

Nitto

Innovation for Customers

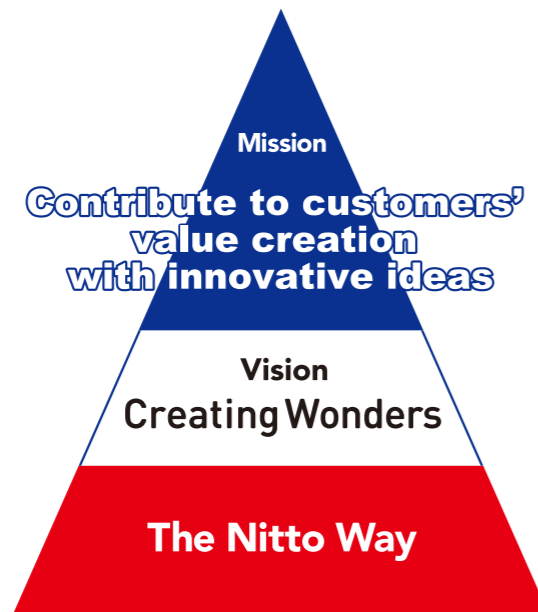
Nitto Group Integrated Report
2023



Nitto Denko Corporation

Corporate Philosophy

The Nitto Group's Corporate Philosophy is comprised of three elements: our corporate Mission, our Vision which aligns our way of thinking in attaining our Mission, and the Nitto Way, which is the set of values we practice.



Mission

Contribute to customers' value creation with innovative ideas

We at the Nitto Group relentlessly pursue products, systems, and ideas that customers find valuable. Our Mission is to deliver safety, prosperity, comfort, and affluence not only to customers whom we contact 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 hold the same vision, which is "Creating Wonders." Each and every employee is challenging themselves to wonder and inspire the world; in other words, we endeavor to create wonders in our everyday work and generate the power to change the world in many different domains.

The Nitto Way

The Nitto Way is a set of values that every Nitto employee is expected to practice to achieve Nitto's Vision for the future. All Nitto Group employees should understand "The Nitto Way" and work vigorously, with attention to physical safety and mental wellbeing, to realize our "Mission" and "Vision."

Safety

Place safety before everything else.

Sustainability

Prioritize being in harmony with society and nature to realize a sustainable future.

Diversity & human rights

Value integrity and modesty, as well as respect the diversity and rights of all people.

Customer

Amaze and inspire our customers by serving the global environment, humankind, and society as our customers as well.

Anticipation of change

Go where the action is to refine our ability to anticipate and leverage change.

Challenge

Continue to take on challenges without fearing failure.

Sanshin Activities

Create innovation through Sanshin Activities.

Niche Top

Create Niche Top products all over the world as One-Nitto.

Speed and perfection

Act promptly and get things done through teamwork.

Corporate culture

Act according to an "open, fair, and best" approach.

Personal development

Transform ourselves through personal-development. Individual development leads to growth of the team.

Sense of ownership

Act with a sense of ownership.

The Nitto Way was revised in October 2022.

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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 103 companies including Nitto Denko Corporation and its 98 subsidiaries and 4 affiliates, as of March 31, 2023.

Time Period

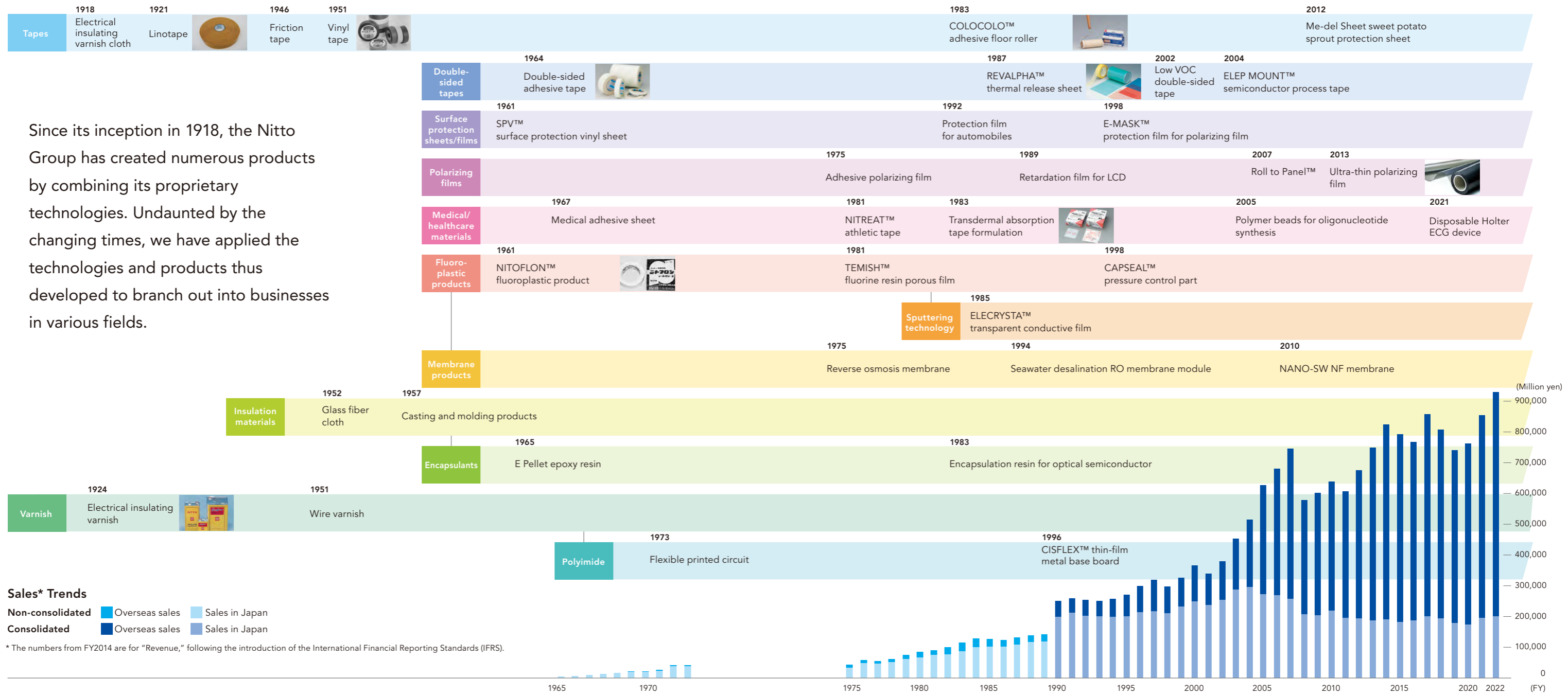
Fiscal 2022 (April 1, 2022 - March 31, 2023)
Some performance figures and activities from periods other than the above are also included.

Reference Guidelines

This report has been prepared with reference to the following guidelines:

- Global Reporting Initiative (GRI) Standards by the Global Reporting Initiative
- GRI Content Index <https://www.nitto.com/jp/en/sustainability/gri/>
- International Integrated Reporting Framework by the IFRS Foundation

Footsteps of the Nitto Group



1918 Laying the Groundwork

Laying the groundwork for starting insulation business at Osaki, Tokyo

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.

1946 The Second Beginning

Starting over at Ibaraki, Osaka, after WWII

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. In 1957, the Nitto Group's unique marketing approach that holds up to this day, *Sanshin Activities* (three new activities), began.

1961 Commencing Business in the Production of Industrial Materials

Separating off Maxell

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 then and now, began operation. The late 1960s saw Nitto go overseas, founding Nitto Denko America, Inc. and then Nitto Denko (Taiwan) Corp., Nitto's first overseas manufacturing site.

1974 Development of Multiple Cores and Overseas Expansion

Advancing into the fields of medical care and electronics, commencement of overseas operation, and acceleration of M&As

In the aftermath of the oil crisis of 1973, the Nitto Group drove the development of its multi-core business to fortify itself with enough resources to survive economic fluctuations, making inroads into the fields of medical care and then the membrane business and acquiring Hydranautics in the U.S. in 1987. In 1988, when Nitto celebrated the 70th year since its foundation, the company name was changed to Nitto Denko Corporation.

1989 Global Niche Top™ Strategy

Establishing a business foundation for sustained growth

In order to respond speedily to dynamic changes in the market, the business division system was introduced in 1989. 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.

2007 Innovation for Customers

Placing ESG at the Core of Our Management

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. In 2022, we declared the "Nitto Group Carbon Neutral 2050," thus accelerating our efforts to realize a decarbonized society.

"Irreplaceable" Nitto Products

The Nitto Group delivers "irreplaceable" products that help to realize a sustainable future and support well-being for everyone by serving the global environment, humankind, and society as our "customers."

Please refer to our corporate website for details of PlanetFlags/HumanFlags.



<https://www.nitto.com/jp/en/sustainability/infocus/flags/>

HumanFlags

Optical films for VR

Impact on society

- Improve the image quality of VR devices and enhance the immersive experience
- Leverage VR technology in various social fields, such as education and medical care



Advanced Circuit

Impact on society

Improve the functionality of smartphones



Glass anti scattering film for automotive displays

Impact on society

- Prevent glass shattering of in-vehicle displays in the event of a collision
- Reduce personal injury



Thin-film metal base board CISFLEX™

Impact on society

- Indispensable for HDDs accounting for the majority data center of storage media
- Support people's comfort and convenience in a smart society

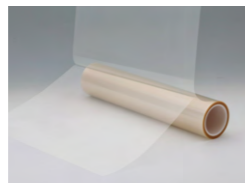


PlanetFlags

Bio based adhesive tape with recycled films

Impact on society

- Life cycle CO₂ emissions: **-45%**
- Contribute to resource recycling with recycled film and bio based adhesive



Secure and accessible lifestyle



Sustainable circular society



Sound and healthy life



Environmentally friendly processes

HumanFlags

Polymer beads for synthesizing oligonucleotides NittoPhase™

Impact on society

- Contribute to manufacturing oligonucleotide therapeutics high purity and yield
- Contribute to developing new oligonucleotide therapeutics by synthesizing various oligonucleotides



Contract manufacturing for bulk oligonucleotide therapeutic

Impact on society

- Accelerate oligonucleotide therapeutic development for pharmaceutical companies and drug discovery companies
- Contribute to promoting oligonucleotide therapeutics with advanced manufacturing technology



Medical films

Impact on society

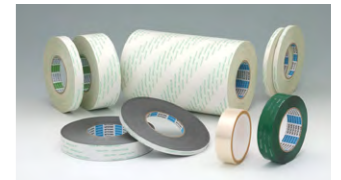
Providing people with medical products of stable quality

PlanetFlags

Low VOC double-sided tape

Impact on society

Life cycle
CO₂ emissions: **-41%**
VOC emissions: **-90%**



RO membranes for ZLD (Zero Liquid Discharge)

Impact on society

- CO₂ emissions from wastewater treatment: **-63%**
- Contribute to water resource recycling and energy conservation by efficiently reusing wastewater





Hideo Takasaki

Representative Director, President
CEO, COO

Daring to Challenge What Only Nitto Can

Taking Advantage of Changes to Build a Resilient Corporate Structure

In fiscal 2022, the Nitto Group achieved revenue of 929.0 billion yen and an operating income of 147.2 billion yen, both record highs, despite the difficult business environment. We could not hope to accomplish this without everyone in the Group forging ahead with their business.

This past year was highly unpredictable, with geopolitical risks including China's zero COVID policy and Russia's invasion of Ukraine, price surges, and rising interest rates. On the other hand, we benefited from the yen's depreciation against other currencies, so our operating environment was mixed, to say the least.

As much as it is hard to anticipate what to expect in the global economy, I believe it important that business managers keep abreast of management risks by running simulations within a certain margin. It is also important to respond to changes flexibly while building a resilient corporate structure immune to the external environment. I think it's safe to say that the brilliant showings in fiscal 2022 are attributable to the fact that both officers and employees united as one to address burning issues common throughout the Group.

To build a resilient corporate structure, it is vital that we transform our business portfolio. While the information and communication technology (ICT) business, which offers circuit materials, and the medical business, which includes oligonucleotide therapeutics, keep growing, the Nitto Group is trying to establish new mainstay businesses by aggressively investing in them. I am pleased to say that we are moving step by step toward building a robust business portfolio.

When I joined Nitto some 45 years ago, I remember the president of the company often saying, "From changes arise opportunities." This phrase is still entrenched in my mind nearly half a century later. At the risk of sounding too general, we become

restless when change arrives. His positive thinking that change comes hand in hand with opportunity left a lasting impression on me as a new recruit.

On its way to sustained growth, the Nitto Group has created a large number of Niche Top products as we constantly explore the ever-changing markets.

Achieving Sustained Growth by Simultaneously Pursuing Restructuring and Growth Strategies

Looking back on the past 10-plus years, the Nitto Group has encountered major changes, a.k.a. adverse situations, many times. Still fresh in my memory is the global recession triggered by the economic and financial crisis in 2008, which resulted in our business performance dropping significantly, albeit temporarily. Yet we took things positively, rather than being unnecessarily intimidated by the change, and navigated the company accordingly. Our solution was to "discontinue" or "downsize" some of our operations, which is not very easy to do during ordinary times, while investing a lavish amount of money in products that we believed would grow. It is this approach of pursuing both restructuring and growth strategies that underpins the Nitto Group's sustained growth.

And now, a clear and present change is happening to the global environment. It is never easy to reduce the negative impact that business activities may cause on the environment, by achieving carbon neutrality and other initiatives. To address this challenge, we are focusing on proposing products that help our customers reduce their environmental impact, while properly assessing risks and opportunities. Hence PlanetFlags/HumanFlags.

In the field of contributions to human life, we have launched numerous products already. We thus believe that we must add to the list of such products in the field of contributions to the environment going forward. As you can imagine, it is no easy task to ask users of our existing products to replace them

all at once. As every player in the supply chain is increasingly required to comply with regulations on carbon neutrality, and so on, it is not necessarily in the best interest of our customers in the long run to continue to use existing products. Rather, I firmly believe that, through close communication, encouraging them to use products that help to reduce environmental impact will eventually serve their interests best.

One of the challenges that will face the Nitto Group from now on, as we build a resilient corporate structure immune to the external environment, lies upstream of the supply chain, that is, stable procurement of raw materials. Also challenging is securing reliable access to raw materials in the face of rising geopolitical risks. Regulations on chemical substances are being tightened everywhere globally, and we must be more attentive to sustainable procurement than ever. More than a few of our Niche Top products use raw materials whose procurement can be affected by such risks. If the supply of such resources suddenly stops due to environmental regulations or geopolitical risks, we will be affected enormously. To prepare against this, we have established the Supply Chain Committee to invite key organizations, including the procurement division and development departments from each business division, to locate risks associated with procurement and conceive countermeasures.

The Nitto Group with an “Irreplaceable Position” in the World

The Nitto Group has drawn up a new mid-term management plan, Nitto for Everyone 2025, which will serve as a beacon to us during the first three years (from fiscal 2023 to fiscal 2025) as we seek to realize our “2030 Ideal State.” Now, we envision ourselves as an “irreplaceable top ESG company that continually brings amazement and inspiration as a Niche Top creator,” by 2030. Merely having people appreciate our existence is not enough; our goal is to be an “irreplaceable” piece as we pursue what makes Nitto stand out and be unique. In more concrete words, by combining ESG management and the Niche Top Strategy, we intend to deliver more “products and services that are irreplaceable” for customers, society,

and planet Earth than ever.

Meanwhile, to expedite ESG management, we are dedicated to ESG initiatives within the Group. At Nitto, we deliberately call information other than financial information “future-financial” information, not “non-financial” information. This is because we expect ESG investments to have financial value in the future. We classify future-financial indicators into human resource-related ones, which concern the revitalization of people and teams, product-related ones, including PlanetFlags/HumanFlags and Niche Top products, and environment-related ones, which concern decarbonization and resource recycling. In each category, we are adding more new indicators on top of existing ones and are working hard to achieve targets for each indicator.

Some of the leading examples of what we do for ESG management include: announcement of support to the Task Force on Climate-Related Financial Disclosures (TCFD), realization of carbon neutrality by 2050, development of PlanetFlags/HumanFlags into Niche Top products, formulation of the Basic Policy on Sustainability, implementation of the measures that aim at empowering female employees, and the establishment of an organization dedicated to ESG.

