investment universe selected by Forum Ethibel.



"Nitto Denko Corp. has been reconfirmed for inclusion in the Ethibel EXCELLENCE Investment Register since 08/05/2020. This selection by Forum Ethibel (www.forumethibel.org) indicates that the company performs better than average in its sector in terms of Corporate Social Responsibility (CSR)."

In 2021, Nitto was selected as a constituent of the MSCI ESG Leaders Indexes, the MSCI Japan ESG Select Leaders Index and the MSCI Japan Empowering Women Index (WIN).



THE INCLUSION OF NITTO DENKO CORPORATION IN ANY MSCI INDEX, AND THE USE OF MSCI LOGOS, TRADEMARKS, SERVICE MARKS OR INDEX NAMES HEREIN, DO NOT CONSTITUTE A SPONSORSHIP, ENDORSEMENT OR PROMOTION OF NITTO DENKO CORPORATION BY MSCI OR ANY OF ITS AFFILIATES. THE MSCI INDEXES ARE THE EXCLUSIVE PROPERTY OF MSCI. MSCI AND THE MSCI INDEX NAMES AND LOGOS ARE TRADEMARKS OR SERVICE MARKS OF MSCI OR ITS AFFILIATES.

Nitto Group Integrated Report 2021

URL: <https://www.nitto.com/jp/en/>

Date of Issue: July 31, 2021

Publishing Office:

ESG Department,
Nitto Denko Corporation
33F, Tower A, Grand Front Osaka, 4-20
Ofuka-cho, Kita-ku, Osaka 530-0011, Japan
Tel: +81-6-7632-2101
Fax: +81-6-7632-2102

Person in Charge of Issue:

Yasuhito Ohwaki
Senior Executive Vice President
General Manager,
Corporate Sustainability Division

Printing and Binding:

Nitto Denko Himawari Co., Ltd.

Nitto

Innovation for Customers

Nitto Denko Corporation

33rd Floor, Tower A, Grand Front Osaka 4-20, Ofuka-cho, Kita-ku, Osaka, 530-0011 Japan
TEL +81-6-7632-2101 FAX +81-6-7632-2102 <https://www.nitto.com/jp/en/>
CATALOG CODE: 01500 Issued in July 2021



1907F12 ©
2008R07
2107R05 ©