

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

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Fiscal 2021 in Review

In fiscal 2021, the global economy began to recover at long last as governments around the world learned how to balance epidemic prevention with economic activities as they saw their vaccination coverage rising and implemented stimulus packages while one new COVID-19 variant strain after another emerged. Meanwhile, society has shifted rapidly to electronic and digital options, in every single sector, and the new work style of work-from-home is here to stay. Toward the end of the fiscal year, however, the economic outlook grew uncertain, primarily owing to the soaring costs of raw materials and disruptions in the supply chain stemming from Russia's invasion of Ukraine, as well as the rapid depreciation of the yen. Despite this fast-changing operating environment, the Nitto Group managed to achieve record-high profit by determining which demands would grow, recover, or not recover, while simultaneously pursuing growth strategies and restructuring.

With regards to things that will grow, the flexible printed circuit board business and the oligonucleotide contract manufacturing business, both of which belong to our focus domains of information interface and human life, respectively, drove our business performance strongly. For things that will recover, our offerings for notebook and tablet computers from the information fine materials business contributed to the brisk profit performance. I would say we have been able to make this respectable showing as we allocated our management resources on a priority basis by closely monitoring demand, which allowed us to utilize our manufacturing expertise to promptly respond to what customers wanted.

To maintain this growth momentum, in February 2022 we signed an agreement with Mondi plc based in the U.K. to acquire their personal care component business for an enterprise value of approximately 80.0 billion yen. We hope this acquisition will further strengthen our initiatives for human life solutions, one of our focus domains.

Promoting ESG Management

Pursuing Both Financial and Unfinanced Targets

In our new mid-term management plan, "Nitto Beyond 2023," which was launched in fiscal 2021, we chose "Promoting ESG Management" to realize the 2030 Ideal State. The new targets for ESG management are: sustaining a high ratio of new products; reducing CO2 emissions in anticipation of a decarbonized society; and increasing the percentage of women in management positions. These are categorized as "Unfinanced targets," which we believe will affect our future financial value either directly or indirectly. As such, we will accelerate our efforts in this regard, as we aim for revenue and other financial targets.

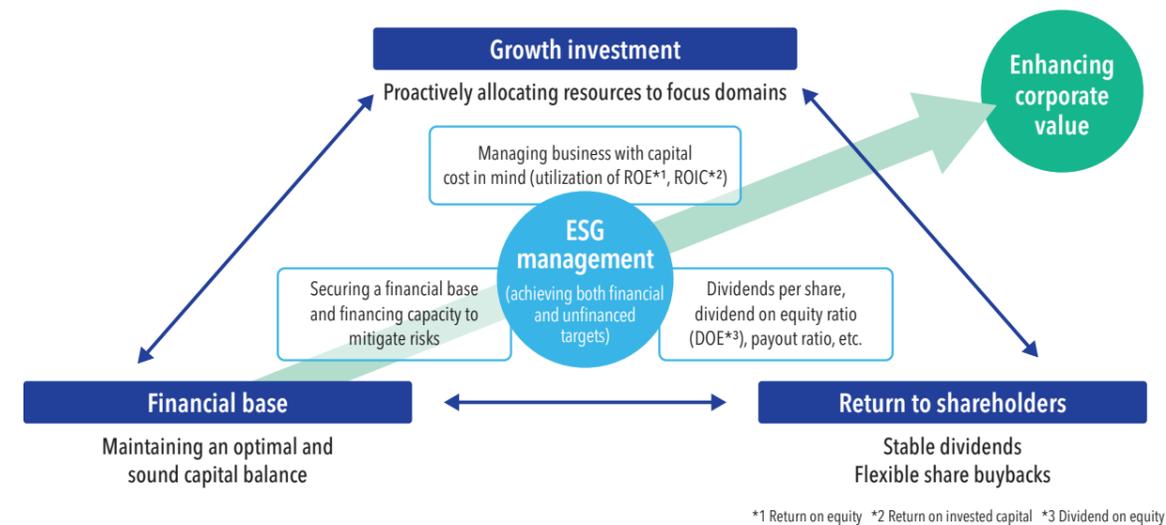
Simultaneously Solving Social Issues and Creating Economic Value

We do not believe that emphasizing ESG and sustaining earnings growth are two separate things. Rather, solving social issues and creating economic value are so intertwined that both the public and the market expect companies to care for both the environment and sustainability today.

Pertaining to climate change, which is one of our major ESG priorities, we made the Nitto Group Carbon Neutral 2050 declaration and expressed our support for the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD) in May 2022. In order to accelerate these initiatives, we have set aside a total of 60.0 billion yen as an investment budget for environmental initiatives up to fiscal 2030. Furthermore, as part of our relentless efforts to simultaneously solve social issues and create economic value, we have launched a new program that recognizes products with high social merit and which contribute significantly to our business performance, as being products contributing to the environment and/or human life (PlanetFlags/HumanFlags). By

enhancing the sales ratio of such products, we hope to further enhance our profitability and transform our business/product portfolios in a way that boosts our contributions towards the

sustainability of society. In so doing, we will also take a backcasting approach to promoting ESG management in order to get to where we want to be ten to twenty years from now.



Basic Ideas behind the Financial Strategy

In allocating cash flow generated and cash and deposits in hand, the Nitto Group will remain committed to balancing stable and continuous shareholder return and maintaining a healthy financial base while continuing to place a high priority on investing in growth. To this end, we prioritize our 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.

The Nitto Group aims to maintain a stable and continuous return on equity (ROE) of 10% or higher. To achieve this self-set goal, we have adopted return on invested capital (ROIC) as a management indicator. While proactively investing their resources in ESG, each business division applies ROIC in determining the collectability of their investments, thus maximizing the efficiency of their investments and ultimately increasing the ROE of the Group.

The Nitto Group is currently making growth investments in focus domains, specifically the domain of M&As, for which we have budgeted a total of 150.0 billion yen up to the end of fiscal 2023, but we may spend more if and when there is an M&A opportunity that looks set to accelerate our business growth.

In order for us to seize growth opportunities and flexibly

seek finances when necessary, we will do our utmost to maintain the soundness of our financial base such as solid equity capital and adequate liquid cash on hand, while at the same time reinforcing accounting governance by way of digital transformation (DX).

Meanwhile, our basic policy for shareholder return is to continue paying stable dividends to reward long-term shareholders and investors. The amount of such dividends is determined by considering various factors, including dividends per share, DOE, payout ratio, and financial positions. To complement shareholder return by dividends, we will also remain flexible in buying back our shares.

We at the Nitto Group wish to contribute our services towards the realization of an environmentally friendly, sustainable society by offering solutions to social issues while creating economic value. I, as Chief Financial Officer of the Nitto Group, will build a sound financial base to constantly manage our business in a sustainable manner while being aware of capital costs and placing ESG at the core. For us, it is vital that our management policies and values of our business are appreciated and recognized by the general public. Accordingly, we will continue to enhance the Nitto Group's corporate value through constant dialogues with our shareholders, investors, and other stakeholders.