One ESG initiative that merits special mention here is the Nitto Group Carbon Neutral 2050, in which we commit ourselves to decreasing CO₂ emissions to 470,000 tons by fiscal 2030. To this end, we intend to spend 30.0 billion yen over the three-year period of the new mid-term management plan. Furthermore, we will increase the total amount of relevant investment up to fiscal 2030 from 60.0 billion yen to 80.0 billion yen in a bid to achieve the goal ahead of schedule. To drive our environmental initiatives beyond decarbonization, environment-related future-financial indicators of the new mid-term management plan include the waste plastics recycling ratio and the sustainable materials procurement ratio.

Making ESG Investment Consistent with Business Improvement Is the Essential Duty of Top Executives

Leading this company as I am, I wasn’t initially certain what to do with ESG management. How should we go about boosting performance while

making ESG investments?—It’s not easy to find an answer to this question. After careful consideration, however, we have decided to “pursue solutions to social issues and creation of economic value through our unique approaches, placing ESG at the core of our management.” Now, when you invest in your business, you have to recoup it by any means. Therefore, I take it as an essential duty of the top manager of this company to provide PlanetFlags/HumanFlags to customers, generate a fair amount of earnings, and reinvest part of them into future product development.

So far, we have recognized a total of ten products according to our unique standards. In fiscal 2022, I had the opportunity to commend our employees who were involved in PlanetFlags/HumanFlags on our Foundation Day, along with recipients of the President’s Award. We hope to recognize more going forward and have asked our development teams to have all of their projects meet the standards for PlanetFlags/HumanFlags. At the same time, we are planning to make a shift to PlanetFlags/HumanFlags for existing businesses as well, so that we can accelerate this initiative in a uniquely Nitto way.

Sometimes, people tell me that Nitto will soon become a one-trillion-yen company, but my bottom line is the business’s profitability. What’s more important for me is achieving a 17% ratio to revenue. I also feel that it’s essential to keep ROE in the double digits. Salespersons may even prefer to see sales numbers grow even at the sacrifice of some operating income, but that will rid us of our uniqueness. This being the case, we will never play in a volume zone in any business, because competing in a volume zone means a pricing war and a lower ratio to revenue. What we should be playing in is the high-end market. Although its volume may be somewhat limited, we can still achieve high profitability if we take the lead in niche market segments. The Nitto Group also covers up to the mid-end market, where we can expect high returns if we follow a business model that is different from those of the high-end market, such as a royalty business based on the patent strategy.

Outside of business, the Nitto Group organizes social contribution activities on a global scale. One of them is the sponsorship of the Nitto ATP Finals, the season-ending tournament of men’s professional

tennis. As part of this sponsorship, we offer a social contribution program. We will remain committed to such activities as a way to help realize a better society.

Breaking the Interdivisional Walls to Facilitate Mergers among Business Domains

Having redefined its three focus domains as digital interface, power & mobility, and human life, the Nitto Group is seeking business in a way to accommodate societal changes, such as decarbonization, digitization, and health and longevity. When we updated the focus domains, younger employees were invited to join a series of discussions on such topics as how we should perceive our markets in anticipation of 2030.

In the new focus domains, we believe that the Nitto Group’s strengths can be felt more where each domain intersects, not in any of the three individual domains. For instance, in a space where the digital interface and human life intersect, we have set up a digital health business utilizing devices that make the most of high-performance materials with little burden on patients. By facilitating the cross-domain business, we aim to create Niche Top products that have never existed before.

The Nitto Group has a business division system, but it would be difficult to create new value if each division functions individually at the time of change, giving rise to the need to overcome or break barriers among organizations. As a top manager, I will ensure that we create a workplace environment that encourages our employees to make a cross-sectoral attempt to transcend organizational barriers.

We are also implementing drastic personnel programs. One of them is to replace heads of each business division to accelerate the intersection among different business domains. It may seem a reckless attempt, but we have a group of human resources that we believe can prove themselves given the opportunity. We have already begun to see the interdivisional collaboration produce an effect.

Focusing on Initiatives for Human Capital Management to Ensure Sustainable Growth

What we believe to be most important for the Nitto Group to move ahead in attaining 2030 Ideal State is human resources. As artificial intelligence and other forms of technology advance, all sorts of operations will be automated, but it will continue to be people that hold creative jobs which give rise to new values. Being aware of this, the Nitto Group is committed to putting greater efforts into human capital management, aiming to be an organization where every employee works happily and enthusiastically. Through the recruitment and development of human resources, we encourage the growth of each employee and strengthen our efforts to develop managerial candidates.

Now that over 80% of our net sales are generated overseas and approximately 70% of the workforce is based outside of Japan, DE&I poses an important issue we need to address. As part of efforts in this regard, the Nitto Group is making dedicated strides to develop global leaders. Specifically, we organize our global leader development program, Nitto Global Business Academy (NGBA), outside of Japan, implement a succession plan, rotate candidates of executive managers internationally, and run an overseas trainee program. We also ensure that diversity of human resources is promoted by, for example, inviting international graduates of NGBA to Japan to get involved in marketing activities. We expect them to create new businesses across different regions.

We also believe that the empowerment of women employees is another imperative issue. To promote this cause, we have started the FLOWER Program, which aims to develop women who will lead organizations. This program offers a unique mix of positive activities, including opportunities for its participants to talk with senior executives and take management skill development seminars, to name but a few.

Striving to Achieve Zero Accidents and Injuries under the Policy of “Placing Safety Before Everything Else”

Also at the linchpin of ESG management for manufacturing businesses, along with the development of human resources, is occupational safety. Under the policy of “We place safety before everything else,” the Nitto Group identifies risks at each site and implements countermeasures according to the degree of their danger to reduce every kind of accident and injury to zero. Among such countermeasures are the installation of safety devices, as well as shields so human bodies don't touch dangerous machines, or the introduction of fully-automated equipment that negates the need for operators to get directly involved.

In addition to doing something with the “tangibles,” including equipment on the shop floor, working on the “intangibles” is also important. Here we promote reform in employees' safety awareness and action. In fiscal 2022, a major fire broke out at one of our Group companies. The number of occupational accidents has remained stagnant, making us more aware than ever of safety.

The word “safety” has another important meaning. It's safety of management, that is, compliance. Even one single misconduct can shake a mega enterprise to its foundations. What is important here is that a top manager takes the lead in showing a model with speech and behavior, thus further elevating the entire Group's awareness of compliance.

Together with my secretary and a few members of the corporate planning team, I have paid visits to various sites on the pretext of a “mobile President's Office.” On such occasions, I tried to communicate with employees there as much as possible and solicit “bad news first.” As the pandemic is winding down, I'm hoping to do the rounds more frequently than ever. By sharing with them the awareness of safety and compliance through the candid exchange of opinions with people in the field, I will further the policy of “placing safety before everything else.”

A Niche Top Company Serving the Global Environment, Humankind, and Society

For the mid-term management plan, “Nitto Beyond 2023,” which guides us up to the end of fiscal 2023, we were able to achieve our self-set targets one year ahead of the original timeline. As we embark on the new mid-term management plan, “Nitto for Everyone 2025,” we will tighten the reins to achieve renewed targets.

As I mentioned at the outset, the Nitto Group is surrounded by tough, marked changes. If we can successfully carry out the Niche Top Strategy by creating a seamless flow of PlanetFlags/HumanFlags products, I believe we can sustain our business growth into the future.

My dream is to see countless PlanetFlags/HumanFlags fluttering at the end of fiscal 2025, the final year of the new mid-term management plan, having established themselves as Global Niche Top™ and Area Niche Top™ products. Under the belief that dreams will come true if you envision them, we will implement the mid-term management plan.

The Nitto Group will keep challenging itself in uncharted territories. One prime example is a brave attempt to develop oligonucleotide therapeutics. In the history of Nitto, which spans over a century, this is the first product that functions inside the human body. We may encounter various difficulties on the way, but beyond them, we see the joy of patients who have conquered their illnesses and our delight in having contributed to society through business.

We at the Nitto Group wish to be an “irreplaceable” entity creating Niche Top products in the focus domains where our strengths can be felt most, as in the case of PlanetFlags/HumanFlags. Our biggest wish is to see that the end products in which Nitto products are incorporated are appreciated by the general public, which in turn brings profit to our customers.

We sincerely appreciate the continued support from our stakeholders in this regard.



Mid-term Management Plan, "Nitto for Everyone 2025"

Before drawing up a new mid-term management plan, the Nitto Group set about determining the "2030 Ideal State" as a guidepost along the way. In other words, the new mid-term management plan dictates what we need to do for the coming three years if we wish to attain the "2030 Ideal State."

2030 Ideal State

We aim to be an "irreplaceable top ESG company that continually brings amazement and inspiration as a Niche Top creator" by 2030. This is our statement of intention to become an irreplaceable entity, something more than one that is merely appreciated, through the pursuit of Nitto's unique traits, placing ESG at the core of our management.



Nitto for Everyone 2025—The Concept

We drew up a new mid-term management plan, Nitto for Everyone 2025, as a three-year action plan that we hope will guide us to attain the 2030 Ideal State, i.e., an "irreplaceable top ESG company." "Nitto for Everyone 2025" takes a dual approach of exploring the Niche Top Strategy and ESG Strategy of the Nitto way. To succeed in this approach, we will focus on ESG and other future-financial tasks to make PlanetFlags/HumanFlags top products in niche markets, with the aim of solving social issues and creating economic value simultaneously.

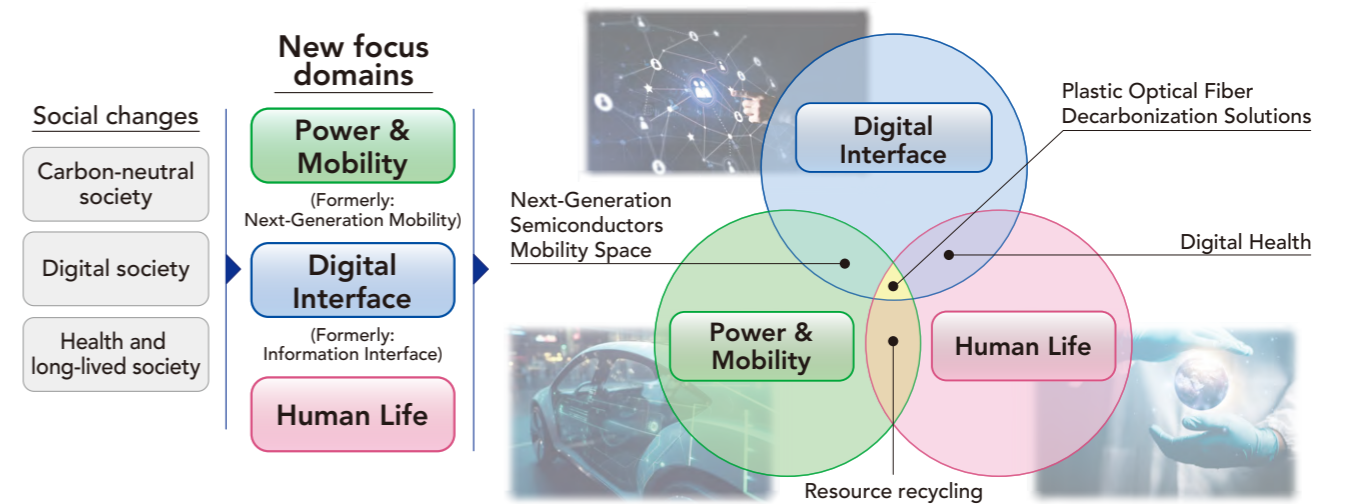
To attain the 2030 Ideal State, i.e., an "irreplaceable top ESG company" Implementing Our Niche Top Strategy and ESG Strategy



Focus Domains

Out of the need to flexibly respond to recent changes in society, including decarbonization, digitization, and health and longevity, the Nitto Group has redefined its three focus domains of information interface, next-generation mobility, and human life.

Our strategy is to leverage Nitto's technological prowess in spaces where the three intersect so that we can be an "irreplaceable" entity.



Management Targets

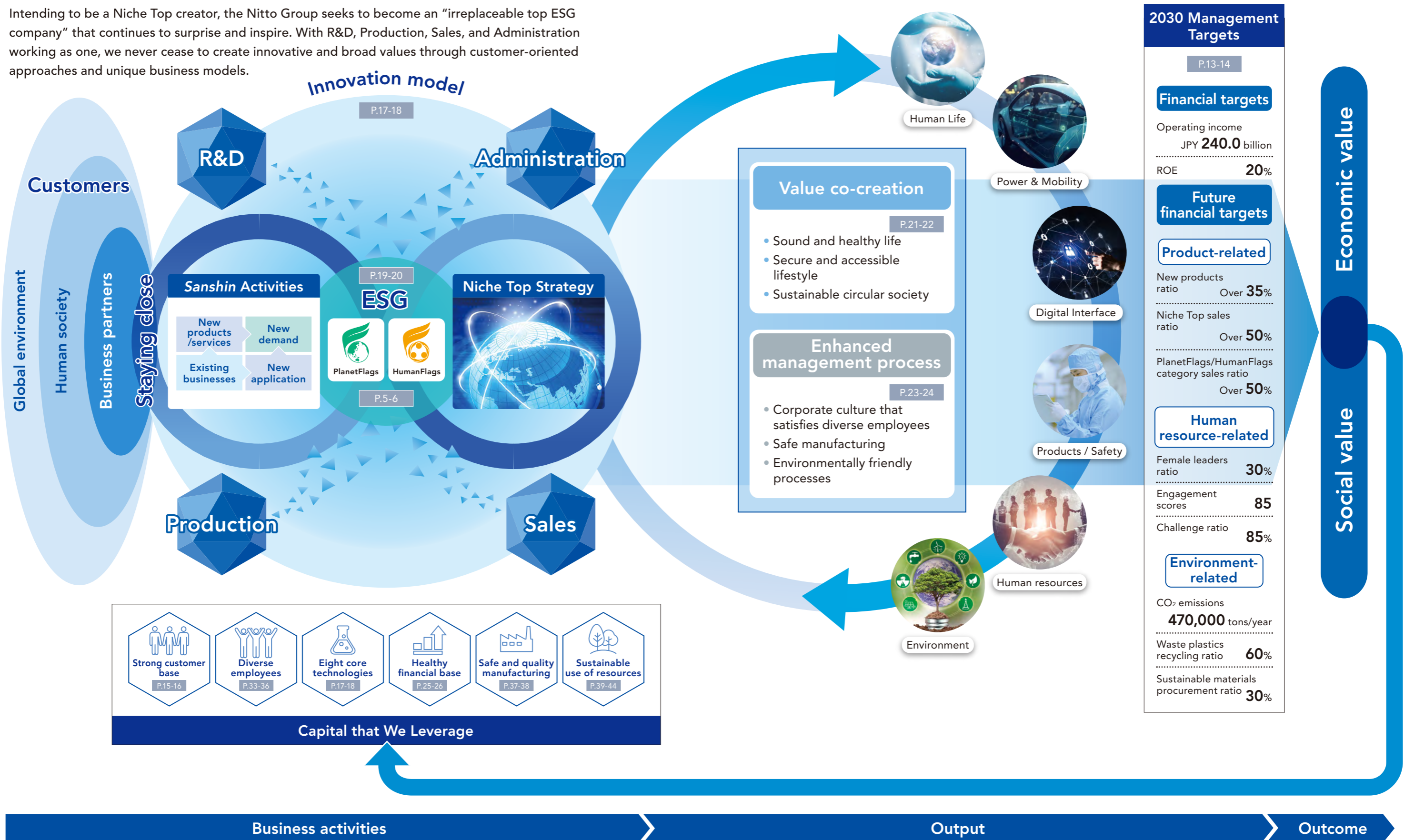
To attain the "2030 Ideal State," we have laid out numerical targets for 2030 and then set 2025 targets for the new mid-term management plan by backcasting from the 2030 targets. Placing top priority on profitability, we have set financial targets for fiscal 2025: operating income of 170.0 billion yen, 17% in the ratio to revenue, and ROE of 15%. We also newly set six future-financial targets that we need to reach if we are to be the 2030 Ideal State. These are vital indicators for accelerating ESG management, fulfillment of which should give us the status of an "irreplaceable top ESG company."

Financial Targets				Future-financial Targets (new)				
	2022	2025	2030		2022	2025	2030	
Operating income	147.2 billion yen	170.0 billion yen	240.0 billion yen	Products	Niche Top sales ratio	47%	50%	Over 50%
Operating margin	15.8%	17%	-		Percentage of products that drive Nitto's income			
ROE	12.7%	15%	20%		PlanetFlags/HumanFlags category sales ratio	17% (Flags certified products)	40%	Over 50%
				Environment	Level of contribution to the global environment, humanity, and society			
					Waste plastics recycling ratio	46%	50%	60%
				HR	An indicator showing how material-circulation initiatives have been enhanced			
					Sustainable materials procurement ratio	17% (In Japan)	20%	30%
				Future-financial Targets (continued)	Percentage of procured environmentally friendly materials			
New products ratio	41%	Over 35%	Over 35%		Engagement scores	74 (FY2021)	78	85
CO ₂ emissions	571 kton/*year	550 kton/year	470 kton/year		An indicator showing how rewarding employees find their work			
Female leaders ratio	19%	24%	30%	Challenge ratio	42%	70%	85%	
				Percentage of personnel taking on challenges of creating value				

* kton: kiloton (1,000 ton)

Value Creation Process

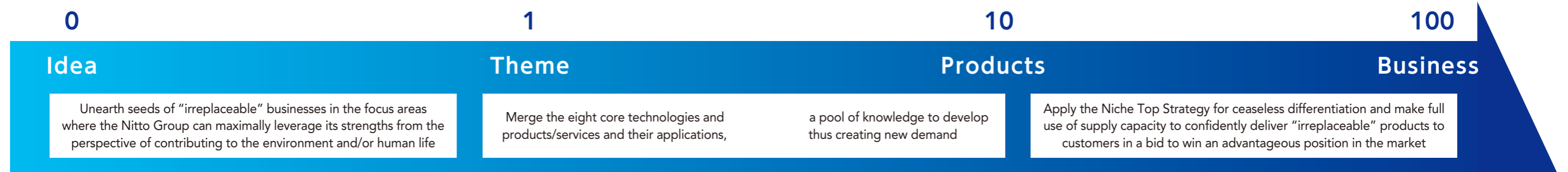
Intending to be a Niche Top creator, the Nitto Group seeks to become an “irreplaceable top ESG company” that continues to surprise and inspire. With R&D, Production, Sales, and Administration working as one, we never cease to create innovative and broad values through customer-oriented approaches and unique business models.



Innovation Model

The Nitto Group derives its strengths from multiple sources: the core technologies built over its many years in business, diverse business domains, competitive intellectual property rights, and a customer base that covers a broad range of industrial sectors. We have long stayed in close contact with customers and built a good relationship with them, allowing us to discover the needs of the global environment, humankind, and society ahead of the pack and keep creating new values. One could argue that this is Nitto Group's "DNA."

With these strengths working in tandem, Nitto's proprietary innovation model has been created. At every milestone in the development process, namely, "0 (idea)," "1 (theme)," "10 (products)," and "100 (business)," we verify hypotheses over and over until we are convinced of how we can come out victorious so that we can seamlessly create new businesses that contribute to earnings. We will remain committed to the creation of irreplaceable niche top solutions to keep serving the global environment, humankind, and society.



Nitto Group's Strengths

Core Technologies	<p>Developing products that meet customer needs by combining the eight core technologies</p> <p>The Nitto Group has made constant efforts to combine and advance its founding technologies to develop core technologies, which are being applied to a broad range of businesses. In the domains of digital interface, power & mobility, and human life, where our technologies and strengths are felt most acutely, and spaces where they intersect, we hybridize our core technologies to develop "irreplaceable" products.</p>	
Sanshin Activities	<p>Nitto Group's proprietary marketing approach that stimulates new demand</p> <p>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.</p>	
PlanetFlags/HumanFlags - Products Contributing to the Environment and/or Human Life	<p>Recognizing products that offer high contributions to the environment and human life</p> <p>The PlanetFlags/HumanFlags Recognition Scheme is an initiative for visualizing products that contribute to the process of co-creating value through innovation. Under the scheme, the Nitto Group's products are assessed according to our unique standards from the two perspectives of contributions to the environment and human life. Products that are recognized as making particularly significant contributions are certified as either a PlanetFlags product or a HumanFlags product.</p>	Niche Top Strategy
<p>Shooting for the leading share by leveraging proprietary technologies in niche markets where we have a competitive advantage</p> <p>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.</p>		

Nitto Group's ESG Management

Placing ESG at the core of our management, the Nitto Group bases all that we do on the Basic Policy on Sustainability.

Aiming to be an "irreplaceable top ESG company" by 2030, we will commit ourselves to simultaneously solving social issues and creating economic value for a sustainable future and the well-being of our "customers," namely, the global environment, humankind, and society.



Nitto's ESG Management

By "ESG management," we mean to solve social issues through the development and delivery of PlanetFlags/ HumanFlags and create economic value by evolving them into Niche Top solutions. This will be accomplished by way of agile Nitto Persons who dare to challenge themselves, eco-friendly manufacturing, and a sound and resilient business foundation that underpins them.

Through our unique approaches, we aim to become an "irreplaceable" entity that continues to amaze and inspire customers.



Turning Future-Financial Activities into Financial Value

The Nitto Group treats ESG initiatives as a business investment, not a cost. With this in mind, we are working to convert "future-financial" activities into "financial" value and then into corporate value.










Addressing Material Issues for Sustainability



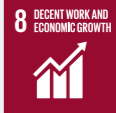




The Nitto Group pursues two approaches to tackle the 17 social issues it identified as material issues for sustainability. We set new management targets to coincide with the determination of the “2030 Ideal State” and the new mid-term management plan, Nitto for Everyone 2025.

Please see relevant pages for progress in previous management targets.

Co-Creating Value through Innovation

Material Issues for Sustainability	Risks	Opportunities	Our Initiatives	2030 Management Targets	Nitto Group’s Goals	Details
<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 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 and services that realize good health and longevity Increase in demand for pharmaceuticals, medical materials, and nursing care products Increase in business opportunities by providing products/services that improve QOL and prevent disease progression 	<ul style="list-style-type: none"> R&D in line with the Basic Policy on R&D, “Solving social issues through innovation - We aim to enhance corporate value through technological development for the global environment, humanity, and society” 		<p>Sound and healthy life</p> 	
<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 alternative technologies 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 as IoT and digitalization advance Increase in demand for products that improve traffic flow and the safety level of automobiles Increase in business opportunities by providing products/services that facilitate self-driving 	<ul style="list-style-type: none"> Development and spread of PlanetFlags/HumanFlags that contribute to the environment and/or human life Strategic business approaches to the three focus domains of digital interface, power & mobility, and human life Promotion of <i>Sanshin</i> Activities and the Niche Top Strategy that meet customer needs 	<p>Product-related</p> <ul style="list-style-type: none"> New products ratio: Over 35% Niche Top sales ratio: Over 50% PlanetFlags/HumanFlags category sales ratio: Over 50% 	<p>Secure and accessible lifestyle</p> 	P.27-32 P.45-52
<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 are tightened Decrease in order volume in case of falling behind in addressing environmental need Lowering of trust in the company over the long term due to failure to meet expectations of the market/customers concerning environmental measures 	<ul style="list-style-type: none"> Increase in business opportunities by providing products with a low carbon footprint Increase in business opportunities by providing products/services that facilitate energy conservation by EVs and low-powered-mobility Increase in demand for technologies/products for cyclic use of various resources/materials Increase in demand for technologies/products that contribute to separation, removal, purification or otherwise, of hazardous substances 			<p>Sustainable circular society</p>  	

Enhancing Management Process for Co-Creating Value

Material Issues for Sustainability	Risks	Opportunities	Our Initiatives	2030 Management Targets	Nitto Group's Goals	Details	
<ul style="list-style-type: none"> Recruitment/development of employees Diversity, equity & inclusion 	<ul style="list-style-type: none"> Increase in difficulty in maintaining stable business operations due to shortages of human resources Decrease in competitive edge due to inability to respond to rapid changes in the business environment 	<ul style="list-style-type: none"> Increase in productivity by way of workstyle reform and human resource development Organizational growth and creation of new values made possible by innovative human resources Hiring human resources that meet our needs by providing diverse people with an environment that empowers them 	<ul style="list-style-type: none"> Enhancement of job satisfaction and recruitment/retention of human resources Promotion of diverse work styles Development of global leaders and persons who can bring about reform Enhancement of engagement and motivation by organizational culture reform 	<p>Human resource-related</p> <ul style="list-style-type: none"> Female leaders ratio: 30% Engagement scores: 85 Challenge ratio: 85% <p>Environment-related</p> <ul style="list-style-type: none"> CO₂ emissions: 470,000 tons/year Waste plastics recycling ratio: 60% Sustainable materials procurement ratio: 30% 	<p>Corporate culture that satisfies diverse employees</p>  	P.33-36	
<ul style="list-style-type: none"> Enhancement of safety and quality of products Improvement of workplace environment Respect for human rights in supply chains 	<ul style="list-style-type: none"> Occurrence of recalls, lawsuits, etc. due to quality problems 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 	<ul style="list-style-type: none"> Acquisition of customer trust and support by providing them with safe and quality products Increase in productivity and acquisition of trust from customers by providing a safe and secure workplace environment Secure and stable product supply and acquisition of trust by respecting human rights throughout the supply chain 	<ul style="list-style-type: none"> Quality control in anticipation of social/market trends Reduction in risks of accidents/injuries and fostering of a safety culture Provision of a healthy and sound workplace environment Assessment and practice of CSR throughout the supply chain Increased efficiency in logistics through digitalization 			<p>Safe manufacturing</p> 	P.37-38
<ul style="list-style-type: none"> Reduction in CO₂ emissions Efficient use of energy, raw materials, water, and other resources Emissions-reduction of pollutants and hazardous substances 	<ul style="list-style-type: none"> Difficulty in continuing business activities due to delay in responding to the decarbonized society Shut-downs due to increased cost and difficulty in procurement Increase in the cost for compliance and difficulty in obtaining operational licenses due to delay in taking environmental measures 	<ul style="list-style-type: none"> Increase in productivity due to a shift to eco-friendly production lines that meet the demand for GHG reduction Expansion of a resource recycling business by establishing recycling technology Acquisition of trust from local communities and customers by properly managing pollutants and hazardous substances 	<ul style="list-style-type: none"> Non-use of solvents in manufacturing processes Promotion of energy conservation and use of renewable energy Efficient use of resources Development of waste plastic recycling technology Recovery/reuse of solvents Curb on release of hazardous substances into the environment 			<p>Environmentally friendly processes</p> 	P.39-44

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



CFO Message

Addressing ESG Head-on to Turn Future-Financial Investment into Financial Outcomes and Boost Corporate Value

Yasuhiro Iseyama

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

Fiscal 2022 in Review

In fiscal 2022, the Nitto Group was challenged by a multitude of radical changes in the operating environment, including rising prices of raw materials and energy triggered by the Russian invasion of Ukraine and rapid fluctuations in the foreign exchange market on account of interest rate differentials. Despite this, we were able to achieve our self-set operating income target of 140.0 billion yen, setting another record-high profit for the second consecutive year. This also marked the achievement of the profit target for the final year of the mid-term management plan "Nitto Beyond 2023," one year ahead of schedule.

As novel coronavirus infection (COVID-19) began to spread like wildfire, Nitto sharply divided each business into things that will grow or not be preserved to better navigate them. If we look back on fiscal 2022, for things that will grow, we successfully invested in the capacity ramp-up of high-precision substrates for flexible circuit boards for high-end smartphones. We also expended all possible means to ensure a sufficient supply of immunologic adjuvants, which are used to produce COVID-19 vaccines, making a

meaningful contribution to the globally shared social issue of halting viral infection.

For optical films for notebook and tablet computers, we were able to capture the demand mostly for high-end lines, which made a difference in our performance. Meanwhile, we transferred the business of automobile materials that reduce NVH (Noise, Vibration, and Harshness) to another company. This should allow us to shift management resources to the CASE (Connected, Autonomous, Shared, and Electric) market in the power & mobility field.

The New Mid-term Management Plan "Nitto for Everyone 2025"

Now that we have achieved the targets laid out in the "Nitto Beyond 2023" ahead of schedule, we began working on a new mid-term management plan, "Nitto for Everyone 2025," from fiscal 2023, under which we aim to become an "irreplaceable top ESG company" for society.

ROE (return on equity attributable to owners of the parent company) is the financial indicator that the Nitto

Group monitors most carefully. Being conscious of capital cost in management, our goal here has been to target ROE 10% or higher, but we have raised the bar to shoot for 15% by fiscal 2025, the final year of the new plan. Operating income is a key indicator of business growth, and our target here is 170.0 billion yen or 17% in operating margin. Using 500.0 billion yen of cash flow that should be generated from operating activities over the coming three years, we plan to make growth investments totaling 480.0 billion yen.

The financial department is urging each business sector to manage their business with the balance sheet in mind, rather than focusing solely on profit and loss. As part of this, we began monitoring return on invested capital (ROIC) about five years ago. They set a hurdle rate by taking various considerations into account, such as how their competitors are doing in this regard, and are working to clear the hurdle thus established.

This has just begun, but we are putting more effort into educating and training mid-level employees in each business sector. One of the things that we are doing is organizing annual global conferences and other occasions where senior executives from Group companies gather together, so that they can internalize the basic idea of ROIC and see how it connects to their operations. With each business sector working to enhance ROIC, we hope to reach the ROE target of 15%.

Allocating Cash Optimally

The order of our priorities in the application of cash remains the same: 1. Capital investment, 2. Cash dividends, 3. M&As, and 4. Share buybacks. Through 1. and 3., we will develop PlanetFlags/HumanFlags and create Niche Top products out of them. In so doing, we will convert ours into a business portfolio that contributes to the environment and humankind.

For shareholder return, which comes in at 2. and 4., we give top priority to stable dividend payments regardless of the ups and downs of our performance, and we conduct share buybacks if and when our finances allow. While following this basic stance, we aim to keep our dividend on equity ratio (DOE) at 4% or higher.

If we wish to transform our business portfolio into one dedicated to being of service to the environment and humankind, we believe that M&As will be a more promising option than ever, and we also expect that the size of M&A deals will trend larger. The financial department will not just check M&A partners before acquisition but do monthly post-acquisition checks of their performance to spot any sign of their performance deviating significantly from the original plan and issue an alert if deemed necessary, so that we can act promptly.

Investment in Future-Financial Elements

Going forward, the Nitto Group will aggressively allocate its funds and management resources to the achievement of future-financial targets, which should bring us financial value in the future. The question is, how will this end up bearing financial value? Let me briefly explain our rationale.

In addition to the conventional future-financial targets of the new products ratio, CO₂ emissions, and the female leaders ratio, we have set six new indicators in the three categories of the product-related field (PlanetFlags/HumanFlags category sales ratio, etc.), the environment-related field (sustainable materials procurement ratio, etc.), and the human resource-related field (engagement scores, etc.).

While it is relatively easy to visualize the process of investments in the product-related and environment-related fields yielding financial outcomes, human resource-related investments may not be so easy to see. Still, it makes perfect business sense to make proactive investments in this field and foster an organizational culture that encourages individuals and teams to challenge themselves whenever the opportunity arises, because it leads to higher performance in each process of business activities. Furthermore, proactive disclosure of such information on human capital increases expectations for sustainable growth, allows us to raise funds in more advantageous terms, and helps us recruit talented individuals who share ESG values. Although there is some time lag in this process, we believe that these initiatives will bear fruit in the forms of the creation of Niche Top products in the near future and improved performance as epitomized by a higher ROE, which in turn creates a virtuous cycle of increased reinvestments for renewed growth.

CFO's Roles

Be it ROIC, which is used by business sectors, or ROE, which is pursued by the company as a whole, we shouldn't resort to short-term remedies to just make these indicators look better by, for example, compressing assets that we need for future growth or converting shareholders' equity to debt. The Nitto Group's aim should not be contracted equilibrium but making our presence felt more in society as an "irreplaceable top ESG company" that keeps growing while preserving a solid structure. We will embark on the new mid-term management plan with all our might, with a burning desire to hear our stakeholders say, "Nitto has achieved this impressive growth because they tackled ESG head-on."

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

CTO
Message

Turning Investments in ESG and Future-Financial Elements into Financial Value through Innovation

Yosuke Miki

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



R&D's Roles in ESG Management

We will not initiate new technological development projects if they are not for the good of the global environment, humankind, or society. Period.—This is our development policy. We set criteria for PlanetFlags/HumanFlags, which are products contributing to the environment and/or human life, and develop technologies and products that meet such criteria. In accordance with our management policy of “placing ESG at the core of management,” we will shift to a business portfolio centered on PlanetFlags/HumanFlags and aim to achieve our target earnings by offering these products.

It may not be obvious in the early stages how some of the investments, be it for the development of technologies and products worthy of the PlanetFlags/HumanFlags name, the fostering of a corporate culture that celebrates its employees in their proactive attempts to develop such technologies and products, or the development of human resources who take such challenges, will improve our performance. However, the Nitto Group regards them as investments in “future-financial value,” and we are allocating our management resources to these areas with a strong determination to convert them into “financial value” without

fail in the near future. The R&D team is expected to play a critical role in converting investments in ESG and future-financial elements into financial value through innovation, which will expedite the shift to a business portfolio centered on PlanetFlags/HumanFlags.

Let me show you how we go about doing this through an example of the oligonucleotide therapeutics business.

Nitto Group's Innovation Model

Nitto is probably best known as a manufacturer of electronic components, mainly handling intermediate materials, and we are often compared to other players in the electronic components industry. So, some might wonder why Nitto is involved in the pharmaceutical business. We are relatively new to this business, but we are the largest contract manufacturing organization (CMO) of oligonucleotide therapeutics, which now forms one of the core HumanFlags, yielding a high level of profitability.

Curing illnesses by acting directly on human genes, oligonucleotide therapeutics is a burgeoning field, which is partly why only a few commercial oligonucleotide therapeutics have been approved and launched.

Oligonucleotide therapeutics have a repeating structure, with its smallest units being four types of basic compounds called nucleotide monomers. Determining their order or combination itself means designing oligonucleotide therapeutics. To synthesize oligonucleotide therapeutics, you connect four types of monomers to a polymer bead (starting point) one by one through a chemical reaction in a predetermined sequence and repeat the process over and over until a drug is completed by cutting off the polymer bead that you started with. A drug discovery company determines the sequence, and CMOs synthesize them according to the sequence thus determined.

Originally, Nitto had a wealth of technologies for synthesizing polymer particles. The members who conceived this business weren't versed in medical care, but came to know how oligonucleotide therapeutics are manufactured and hit upon the idea that Nitto can contribute to medical care by utilizing its existing technologies. Initiated by this proposal, the project began to gradually take shape through a partnership with an external company until polymer beads suitable for the synthesis of oligonucleotide therapeutics were developed.

Our basic policy is to develop technologies in-house whenever possible, as it helps us enhance our development prowess and maintain it at a high standard. If and when we find a company with useful technology that we cannot possibly have or who possesses superior technology that we may develop but that would take a long time, we will go for joint development or capital alliance. Concerning the commercialization of oligonucleotide therapeutics, we have enhanced functions necessary for contract manufacturing, having acquired two oligonucleotide therapeutics CMOs, an analysis service provider who checks if basic compounds are synthesized in the sequence designed by a drug discovery company, and a business doing aseptic filling of manufactured drugs into containers. That's what it took to get the CMO business into gear.

While we were busy doing all this, we began conceiving a desire to make a daring step into drug discovery, rather than merely manufacturing drugs to given specifications. So,

after ensuring firewall vis-à-vis the contract manufacturing business, we began making earnest development efforts for drug discovery. We have made the most of an alliance with a technology company to equip ourselves with the technology to design oligonucleotide therapeutics.

Our efforts in the drug discovery market once paid off when we received an offer from Bristol-Myers Squibb of the U.S., one of the world-leading biopharma businesses, asking us to license our pipeline (a set of drug candidates under investigation) of liver fibrosis therapy. We accepted their offer and signed a licensing agreement, which earned us an upfront payment at the time of contract, as well as milestone payments (at the time of progress of clinical trials, application for approval, etc.) and royalty income based on sales amount, which leads me to say that the commercialization and monetization of the drug discovery field is steadily progressing.

Another of Nitto's key technologies is the drug delivery system (DDS).

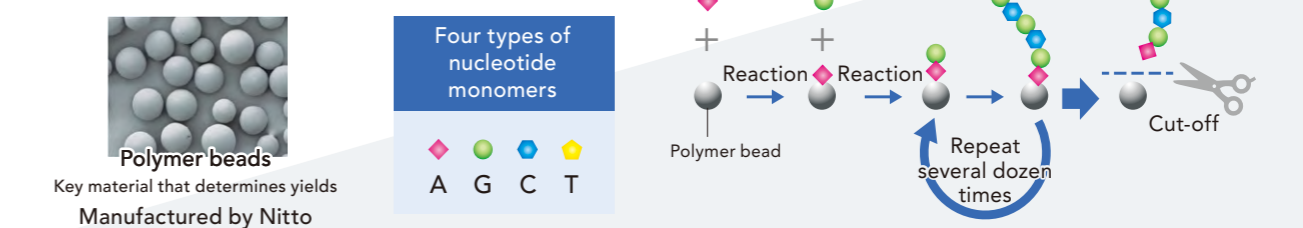
Apart from the efficacy and quality of drugs themselves, one critical challenge associated with drug administration is how you transport a pharmaceutical compound to its target site where a disease originates. This is because no drug is sufficiently effective if it is broken down as soon as it enters the body. Through joint research with a university research institute and other opportunities, we acquired a DDS technology for transporting compounds to the target organs such as liver, lungs, and others.

When used either for the contract manufacturing or drug discovery business, this technology helps to enhance their competitive edge. We can also license a DDS itself out to whoever wishes to use it, as has occurred in several cases and generated earnings.

As I have described so far, by combining diverse approaches, including in-house technological development, joint research with outside institutions, and M&As of companies who possess technologies that we needed, we have been able to create a promising business with diverse revenue models (contract manufacturing, drug discovery, DDS) in the new business domain of oligonucleotide therapeutics.

Oligonucleotide Synthesis Process

Connect four types of nucleotide monomers to a polymer bead (reaction starting point) one by one through a chemical reaction in a pre-designed sequence



Corporate Culture that Makes New Business Creation Fun and the Systems that Support It

Based on the two axes of technology and market, the Nitto Group is working to create new businesses by using existing technologies to discover new markets (new application development), honing technologies in existing markets (new product development), and creating new demand (new demand creation), which are collectively referred to as *Sanshin* (three “new”s) Activities.

In the oligonucleotide therapeutics business, we applied the existing technology for synthesizing polymer particles to the pharmaceutical market, which was new to Nitto. After cracking into the market, we have been developing the necessary technologies in-house or introducing them via in-licensing to establish a position solid enough to stand independently in each market sub-segment of contract manufacturing, drug delivery, and DDS. This is exactly what *Sanshin* Activities can do to help us create demand.

Other than this, Nitto has colorful systems to promote commercialization, including Technology *Kuruma-za*, an opportunity to discuss from a company-wide perspective technological issues or how we can set up a new project theme, and “management fund,” an avenue for prompt decision-making on funding to facilitate timely in-licensing of external technologies, something that ordinary investments cannot do. Furthermore, we organize the Nitto Innovation Challenge (NIC), in which we invite ideas for new businesses from across the Group and offer support to promising ones toward their realization.

When developing new businesses, as was the case with oligonucleotide therapeutics, we have to overcome issues and obstacles that we encounter for the first time, such as resolving technological bottlenecks at each phase, securing sales avenues, and discovering partner businesses. This is very different from operations that follow a standardized flow.

An inquiring mind full of curiosity to discover new values, an aspiration to shape a business that serves society, and programs that assist employees in realizing such wishes—When individuals

and the organization join forces in this way, we get the energy to create new businesses.

The aforementioned NIC is an event that inspires such minds and workplace culture. Regardless of their affiliations or job types, if every worker commits to creating Nitto’s new businesses, a corporate culture of employees enjoying the process of new business creation becomes entrenched. Through synergy with *Kuruma-za*, management fund, and other systems, Nitto’s unique future-financial value serves as the driving force and impetus to give rise to new products and businesses.

Gathering Information for Open Innovation

As I have touched on in my explanation of the commercialization of oligonucleotide therapeutics, we did whatever it took to make it a reality in the process, from launching a new business from one technology to making it profitable, such as joint research with universities and other organizations and acquisitions of businesses with necessary technologies and equipment.

Finding an optimal partner is very important, and we were fortunate to have lucky encounters in commercializing the oligonucleotide therapeutics business. To make these chance meetings inevitable, the Nitto Group built three information collection centers on top of four R&D centers across the globe to have access to quality information on partner candidates and build relationships with individuals and organizations who might become intermediaries.

In China, we monitor government policies and study academia that are closely related to them. In Europe, which is leading the world in formulating environmental regulations, we go the extra mile to gather information in such fields.

In the U.S., where venture companies are particularly active, in 2018, we became a Founding Partner of MBC BioLabs, the largest life science incubator in the country. We have communicated with some 100 new startups each year ever since.

What is often challenging when dealing with startup businesses is the difficulty in determining the potential of their technology or

the “affinity” for working with us by merely reading materials they provide or hearing them talk.

This incubator not only provides a management advisory service and access to funding but also proactively offers support in terms of facilities and equipment. Through the most intense communication in this space and, in some cases, time-limited outsourcing, we carefully determine if their technology has reached the expected level or how beneficial it is for the Nitto Group’s business creation, and decide whether or not to move on to the next step (gaining a minority stake, M&A, etc.). This is how we enhance the chance of choosing the right partners.

How Nitto Utilizes Intellectual Properties

To ensure that future-financial investments eventually lead to financial outcomes (profit), intellectual property plays the most crucial role. Let me conclude my remarks by walking you through how Nitto works towards monetizing patents and other intellectual properties.

To ensure stable growth of business performance, it is important to set up the next pillar of business early while the current pillar is still contributing sufficiently; in other words, to fill in gaps between peak profits and avoid any drops in performance. The question here is how we optimally allocate limited management resources.

Another thing we are concerned about is how we should stabilize earnings through the effective use of intellectual property. Think of a graph with a horizontal axis representing time and a vertical axis with profit. We can take two different approaches to each peak of business: 1. Maximize earnings, and 2. Make the peak as wide as possible (extend the period they contribute to earnings).

For the first approach, we believe it is most effective to form a robust patent system that raises barriers to entry in order to gain a competitive advantage. By establishing a position as an “irreplaceable entity in the supply chain” that possesses competitive technologies and develops competitive intellectual property, we can find attractive alliance partners with greater ease. If we can establish earnings flow early by having powerful partners

on our side and, on the assumption of the utilization of such partner’s assets, curbing or delaying our up-front investments, we can extend the period before a business reaches its peak as in case 2. above.

To extend the period after the peak was reached for the second approach above, we can allow our competitors to use the Nitto Group’s materials, processes, or business models, which are protected by patents. Several years ago, it was reported that Nitto licensed out its production engineering for large-scale polarizing film to Hangzhou Jinjiang Group Company Ltd. of China. As in this case, it is possible to extend the period of earnings contributions after the peak is hit by utilizing intellectual properties more, including cases of us receiving considerations for engineering support.

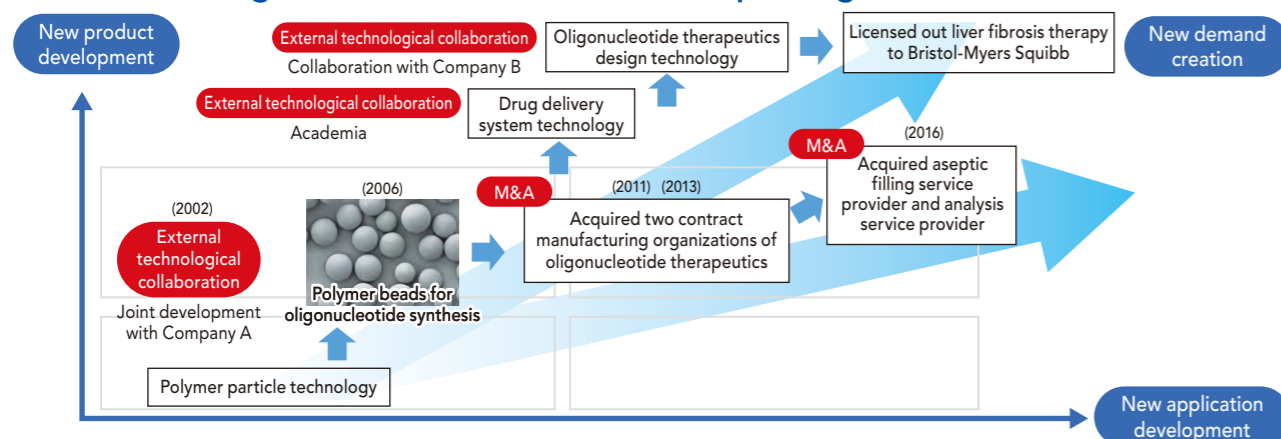
These strategic approaches to intellectual property are applied to the oligonucleotide therapeutics business described earlier. To maximize financial value at the right timing, we use different revenue models, including contract manufacturing and licensing our drug discovery pipeline or DDS technology, on different occasions.

When I say “converting investments in ESG and future-financial elements into financial value through innovation” or “shifting to a business portfolio centered around PlanetFlags/HumanFlags,” you may think them to be very challenging objectives. As I have described so far, however, this is just an extension of what we have long been doing as part of *Sanshin* Activities and the Niche Top Strategy, and it’s not anything special for us.

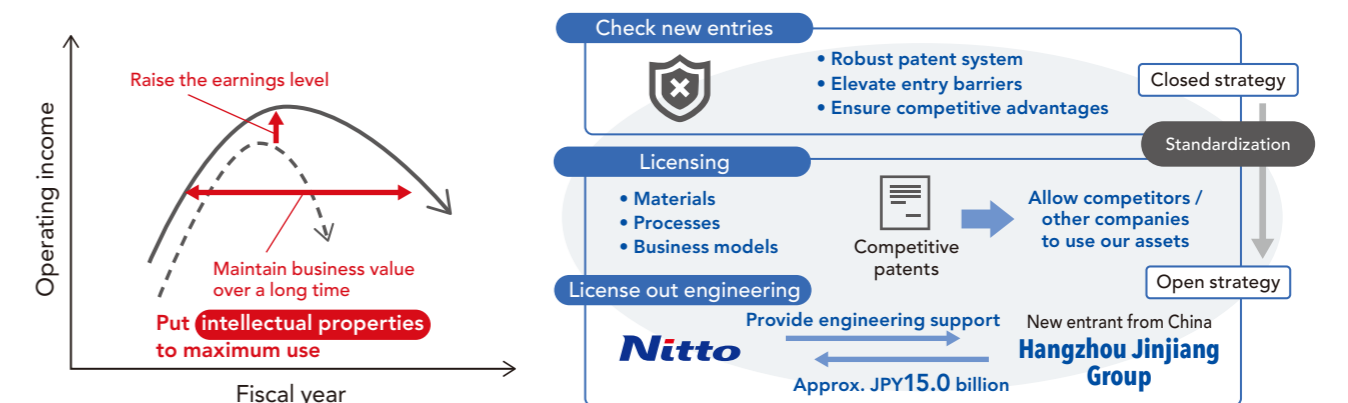
When we began our journey with oligonucleotide therapeutics, we didn’t have the concept of HumanFlags, but our engineers ventured into new technologies and markets until the business started offering some value out of the genuine wish to help those who suffer from illness and contribute to humankind.

Personally, I am profoundly confident in what we can do in this regard, as the resources that we need to achieve all this are available within the Nitto Group. I hope you will keep your eyes on the Nitto Group.

Enhancing Technological Prowess by Following the *Sanshin* Scheme and through External Collaboration and Expanding Business via M&As



Putting Intellectual Property with “Future-Financial” Value to Diverse Use to Convert Them to Financial Value



New Product Development



Kunio Nagasaki

Research and Development Division,
Information Fine Materials Sector

(General Manager,
Development Strategy Management Department,
Functional Base Products Sector
at the time of this talk)

Hiroyuki Nishii

General Manager,
Development Department,
Medical Division,
Human Life Solutions Sector

Teppei Niino

General Manager,
Development Department,
Mobile Printed Circuits Division,
Information and Communication
Technology Sector

Takahiro Nonaka

General Manager,
Development Department 4,
Research and Development Division,
Information Fine Materials Sector

Round-
table
Talk

Nitto's Initiatives for New Product Development

Staying Close to Customers to Create New Products "Irreplaceable" for the Global Environment, Humankind, and Society

Developing New Products that Adapt to Different Life Cycles

Nagasaki: At the basis of the Functional Base Products Sector (FBP) is adhesive tape, and we supply adhesive products for a variety of applications to markets. Product life cycles vary depending on applications. For smartphones, for example, we need to come up with a new model within a short cycle of 1-2 years.

Nonaka: We at the Information Fine Materials Sector (IFM) deal in adhesive tape, too, our main products being optical materials for displays, focusing on polarizing films. In the past, we used to release one new product for television sets every six months. As the television market passed its maturity, however, our focus shifted to markets with growth potential, such as displays for automobiles, virtual reality (VR) devices, and organic light-emitting displays (OLEDs). As a result, their life cycle is now between a year and a half and two years.

Niino: The life cycle of electronics products is distinctively very

short. Applications of the Information and Communication Technology Sector's (ICT's) offerings can be divided into two: hard disc drives (HDDs) and smartphones. HDDs, in particular, are often used as part of infrastructure, and the need for higher integration or more layers is on the increase in recent years, because of which we are required to release new products in a very short cycle.

Nishii: We at the Medical Division utilize adhesion technology to develop medical and hygiene materials and transdermal absorption drugs and use polymerization technology to develop polymer beads for oligonucleotide synthesis, which is then evolved into the contract manufacturing service. It typically takes seven to ten years before products like transdermal absorption drugs or oligonucleotide therapeutics take off, so we need to do preparations and groundwork accordingly.

Innovations Brought about by Customer-Oriented Approaches and "DNA"

Niino: One of the greatest strengths of the Nitto Group is

customer-oriented approaches. After all, whether we can continue launching new products in a short cycle or keep sales stable depends on how close we are to our customers. We thus value the process of understanding in what directions customers are heading, anticipating their needs, and providing them with optimal solutions.

Nishii: In the life science domain, we need to see things from a mid- and long-term perspective and take action in anticipation of what the future holds ten years from now. For the oligonucleotide therapeutics business, we offer a one-stop solution to customers by customizing the process from polymer beads manufacturing, contract oligonucleotide synthesis, to subsequent analysis and formulation. This means that we need to maintain rock-solid customer-oriented approaches even in the short term.

Niino: We are able to anticipate needs because we have accumulated experience in exploring new technologies at an early stage and have a corporate and workplace culture of encouraging employees to challenge themselves. Another source of strength is the sheer amount of discussions on shaping the future, for example, frequently visiting customers for hands-on conversations or inviting them to predict the future with us.

Nonaka: If it is a technology that takes over 10 to 20 years to develop, sometimes Nitto leads the way so far ahead of others that the market simply follows.

Nagasaki: The successful combination of *Sanshin* Activities and customer-oriented approaches has allowed us to respond to detailed needs from the broad market so far. Another unique trait of Nitto that sustains its growth is that we can draw forth necessary technologies at any time from a large stock of technologies that have yet to see the light of day. I believe it will be increasingly important to determine which business will grow from among the broad marketplace and cater to those market segments thoroughly.

Nonaka: I believe that the FBP has had a lot of difficulties because one of its missions is to discover business domains with huge potential from the vast sea of the market. Nitto has made the most of the Niche Top Strategy to build a dominant presence in the display market, which puts us in a position to access the latest news from customers. After all, we cannot hope to develop a product without good cooperative relationships with suppliers.

Nitto's Convergence Approach Facilitates PlanetFlags/HumanFlags Development

Nishii: The Medical Division converges resources with the Corporate Technology Sector and the FBP. We also have inter-sectoral meeting bodies for development teams and divisions, such as the Technology *Kuruma-za* and the Global Green Committee. It gives Nitto an extra edge to be able to share technology, knowledge, and information at such opportunities.

At the same time, we remain proactive in seeking external collaborations. Our oligonucleotide therapeutics business has expanded via M&As.

Niino: To meet the emerging trends in the market, such as 5G, mobility, and AR/VR, we often invite different divisions that have adequate technologies to join hands to conceive solutions for customers. ICT, too, can benefit from technologies held by the FBP or the IFM, and we move forward with our business with help from individual divisions and the Corporate Technology Sector.

Nagasaki: Close cooperation among divisions and with the Corporate Technology Sector is another outstanding characteristic of Nitto. Amid the ongoing drive to reduce environmental impact, we are required to offer recyclable products, and the technology that we want to strengthen now above anything else is one for adhesives that can affix things firmly but can be peeled off easily after use. It is quite difficult for a division to pursue such technology along with product development, so we hope to work with the Corporate Technology Sector in this regard.

Nonaka: In the case of the IFM, it is particularly important to work closely with suppliers, as it is critical to determine which raw materials to procure. As such, we often provide solutions for customers together with suppliers.

Nagasaki: True, in any business, closely collaborating with suppliers is critical. In parallel with the development of PlanetFlags/HumanFlags, we need to work on reducing the environmental impact of raw materials or manufacturing processes themselves.

Nishii: For the Medical Division, we are primarily concerned with HumanFlags, but environmental awareness is rising rapidly. Such being the case, at a plant we're planning to build, we will introduce systems for recycling solvents and using renewable energy to perform production without environmental impact.

Nagasaki: It is challenging to substitute solvents or relevant equipment with others at short notice, but environmental awareness is definitely changing, and we are positively working on this. I can feel that everyone, including myself, is eager to properly understand, share, and empathize with what ESG management really is.

Niino: Since implementing the policy to place ESG at the core of our management, ICT has taken every opportunity to promote ESG by, for example, having people discuss environmental topics in a team. In the beginning, it didn't click for some members, but their understanding has deepened over time. One of our practices in this regard is to utilize the Membrane Division's membrane treatment technology to recycle process liquids used for manufacturing. I think this is a good example of convergence.

Nonaka: Yes, the level of awareness has risen considerably overall. I think it's increasingly important to achieve double merits, that is, reducing CO₂ emissions within the Group and at customers' manufacturing processes. To make this happen, we intend to focus on the development of PlanetFlags/HumanFlags based on ESG management.

Human Resources

Basic Ideas and Approaches

The Nitto Group considers human resources our most valuable assets. In order to achieve sustainable growth as we constantly create new value, we seek to recruit and retain a diverse workforce in accordance with the Basic Policy on Human Resource Management. At the same time, we develop Nitto Persons on a global basis who practice The Nitto Way, as we create an organization in which employees are encouraged to challenge themselves and are given opportunities to give full play to their ability.

2030 Management Targets	Human resource-related
	<ul style="list-style-type: none"> Female leaders ratio: 30% Engagement scores: 85 Challenge ratio: 85%

Overall Picture of the Nitto Group's Human Resource Strategy

At the Nitto Group, we manage human resources globally (see figure below). Talent management starts upon employment and continues consistently thereafter. For the development of global/innovation leaders, we select and develop candidates for key global positions based on succession planning, and monitor progress at an annual Human Resource Development Meeting. For the development of senior executives, on the other hand, we provide leadership training overseas to develop leaders

for each geographical region, on top of the Nitto Global Business Academy (NGBA), an avenue to train future global leaders. After they complete a program, we continue to engage in their training with the cooperation of the entire Group. Concerning "job satisfaction," we reviewed the work-from-home system, and are focusing on recruitment branding for "recruitment and retention of human resources." In addition, we continue to develop a wide variety of initiatives, including DE&I activities, Health and Productivity Management, and job postings for employees of all ages in a bid to create a motivating workplace environment.

Goals of our Global Human Resource Management



* Human Resource Information System

Recruitment and Development of Employees

Enhancement of Recruitment Branding

In order for prospective employees to develop a clearer image of their career path, we began putting more resources into recruitment branding in fiscal 2022. In more concrete terms, we have kicked off a wide array of initiatives, including running of TV commercials, renovation of corporate websites, and public relations through collaboration with YouTubers. We also send out daily information via SNS accounts to reach a global audience.

Commencement of Job Postings for International Trainees

To respect employees as individuals and encourage them to autonomously build their careers, we provide them with growth opportunities that they choose for themselves. In fiscal 2022, we offered an international trainee program, in which seven employees, who are mainly in their 20s, were assigned to Europe, the U.S., China, Vietnam, and elsewhere. Also, as part of the efforts to promote human resource rotations, we have started a job-posting system for younger employees in Japan, which specifies skill

requirements to assist applicants in building their careers. In fiscal 2023, we are planning to expand eligibility, eventually offering the system in more countries.

Enhancement of Engagement

Working to create a workplace environment and a corporate culture that allows each employee to take full advantage of their individual characteristics and feel satisfied with their job—This is what engagement is about at the Nitto Group. We conduct the Global Engagement Survey once every two years. In fiscal 2022, we promoted a variety of initiatives based on the survey findings from fiscal 2021.

First of all, we had general managers of plants, who also serve as engagement promotion leaders at sites, send a video message about the survey findings of the Group and what they expect from their plants when it comes to engagement. After this, each site began their activities, which are then shared as internal online content or otherwise.

In Japan, we organized various events, including encouraging praise and appreciation amongst employees, promoting DE&I, and a walking event during Nitto Empowerment Month in October. We put together comments collected from a questionnaire on those events and published them as a *Compilation of Words that You Are Happy to Hear*.



results, managing progress in action plans, organizing a management enhancement program, and otherwise, we follow up on the survey until those in the field change their behavior.

Additionally, we make a multi-angle analysis of survey scores and other data that concern human resources to develop "leaders who can anticipate and deliver changes" in a reproducible manner.

Health and Productivity Management

To empower human resources, each employee's physical and mental well-being is crucial. As such, in July 2022 the Nitto Group drew up the Good Health Declaration. In fiscal 2022, we organized the walking event, *Teku-teku Torino*, in Japan, for which Nitto was designated by the Japan Sports Agency as a SPORTS YELL COMPANY.

In addition, five companies from the Nitto Group were selected under the 2023 Certified Health & Productivity Management Outstanding Organizations Recognition Program. We will continuously work to expedite health measures and promote the good health of our employees.



Career Support for Younger Employees

For more than 30 years, Nitto has administered a buddy program, where every new recruit is assigned a senior colleague who mentors them for a year to provide advice on everything they need to know to succeed at Nitto, both in and outside of their workplace. Furthermore, new employees can avail themselves of career interviews by career advisors, whom they can talk to about things that they would hesitate to share with their colleagues. Young employees can thus gain support both at their workplace and from the company.

Enhancement of Leadership

We conduct a multi-angle survey of our Managers and General Managers once every year. By analyzing survey

Diversity, Equity & Inclusion (DE&I)

"If women find their workplace comfortable to work in, it should be comfortable for anyone"—Out of this idea came a production line that is friendly to women in 2022. We expect the different perspectives women offer to increase productivity and are planning to spread this initiative to other plants as well.

Furthermore, to develop women leaders, we launched the FLOWER Program. By organizing lectures from senior executives and women's network meetings and offering management skill development training seminars, we support the development of women leaders in terms of their mindset and business skills.

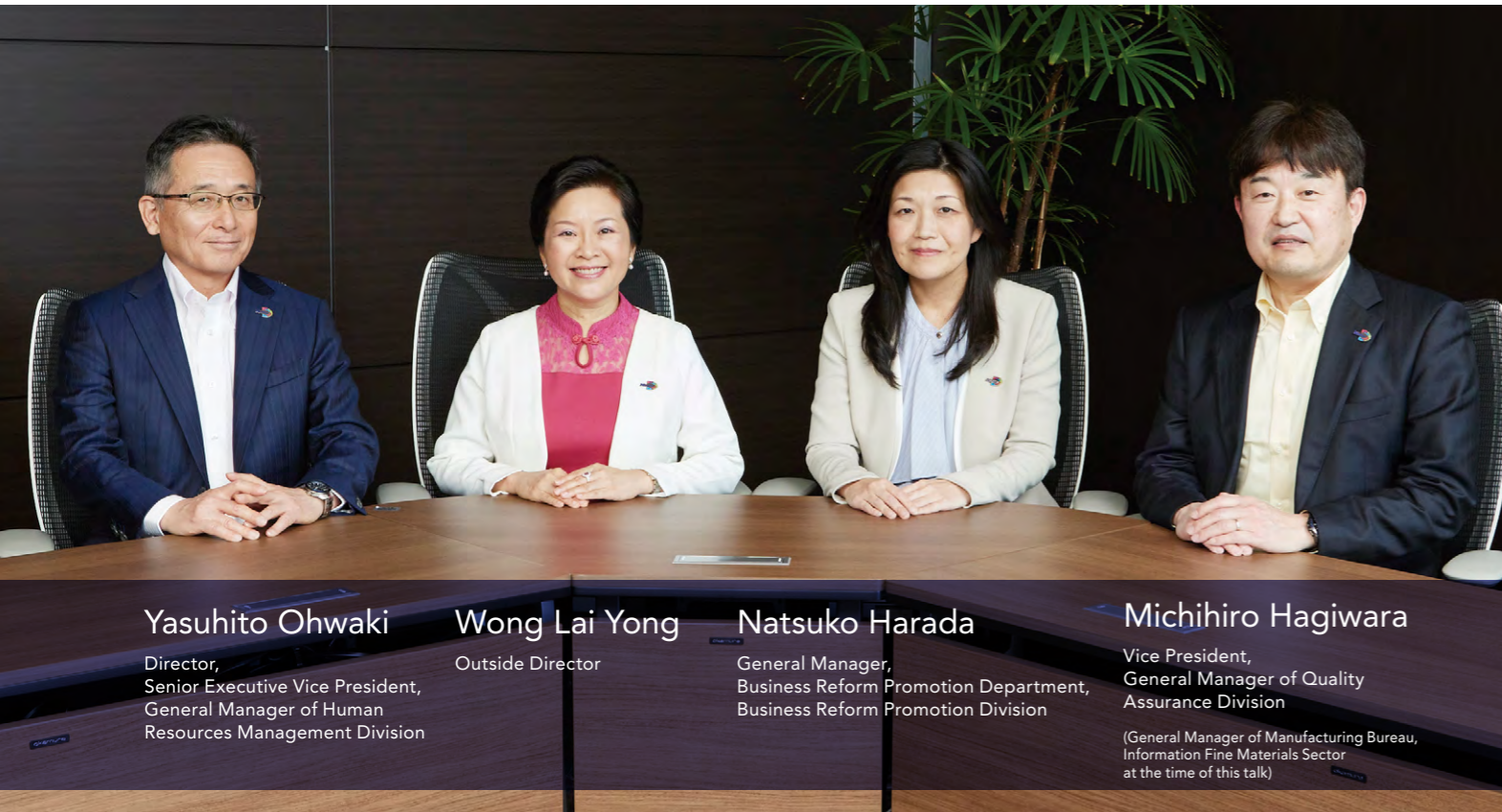
Moving toward 2030

Among our management targets for 2030 we have included, a female leaders ratio of 30%, engagement scores of 85, and a challenge ratio of 85%.

This came about as a natural result of our focus on DE&I, one of the drivers for Nitto to make rapid progress and continue to develop globally. We will advance our work environment so that we can empower those who incorporate diversity into the Nitto mindset they have painstakingly developed and constantly take on the challenges of leading progressive initiatives. With diverse employees becoming spontaneously involved in various issues, we will promote our Global Niche Top™ Strategy, one of the sources of our strengths, and achieve "Creating Wonders" at all of our workplaces with *Sanshin* Activities, customer-oriented approaches, and R&D, Production, Sales, and Administration working as one.

▶ Select initiatives (Read the round-table talk on the next page for details.)

Human Resources



Yasuhito Ohwaki

Director,
Senior Executive Vice President,
General Manager of Human
Resources Management Division

Wong Lai Yong

Outside Director

Natsuko Harada

General Manager,
Business Reform Promotion Department,
Business Reform Promotion Division

Michihiro Hagiwara

Vice President,
General Manager of Quality
Assurance Division

(General Manager of Manufacturing Bureau,
Information Fine Materials Sector
at the time of this talk)

Round-
table
Talk

Nitto Group's Initiatives for DE&I

Accelerating the Building of an Attractive Workplace Environment That Motivates Nitto Persons with Diverse Backgrounds

Nitto Group's Human Resource Strategy and DE&I

Ohwaki: Human resources are vital in the Nitto Group's policy of maximizing corporate value with ESG at the core of its management. The external environment is becoming increasingly diverse, and we must update our values accordingly. We cannot do so without a diverse workforce, and so the entire company is busy developing a diverse workplace environment with help from people from different walks of life. Ms. Wong, how do you find the Nitto Group's initiatives for DE&I?

Wong: I'm deeply impressed, to be honest. Other than such keywords as empowerment of women and the ratio of female managers, you have made striking strides in the employment of persons with disabilities and seniors and the empowerment of persons from many different nations. What I find fabulous about Nitto is its serious commitment to investing in human resources rather than merely talking

about numerical targets or nice-sounding words. Having made on-site visits to various plants, I feel it is not too much to say that Diversity, Equity, and Inclusion have been instilled into employees of every gender, age, and nationality and that DE&I has been assimilated into all Nitto Persons' DNA.

FLOWER Program and Iki-Iki Production Lines

Ohwaki: In April 2022, we started a program designed to develop female leaders. The FLOWER Program, as it is called, provides women with opportunities to think about leadership and imagine how it would feel to take on such a role. Ms. Harada helped us organize the program as a mentor.

Harada: The FLOWER Program offers a variety of events, including management skill development training and lecture sessions by senior executives. In my capacity as a

mentor, I had opportunities to speak with junior employees from other sections. As our dialogues deepened, I realized that because I was speaking with junior colleagues from another section, none of which were my direct subordinates, we could discuss things that would be difficult to say in a supervisor-subordinate relationship. Being in a managerial position, I often find myself worrying about this and that, endlessly asking myself, "Is this the best way?" When I candidly shared this feeling with them, they replied by saying, "Oh, you feel the same way, Harada-san." It narrowed the distance between us, allowing us to talk in-depth. I, too, learned a great deal from this experience. One of the lecturers of the training program was Hagiwara-san, who is with us today.

Hagiwara: I talked about the worries and emotional turmoil that I had since joining this company halfway through my career. Things like how I overcame difficulties or who supported me and in what way, when I was in trouble. Hearing me speak, my juniors were taken by surprise as they assumed I reached my current position without any difficulties. I was shocked to know that's how they saw me, but I think my stories helped them realize it's not just them; their senior employees have had worries and troubles too. I think this has something in common with Harada-san's stories, doesn't it?

Harada: Usually, you don't talk about those things with your subordinates. It's no wonder they assumed I climbed the ladder smoothly to become a leader. I think I was able to convey to them that that isn't the case and I, too, am full of anxieties just as they are; there is nothing special about being a leader, and it is not something that you have to overthink.

Hagiwara: I feel the same way. I thought it was most important to convey that it's okay to have diverse leadership figures. If I speak about myself, I don't follow any stereotype about women in my work. Regarding this lecture I organized, our aim was to encourage the audience to think positively about leadership, and I didn't do anything differently because the audience was all female.

Wong: I'm glad to know that 80% of the participants in the program got to think positively about leaders. I highly value the FLOWER Program in that it offers generous support, which covers not only skills for management and otherwise but also values and the state of mind, or mindset, so to speak.

Hagiwara: Starting from fiscal 2023, we began including female operators in production lines at our Onomichi Plant, which used to have almost exclusively male operators. I hope the addition of new, never-before-seen points of view will help us realize productivity reforms. When configuring production lines, we made all sorts of verifications at each process. For example, when we decided how to transport heavy goods, we didn't jump on the easy solution of using

a power assist but went back to the drawing board to consider whether that job was necessary. We reviewed every little thing on the shop floor like this. At the end of the day, we concluded that a production line women find comfortable to work at was one everyone finds comfortable to work at. It was almost like a paradigm shift. Another finding was that if we could include women to innovate and effectively sustain productivity, then we should begin to see how future-financial elements lead to financial assets.

Pitching the Beauty of Nitto Culture Globally

Wong: Having attended Board meetings and listened to reports on various activities, I'm convinced that these activities are what makes today's Nitto. At production lines, I'm always impressed to see that great care is taken for the diverse persons to work both safely and with peace of mind. I was also profoundly impressed when I joined Kuruma-za group discussions, where they actively embraced various opinions from younger employees and others. Some of the employees who designed research centers are younger employees. As beautifully depicted by the Vision, "Creating Wonders," every employee thinks for themselves about how they can deliver products of the highest level, and that reminded me of the spirit of One-Nitto.

Harada: I, too, think One-Nitto is formed by persons with various backgrounds, respecting each other. That being the case, Nitto's organization is vertically and horizontally congenial. Persons from outside the company often say, "Everyone at Nitto gets along well with each other." I believe such an amicable culture removes psychological barriers and pushes our employees to challenge themselves.

Ohwaki: The next step is to foster DE&I into part of Nitto culture and expand and instill it from Japan to the whole world.

Hagiwara: I'm now hoping to create opportunities where international human resources can play an active role in Japan. And I want them to come to Japan not just as a member of an overseas subsidiary but to see the world from Japan. If they can communicate the appeals of working in Japan, I believe that the international exchange of human resources will be invigorated.

Ohwaki: As Hagiwara-san remarked just now, communicating our appeal will be the key going forward. We need to keep sending messages that make people feel attached to the Nitto culture and want to work with us, hopefully with a sense of belonging. It would be ideal if we have more and more people come on board with us and take on challenges.

Product Safety/Quality

Basic Ideas and Approaches

We are aware of the magnitude of impact that the Nitto Group's business activities have on the global society and economies. To deliver well-being and satisfaction to every stakeholder throughout the process, from procurement of raw materials to development, manufacturing, and use of products, we will do our utmost to manufacture top-notch products while pursuing business activities by respecting human rights throughout the supply chain.

Enhancement of Safety and Quality of Products

Bolstering a System for Managing Raw Materials Properly

Using upwards of 4,000 varieties of chemical substances as raw materials, the Nitto Group deems it its essential responsibility to manage them properly and does so by establishing stringent Voluntary Management Regulation. In order to constantly monitor trends in the revision of relevant laws, we work closely with our overseas sites to gather information and prepare and distribute monthly in-house newsletters that cover the latest on chemical substances as a way to encourage updating of such information. In response to the release of the PFAS (per- and polyfluoroalkyl substances) restriction proposal in Europe in February 2023, we will consider substituting relevant raw materials and products with PFAS-free alternatives and submit a public comment to relevant agencies in cooperation with other players in the supply chain and trade organizations.

For raw materials purchased from suppliers, we have long managed the use of prohibited substances by checking their reports. We are currently building a system to manage a greater scope of such checks that includes their manufacturing processes.

Continuous Improvement for Higher Quality

By the end of fiscal 2022, we completed the acquisition of IATF 16949 certification, an international automobile quality management system related to "power & mobility," which is one of the three focus domains, at all sites that require it for business.

At production and quality control processes, we have also undertaken an initiative to reduce human errors, which are liable to occur due to human intervention.

By automating the recording of data, that was done by hand up until now, we aim to reduce the burden on operators and improve quality management while fostering a quality-conscious culture as a way to enhance quality governance.

Improvement of the Workplace Environment

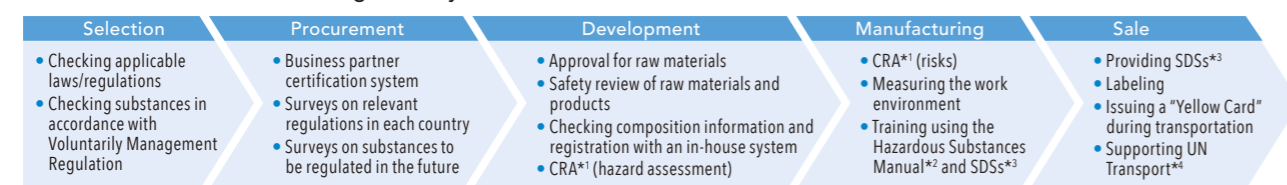
Rebuilding a Fire Prevention System

Following the fire that broke out at a South Korean subsidiary in October 2022, a task force was launched to prevent recurrence and rebuild the fire prevention system. We have also tightened the fire prevention rules, which had been structured in conformity with the laws and regulations of each country, and established new strict fire-prevention management standards that go beyond the scope of relevant laws and regulations. We will involve the entire Group in this initiative against fire risks.

Initiatives to Eliminate the Risk of Occupational Accidents and Injuries

So far, we have engaged in activities to reduce avoidable risks throughout the Group, whose goal was to prevent occupational accidents and injuries. By the end of fiscal 2022, we were able to complete the reduction of all risks that were deemed material. Going forward, to reduce risks that we find hard to improve with conventional technology, we will install AI-enabled cameras for detecting dangerous behavior or proximity threats at production sites and spread the safety officer program on a global scale (safety training for supervisors; introduced to all employees in managerial positions in Japan by the end of fiscal 2022).

Nitto's Chemical Substance Management System



*1 Chemical Risk Assessment *2 Nitto's original chemical substance training tool
*3 Safety Data Sheets *4 United Nations Recommendations on the Transport of Dangerous Goods

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 throughout the supply chain, we ensure that thorough action is taken in accordance with this Basic Policy.

Conducting a CSR Procurement Survey at Group Companies in Japan

In accordance with the CSR-Based Procurement Guidelines, which stipulate rules to be followed on matters such as respect for the human rights of workers, fair trade, compliance with corporate ethics, health and safety, and environmental considerations, we conduct an annual CSR Procurement Survey with suppliers. Based on the survey findings, we assess their risk, suggest improvements to those with high risk, and follow up on their improvement efforts. Up until fiscal 2021, the survey was conducted with only key suppliers of Nitto. Starting from fiscal 2022, the survey is sent to key suppliers of some Group companies in Japan as well. Going forward, we plan to spread this initiative throughout the Group.

Commencing Visiting Surveys

After a delayed start due to COVID-19, visiting surveys were carried out in 2022. We visited suppliers, chosen based on the findings of the CSR Procurement Survey, to help them deepen their understanding of the Nitto Group's policy on CSR-based procurement. By making a routine of this, we hope to further improve our CSR-based procurement.

Organizing Partnership Meetings

The Nitto Group seeks to maintain good communication with its business partners and, as such, in November 2022, the first partnership meeting focusing on CSR-based procurement was held online. During the meeting we communicated the Nitto Group's policies and stance towards the four issues of CSR-based procurement, human rights due diligence, life cycle assessment (LCA), and initiatives for chemical substance management, and asked our business partners for their understanding and cooperation in this regard. On this occasion, we underscored our intention to work on the four issues from the perspective of CSR-based procurement, with all players in the supply chain uniting as one.

Establishment of a Management System for Human Rights Due Diligence

Some of the raw materials that the Nitto Group purchases involve human rights-related risks, such as conflict minerals. In fiscal 2022, we completed building an internal control system that assesses and identifies raw materials with elevated human rights risk and takes measures accordingly.

We also ask suppliers dealing in raw materials with elevated human rights risks to investigate their places of origin and respond to a survey concerning their human rights policies, thus seeking their understanding of and cooperation with our considerations for human rights in raw materials procurement. We will remain committed to procuring raw materials with due consideration given to human rights.

Launch of the Supply Chain Committee

With a view toward sustainable procurement in the supply chain, in November 2022, we established the Supply Chain Committee, which is a cross-sectional team responsible for addressing risks upstream of the supply chain. While coping with clear and imminent risks, they are working to enhance their ability to foresee and handle potential risks.

Increasing Logistics Efficiency

The Nitto Group regards the improvement of logistics in its supply chain as one of its key managerial issues and is working to increase its efficiency while reducing its impact on the environment.

Our Approach to the 2024 Issue of Logistics in Japan

We are working proactively to prepare for the "2024 Issue*" by collaborating with partner companies. At present, we are singling out long-distance, long-hour trucking routes of 400 km or more per service. We believe that this will lead us to not only improve the workplace environment but also further promote a modal shift. We are also asking all Nitto sites to reduce the standby time of shipping trucks to 30 minutes or less. In fiscal 2022, six of our sites fulfilled this target. The average standby time, too, has been reduced to 14.2 minutes (19.6 minutes in fiscal 2021). We will spread this initiative to our Group companies going forward.

* Issues that may arise from a limitation on truck drivers' annual overtime in 2024 as part of workstyle reform

Reducing Paper Consumption and CO₂ Emissions

We are working together with partner companies to reduce paper-based delivery forms. With the introduction of delivery labels, our annual paper consumption was reduced by 55%. Also underway is a drive to reduce CO₂ emissions via modal shifts, etc., which resulted in a year-on-year reduction of 65 tons in fiscal 2022.

Environment

Basic Ideas and Approaches

No manufacturing business can avoid impacting the environment through the use of energy and resources or the emission of CO₂ and waste, and it is necessary to reduce such pollutants through initiatives to achieve sustainability. We at the Nitto Group have established the Global Green Committee as an avenue for emission management integrated with businesses and are taking various measures accordingly. In order to preserve this beautiful planet Earth for future generations, we are working hard to reduce the environmental impact to zero throughout the supply chain.

2030 Management Targets	Environment-related	
	<ul style="list-style-type: none"> CO₂ emissions: 470,000 tons/year *1 Waste plastics recycling ratio: 60% Sustainable materials procurement ratio: 30% 	*1 Scope 1+2

Environmental Initiatives

Global Green Committee

As part of the efforts to achieve the management targets for 2030, we set up the Green Committee in 2021. By applying technology to change the status quo, we explored the possibility of solving material issues for sustainability (materiality), including decarbonization, the 3Rs (Reduce, Reuse, Recycle), and the prevention of pollution. In 2022, the scope of its activities was expanded to align environmental initiatives with business and promote activities throughout the globe under the new name of the Global Green Committee.

With the three axes of business divisions, regional headquarters, and functional departments cooperating in an organic manner, the Nitto Group is making a concerted effort to promote environmental practices.

Reducing CO₂ Emissions

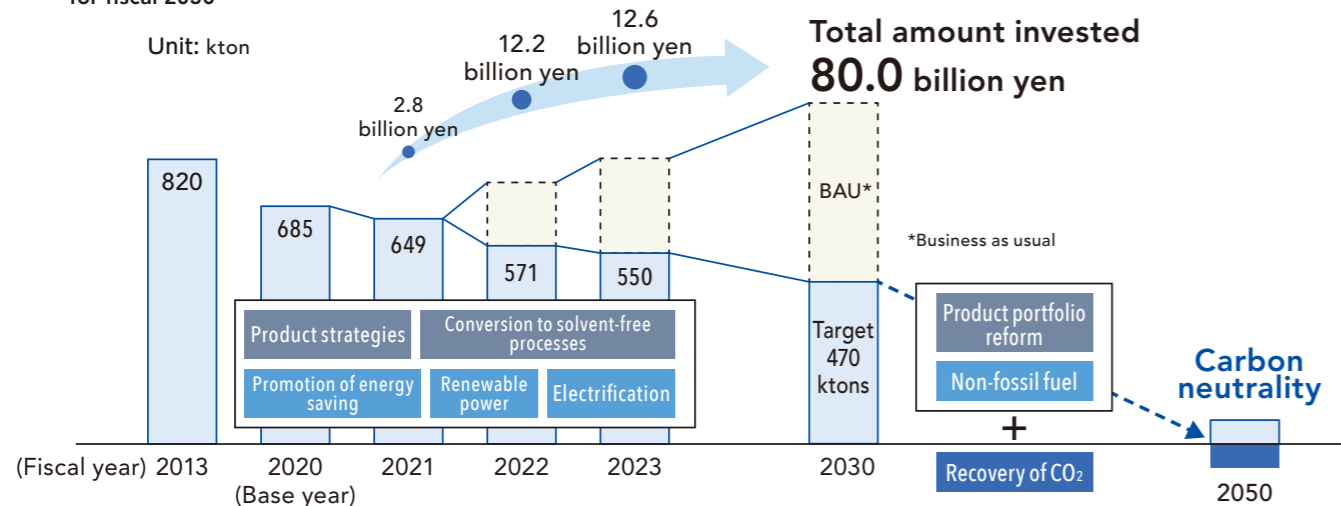
Nitto Group Carbon Neutral 2050

In May 2022, the Nitto Group made the Carbon Neutrality Declaration to kick off its effort to achieve carbon neutrality by fiscal 2050 (Scope 1+2). To achieve this self-set goal, we updated our interim goal for fiscal 2030 to 470,000 tons/year and earmarked 60.0 billion yen for environmental investment over the coming ten years.

To follow up on this, prepare for the expected business expansion and to accelerate the achievement of goals, we increased the scale of environmental investment by 20.0 billion yen, making it an aggressive investment of 80.0 billion yen.

In fiscal 2022, we were able to reduce CO₂ emissions (Scope 1+2) to 571,000 tons, thus achieving the target reduction of 650,000 tons by a large margin. As we aggressively reduced energy consumption by way of solvent-free solutions and energy conservation while converting power sources to renewable energy, we have been able to significantly accelerate the renewable energy conversion rate from 17% to 38%, with CO₂ emission reductions amounting to 56,000 tons. In fiscal 2023, we plan to reduce our CO₂ emissions to 550,000 tons or less.

Initiatives for Decarbonization in Line with our Targets for fiscal 2030



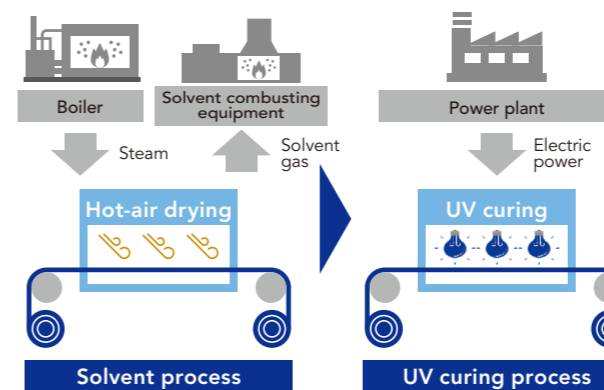
Initiatives to Achieve Solvent-Free Processes

Organic solvents that we use for manufacturing processes require significant energy for the drying process and need to be recovered and treated within the processes, with the result that CO₂ is emitted along the way due to consumption of energy.

In order to ultimately reduce the volume of solvents used to zero, the Nitto Group is working to establish technologies for solvent-free solutions, such as ultraviolet (UV) curing and water-based adhesives at manufacturing processes, thus steadily replacing current products with solvent-free products that meet customer needs.

In fiscal 2022, we made an investment decision to introduce a solvent-free mass-produced coater to the Nitto Shiga Plant.

Conversion to a solvent-free manufacturing method



Increasing the Use of Renewable Energy

In 2005, the Nitto Group began introducing solar power generation systems for self-generated power, and is scheduled to complete their installation by 2025.

By the end of 2022, such systems were introduced and became operational in Japan and abroad, generating a total of 8MW and 6MW of electric power, respectively, making the ratio of electric power generated in-house to total power consumption 1.2%.

Korea Nitto Optical Co., Ltd. successfully reduced CO₂ emissions by 980 tons per annum by installing a 1.6MW solar power generation system not only on rooftops but also on carports.



Solar carport at Korea Nitto Optical

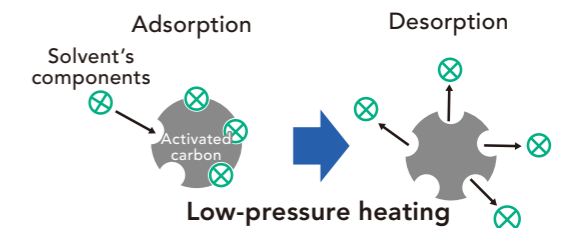
Initiatives to Reduce the Amount of Solvents Combusted

Nitto Belgium NV faces the challenge of curbing CO₂ emissions caused by the combustion of organic solvents.

They recover solvents by having organic solvents in emissions adsorbed by activated carbon and then heated. By heating organic solvents under low pressure, energy can be saved.

Nitto Belgium NV became the first in the world in the tape industry to introduce energy-saving solvent recovery equipment, which they expect will help them reduce their energy consumption by 30%.

Solvent adsorption/desorption

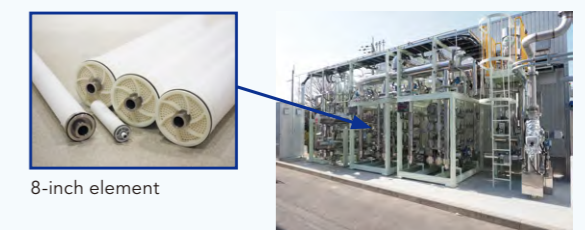


Nitto Belgium NV's energy-saving solvent recovery equipment

Technological Development for Carbon Neutrality by 2050

The Nitto Group is working on negative emission technologies, which recover and remove CO₂ whose emission is unavoidable at manufacturing processes.

In March 2023, we introduced demonstration equipment that uses our separation membranes to separate and recover CO₂ at our Shiga Plant. Going forward, we aim to increase the efficiency of the technologies so that we can offer them as a broader solution to climate change issues, rather than using them in-house only.



8-inch element



Demonstration equipment at the Nitto Shiga Plant

■ Construction of a Carbon-Neutral Office

Nitto's first ZEB*1-certified office building, LINCS, was completed within the premises of the Toyohashi Plant in November 2022. Utilizing renewable energy while saving energy, LINCS reduces the energy consumption rate by 105%, for which it received the ZEB certification and the highest rating of BELS*2 certification.

LINCS is our first zero-emission office and serves as a hub for our initiatives to realize the Nitto Group Carbon Neutral 2050.

*1 An abbreviation for Net Zero Energy Building

*2 An abbreviation for Building Housing Energy-efficiency Labeling System



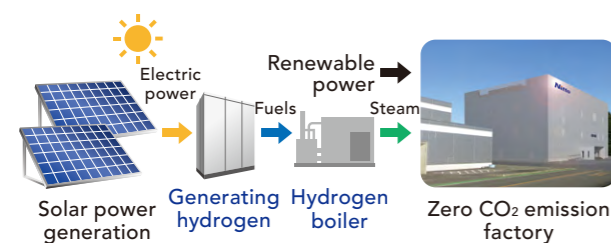
LINCS at the Toyohashi Plant

■ Using Hydrogen to Phase out Dependence on Fossil Fuels

At the Nitto Group's plants, fossil fuels are combusted in boilers to generate steam, which is used for the plants' heating systems and manufacturing processes, emitting a large amount of CO₂.

To reduce dependence on fossil fuels, we began implementing hydrogen technology at the Nitto Tohoku Plant. This is the first system in the Nitto Group that uses electricity generated by a 1,500kw solar power generation system to produce green hydrogen, which is then used in a hydrogen boiler to produce steam. We will roll out this technology throughout the Group and contribute to the implementation of hydrogen technology in society. We are also aiming to build a zero-emission plant that uses no fossil fuels.

Proactive use of green hydrogen at the Nitto Tohoku Plant



■ Scope 3 – Reducing CO₂ emissions throughout the Supply Chain

To achieve carbon neutrality for society as a whole, it is essential to manage and reduce CO₂ emissions throughout the supply chain, not just within the company.

To reduce Scope 3 emissions, it would be necessary to collect lots of data from a broad range of sources, from procurement and transportation to customer use and disposal. To complete the Scope 3 emissions calculation process by fiscal 2025, we will continue visualizing where in the global supply chain CO₂ is emitted.

To help customers reduce their CO₂ emissions, we teamed up with a university to develop a guideline for carbon footprints, thus establishing a unified calculation method.

More Efficient Use of Resources

Shaping a Circular Society

The Nitto Group has set several goals concerning the efficient use of resources for 2030, including a waste plastics recycling ratio of 60% or over and a reduction in total waste disposed of. In fiscal 2022, the waste plastics recycling ratio was 46% and total waste disposed of was 145,000 tons (down by 8% per unit of sales vs. fiscal 2021). In fiscal 2022, we added a new quantitative goal of a sustainable materials procurement ratio of 30% or over.

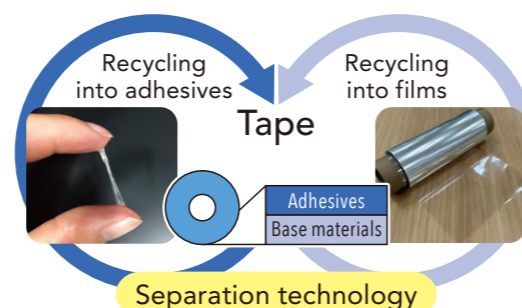
■ Development of Recycling Technology (Decomposing Waste into Mono-Materials)

Adhesive tapes, one of the mainstay products of the Nitto Group, use multiple components, such as films and adhesives, and need to be separated into mono-materials for recycling.

Having completed the development of basic technology in fiscal 2022, we will introduce a demonstration unit to study its practical use for mass production in fiscal 2023.

The Nitto Group will dedicate itself to achieving the target waste plastics recycling ratio of 60% or over by 2030, while promoting horizontal recycling of films and adhesives.

Technology for separating tape into mono-materials



■ Using Recycled Process Materials

The Nitto Group is intent on the in-house recycling of waste generated from the manufacturing process. In the past, PET (polyethylene terephthalate) films and other materials used in the adhesive tape manufacturing process were disposed of. By controlling the quality of those PET films and reusing them as film base materials, we can recycle them into adhesive tapes for packaging. By making positive use of recycled materials, we are also reducing total waste disposed of.

Recycling case



■ Using Sustainable Materials

Many of the products from the Nitto Group use fossil-derived raw materials. To deliver eco-friendly products to our valued customers, we proactively use sustainable raw materials, such as recycled and biomass materials, as main and secondary materials, including film base materials and adhesives for tapes and packaging materials. Our goal is to raise the ratio of sustainable materials procured within the Group to 30% or higher by 2030.

Products using sustainable materials



Example of products using biomass and recycled materials (Nitoms)

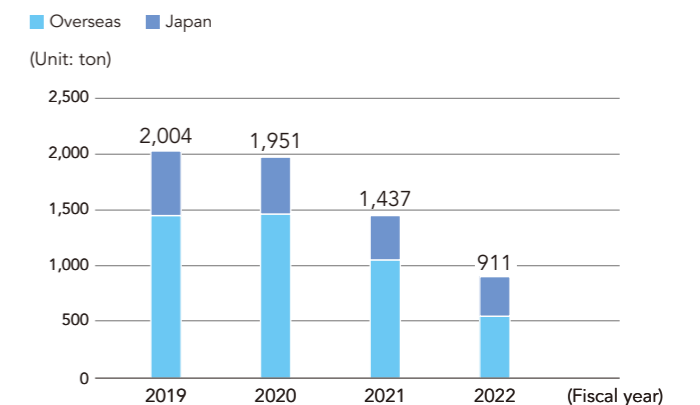
Reduction of Pollutants and Hazardous Substances

Efforts to Reduce VOC Emissions

VOCs (volatile organic compounds) can cause PM2.5 and photochemical smog, and curbing their emissions is crucial.

The Nitto Group is working to reduce VOCs on a global scale. In fiscal 2022, we slashed VOC emissions by 53% (vs. fiscal 2020) by changing process solvents and increasing solvent recovery efficiency. We will further reduce environmental impact by making more processes solvent-free and curbing the use of hazardous substances based on voluntary management standards.

Annual VOC emissions



Environment



Makoto Kawauchi

General Manager,
Business Management Division,
Information Fine Materials Sector

Kazuki Tsuchimoto

Executive Vice President, CIO,
General Manager of Production
Division

Takeshi Nishibe

Deputy General Manager,
Environmental Control Department,
Production Division

Hiroyuki Kondo

General Manager,
Industrial Products Division,
Functional Base Products Sector

Decreasing CO₂ Emissions to 470,000 tons with Nitto's Collective Wisdom and Technology by Fiscal 2030

Nishibe: The goal of the Nitto Group is to decrease CO₂ emissions to 470,000 tons a year by fiscal 2030. We deliberately worked out this number in response to global demand, a goal set by backcasting from our self-set goal of achieving carbon neutrality by 2050 with achievability in mind.

Kawauchi: The goal of 470,000 tons is not a number given by the company, but is a well-documented number devised after many *Kuruma-za* sessions by relevant divisions and senior executives. It's the number that we can proudly announce to the public. It is also a strong statement of our intent to achieve the number by cutting off the retreat with our backs to the wall. Personally, I sensed that this declaration catalyzed a change in everyone's mind.

Kondo: Disclosing the absolute amount of CO₂ emissions gives clarity and reality to the goal, compared to merely giving a reduction ratio, and so carries greater weight. It denotes a strong intent never to emit anything more than 470,000 tons, even when our business grows in scale. Because our top manager confirmed that we will place ESG at the core of our management and develop products worthy of recognition as PlanetFlags/HumanFlags that cater to customers' needs, we can explain our goal to our customers with confidence.

Nishibe: By prioritizing initiatives to transition to solvent-free products, save energy by process improvement, and create energy by solar power generation, we have slashed CO₂ emissions by approximately 30,000 tons since the establishment of the GGC. I think I can say that, partly because of this achievement, everyone's attitude has changed within the Group, which in turn adds to the speed of such initiatives. Meanwhile, we have increased the amount of investment for decarbonization from the original 60.0 billion yen to 80.0 billion yen, as we have had several factors since then that would increase CO₂ emissions, including growth of new businesses, the review of the business portfolio, and M&A deals.

Tsuchimoto: We decided that it was inevitable to add to our investment in order to pursue more concrete measures and achieve the goal as soon as possible without drawing in the reins. In addition to strengthening the three basic approaches, we have begun taking new approaches, such as electrification and use of hydrogen fuels. We also believe it important to convey the company's commitment to this cause to employees.

Kondo: My reaction to all this is that it's a game changer that will profoundly alter the way we manufacture. It's important to take this transition positively and enjoy the process. After our solvent-free tape was awarded in 2019, the attitude toward solvent-free solutions began to change among those on the shop floor. Recycling and reuse of resources is another area where

customer demands are high. The Toyohashi Plant began recycling plastics themselves around 2005, and a task force has been formed to examine ways to further reduce environmental impact across multiple divisions. On the customers' side, it takes time before they can change the materials they use. It is thus important to win customers' understanding and cooperation in order to develop and spread products contributing to the environment. Furthermore, should the regulations be tightened all of a sudden, we cannot act properly if we are not ready. So, we are convincing them to work closely with their customers in preparation for regulatory changes and tighter environmental standards in the future.

Kawauchi: At Nitto, we are contributing to the reduction of waste by combining products that used to be provided separately to help customers to shorten processes and by removing secondary materials. By adding new values together with superior product functions, we can grasp more business opportunities and boost our production efficiency.

Decarbonizing the Entire Supply Chain

Nishibe: The current Nitto Group Carbon Neutral 2050 is for Scope 1 + 2. We will need to expand our activities to cover Scope 3, namely, the entire supply chain. To make this a reality, we are currently gathering reliable data from across the globe through cooperation with relevant sections.

Kondo: Lately, customers often ask us to provide data on our products' carbon footprint (CO₂ emissions). Nitto plays a key role in the value chain. As such, we shouldn't sever the bonds within. Providing accurate data is essential. If a material has a small amount of CO₂ in its carbon footprint, it adds that much more value to the final products our customers provide.

Kawauchi: Because Nitto is a manufacturer of intermediate materials, many of our projects simply cannot be accomplished without help from raw material suppliers. Working hand in hand with suppliers, we would like to fulfill the role expected of us throughout the supply chain and take the lead in steadily navigating environmental activities.

Tsuchimoto: The approach of involving every player in the supply chain to contribute to decarbonization is very important for a sustainable company. If we make light of this, we could easily lose the trust of society. True, we made a carbon neutrality declaration, but we still have a long way to go before we are equipped with the technologies and programs to reduce CO₂ emissions to virtually zero by 2050. While we must prepare for "inevitable CO₂ emissions," which will eventually occur down the road, the Nitto Group is eagerly developing negative emission technologies for separating, storing, and converting CO₂. These technologies will surely help us solve issues of our own and society.

Let us all unite to achieve carbon neutrality by all means and, by aggressively involving customers and suppliers, act responsibly to preserve this beautiful planet for future generations.

Round-
table
Talk

Initiatives to Reduce CO₂ Emissions

A Clear-cut Goal and Strong Will to Decarbonize Society

Accelerating Group-Wide Initiatives to Achieve Carbon Neutrality

Nishibe: Global warming is taking a toll on the whole world, and the sense of urgency is rapidly growing, so there's no time to waste. The other day, the Intergovernmental Panel on Climate Change (IPCC) set a new, unprecedentedly high goal for 2035. It is apparent that businesses are expected to assume ever-increasing social responsibility.

Kawauchi: There is extremely urgent demand in this regard from end-users, who are leading the environmental considerations in this industry. We take this as a good opportunity for Nitto, as it should help us accelerate our initiatives for decarbonization and development of environmentally friendly products, which should happen regardless, given the prospect that this is going to be a

far-reaching trend in this industry.

Kondo: We have thus far marketed our tape with the catchphrase, "Organic solvent-free tape friendly to the planet and people," but we need to show quantitative data as to how much CO₂ this tape can reduce going forward. Yet, no matter how high numerical contributions to the environment are, the fact is that that alone cannot help us retain competitive advantages, which indicates the importance of adding value as the icing on the cake.

Tsuchimoto: So far, each division has been addressing environmental friendliness individually, but solvent-free or recycling technologies pose common challenges for many businesses. So, we have established a Group-wide organization, Global Green Committee (GGC), and declared the Nitto Group Carbon Neutral 2050, in an attempt to share the policies throughout the Group and make concerted efforts to promote relevant activities.

Business Strategies by Segment

Summary of Overall Business

The economic environment in fiscal 2022 saw a rise in energy and primary commodity prices triggered by Russia's military invasion of Ukraine. In addition, the sharp monetary tightening aimed at curbing inflation, particularly in the United States, caused some banks' bankruptcy, financial instability spread. In China, COVID-19 transmission and protective measures such as urban lockdowns were implemented. The global economy experienced a significant slowdown in growth rates in major regions. In the foreign exchange market, the yen depreciated sharply due to the widening interest rate differential between Japan and the United States.

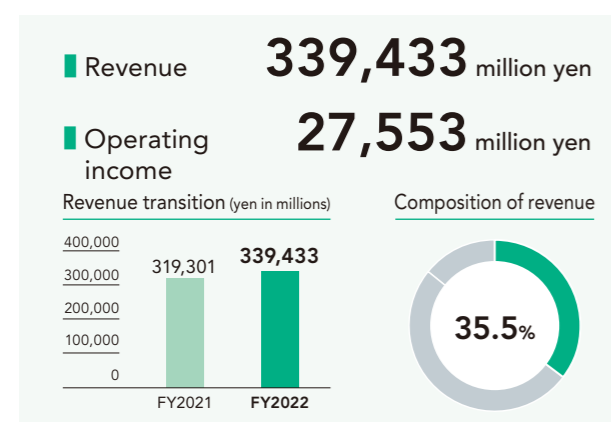
Under this circumstance, demand of products for high-end smartphones, which the Group is focusing on, and products for automotive displays, in which remarkable evolution has been seen in recent years, increased. Demand for automotive materials increased moderately with a recovery in automobile production. Meanwhile, demand of products for high-end laptops and data centers, which had been strong, declined from the third quarter due to the

Summary of Operations by Segment

Industrial Tape

For Functional Base Products, revenue increased from the previous fiscal year. In automotive materials, the impact of semiconductor shortages eased, and demand increased due to a recovery in automobile production. On the other hand, demand for process materials of semiconductors and ceramic capacitors used in electronic equipment declined due to deteriorating market conditions. In addition, the Group reduced the impact of rising raw material and transportation costs due to rising crude oil prices offset by sales prices and rationalization. In the automotive materials business, the Group agreed to transfer a portion of NVH (Noise, Vibration, Harshness) business to Parker Corporation and recorded an impairment loss on a portion of the related assets.

As a result of the above, revenue increased by 6.3% to 339,433 million yen and operating income decreased by 27.1% to 27,553 million yen.



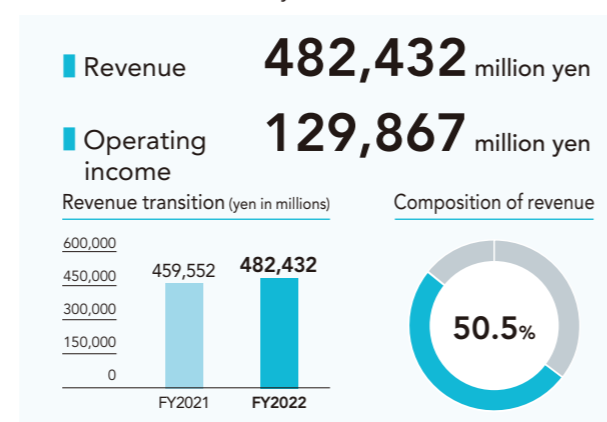
Optronics

In Information Fine Materials, revenue increased from the previous fiscal year. Demand of optical films for automotive applications, on which the Group is focusing, increased, while demand of optical films for TV and high-end laptops declined due to deteriorating market conditions.

In addition, optical films for Virtual Reality (VR) expanded its manufacturing capacity for future business expansion. The Group recorded loss related to a fire at its consolidated subsidiary Korea Optical High Tech Co. Ltd., occurred on October 4, 2022.

In Flexible Circuits Boards, revenue increased from the previous fiscal year. In high-precision substrates for high-end smartphones, result was driven by an increase in the number of models installed, while demand for CIS (Circuit Integrated Suspension) for data centers decreased due to an adjustment in HDD (Hard Disk Drives) market.

As a result of the above, revenue increased by 5.0% to 482,432 million yen and operating income increased by 34.4% to 129,867 million yen.



Human Life

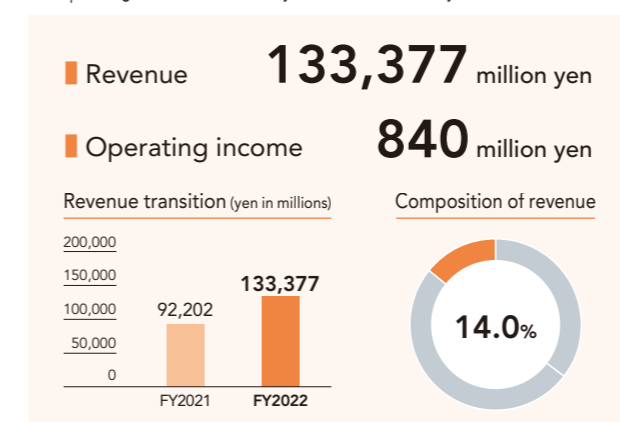
In Life Science, revenue increased from the previous fiscal year. Along with the expansion of oligonucleotide therapeutics market, demand for oligonucleotide contract manufacturing and polymer beads for oligonucleotide synthesis (NittoPhase™) increased. On the other hand, demand of immunologic adjuvants for COVID-19 vaccines declined as new orders stopped from the second quarter of the fiscal year due to a slowdown in worldwide demand for vaccines. In development of oligonucleotide therapeutics, the Group continues to engage in clinical trials of idiopathic pulmonary fibrosis and intractable cancer drugs.

In Medical Products, demand for transdermal absorption drugs and surgical tapes recovered from sluggish demand caused by COVID-19.

Sales of Membrane (high-polymer separation membrane) increased compared to the previous fiscal year. In particular, demand for industrial applications increased.

The Personal Care Materials business was launched under the new organization, Advanced Film Solutions Division, integrating the personal care component business of Mondi plc acquired in July 2022 and the existing hygiene material business. The functional films for hygiene products, our main products, are being developed for use in baby care, adult diapers, feminine care, and other applications.

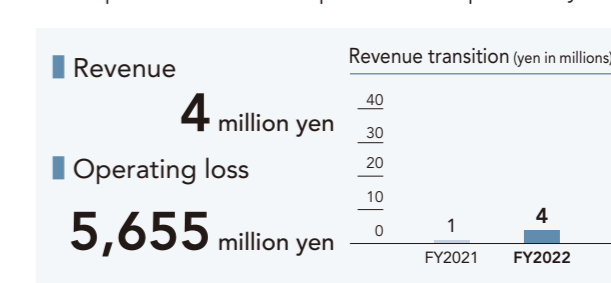
As a result of the above, revenue increased by 44.7% to 133,377 million yen and operating income decreased by 88.4% to 840 million yen.



Others

Please note that this segment includes new products that have not generated sufficient revenue yet. As a major subject, the Group started shipment of Active Optical Cable, for VR headset applications in the fourth quarter of the fiscal year.

As a result of the above, revenue increased by 143.4% to 4 million yen and operating loss amounted to 5,655 million yen. (operating loss of 5,932 million yen was reported in the same period of the previous year)



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



Nitto's unique tape technology contributes to customers in reducing the environmental impact of their products and processes

Overview

The Industrial Tape segment is comprised of manufacturing process materials, which not only have the ability to stick but also to be removed neatly using heat, porous materials, which allow air and sound to penetrate but not water, insulating materials, which have growing demand due to automotive electrification, and double-sided tape, which is widely used for electronic devices and other applications. The core technologies based on adhesion, coating, and polymer function control technologies contribute to reduce the environmental impact of customers' products themselves as well as their manufacturing processes.

The multifaceted technologies allow us to cater to a broad range of markets and offer a variety of products that meet the needs of customers in different industrial sectors. Leveraging these unique strengths, we have cemented relationships with customers over the years as we worked closely with them and repeatedly designed products that meet their specific needs. We will continue pursuing customer-oriented approaches through *Sanshin* Activities to create new sought-after demand for environmentally-friendly products and otherwise.

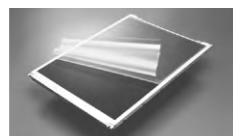
Technology and Products

For manufacturing processes

- Nitto offers adhesive tape that temporarily fixes workpieces at the semiconductor and electronic component manufacturing process (shave/cut). Once done with the process, it can be peeled off easily with minimal adhesive residue by applying heat or irradiating ultraviolet (UV) rays.



- We also supply surface protection adhesive tape for office automation equipment, metal, plastic, Low-E glass, and other housing and automobile materials.

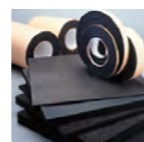


For mobility products (automobiles, aircraft)

- Offered for use in automobiles are a broad range of products that contribute to the advancement of mobility, including sealing materials that are airtight, watertight, and sound-insulating, insulating paper that play an essential role in motors of electric vehicles (EVs), and pressure control parts for lamps and electronic units.



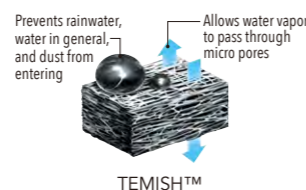
Pressure control part



EPTSEALER™ sealing material

For home appliances, automobiles, healthcare, and semiconductors

- Leveraging technologies for filming, adhesion coating, functional material provision, and surface modification, we have created products with superior thermal/chemical resistance, insulation, and low-friction properties, which are for a myriad of markets, including home appliances/electronics, automobile components, medical/healthcare, and semiconductors.



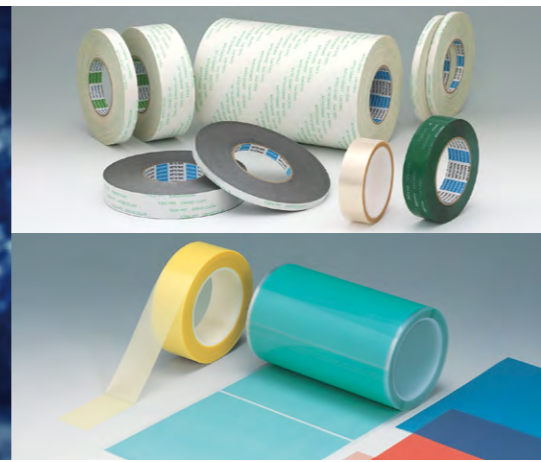
TEMISH™




NITOFロン™

Industrial/mobile applications

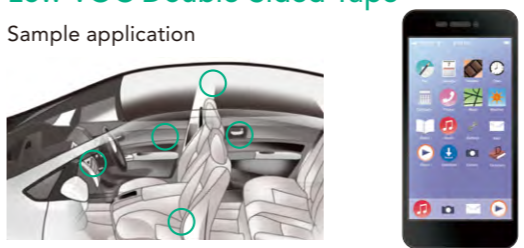
- Double-sided tape for mobile applications, HDD tapes with low outgassing
- Double-sided tape for industrial applications, barcode labels for production management and individual management
- Sealant materials for touch panels, tape for housing/construction, masking tape, etc.





Low VOC Double-Sided Tape

Sample application



CO₂ emissions through the life cycle:

-41%

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

VOC emissions:

-90%


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

Using solvent-free adhesives, Nitto's Low VOC double-sided tape incorporates both superior environmental performance, which contributes to reducing CO₂ emissions and VOC emissions throughout the life cycle, and outstanding adhesion performance. With its worldwide customer base for applications to fix automotive interior materials, we expect this outstanding tape to find a wide range of applications for mobile devices.

Bio Based Adhesive Tape with Recycled Films

CO₂ emissions throughout the life cycle: **-45%**

Made from recycled films and adhesives using biomass materials, this functional double-sided tape for fixing materials reduces CO₂ emissions while maintaining superior adhesive performance.



of the core components of EVs' powertrains, driving their growth with a high market share. With regard to lithium-ion batteries and fuel cells used in EVs, we are expanding the business of pressure control parts and protective adhesive sheets, which help to enhance their safety. Meanwhile, we are developing new materials in response to the need for enhanced safety.

For "C (Connected)," we offer a variety of panel materials for in-vehicle displays, whose functions keep expanding. For "A (Autonomous)," we have begun releasing new materials and technologies for maintaining sensors' functions, as well as pressure control parts for electronic devices for enhanced safety, which should see wider adoption. Nitto will remain committed to the realization of a future mobility society.

For applications of engineering plastics for home appliances, automobiles, healthcare, and semiconductors, there has been a change in the external environment: tightening of regulations on per- and polyfluoroalkyl substances (PFAS) in Europe, the U.S., and elsewhere. We will work closely with our customers to prepare for compliance with these new regulations while recommending alternative materials that will not be affected by them and that will hopefully lead to new business.

For industrial and mobile applications, we will spur their growth while prioritizing decarbonization efforts. A prominent example is the "Low VOC double-sided tape," a fiscal 2021 PlanetFlags certified product whose sales we will continue promoting. At the same time, we will positively differentiate our technologies and products by utilizing "bio based adhesive tape with recycled films," which has recently been certified as PlanetFlags, and recycled materials to help our customers in their attempt to achieve decarbonization throughout the life cycle of their products. Together with solvent-free technology, which is being worked on throughout the Group, Nitto seeks to reduce the environmental impact of our customers and ourselves.

Investment for Growth

We will intensively allocate our resources to the sales expansion of strategic products in our target domains, namely, power & mobility, digital interface, and human life. While investing in capacity ramp-up, we will maintain and replace aging equipment and revamp them to enhance their safety and environmental performance (reuse of resources and energy, etc.) and reduce costs through increased efficiency. We will also increase productivity by eliminating/consolidating product numbers.

Another area of focus is recruitment of human resources for product development. In the mobility field, we sold part of our reinforcing/vibration-damping material business in April 2023, which allowed us to reallocate the surplus resources to emerging priority businesses.

Mid- and Long-Term Strategies

Future Outlook

As demand for semiconductor and electronic process materials promises further growth, we will focus on materials that require special manufacturing. For example, Power Semiconductors that function under high voltage demand tape that can be used in processes with severer conditions than before.

In the mobility field, the expansion of the CASE market is gathering pace. This is particularly so for "E (Electric)," with the prospect that approximately 50% of automobiles manufactured worldwide will be electric by 2030.

Nitto offers high-performance, oilproof, and heat-resistant insulating materials for use in drive motors, one



Business Strategies
by Segment

Optronics

Supporting a secure and accessible lifestyle and a sustainable circular society (information fine materials) One-of-a-kind technology to support the data business through contribution to the environment (circuit materials)

Overview

The Optronics segment is comprised of information fine materials, such as optical films, and circuit materials, including CIS (Circuit Integrated Suspension) and high-precision substrates. One of the biggest advantages of our information fine materials is the technology that allows us to develop optical products out of various functional films, working closely with customers from their product design stage to make suggestions, while our circuit materials stand out for their technology, reliability, and profitability as attested by the 100% global market share for CIS and high-precision substrates.

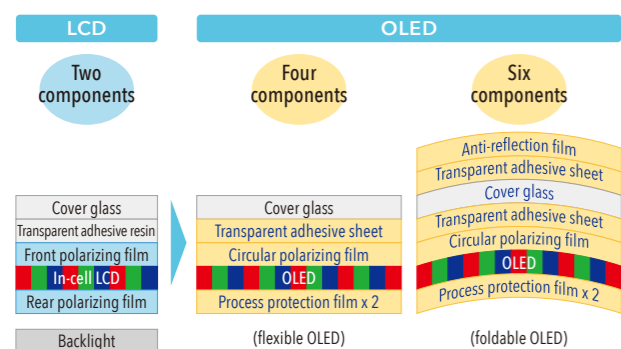
Technology and Products

Information Fine Materials: Optical films, etc.

• Products for optical displays

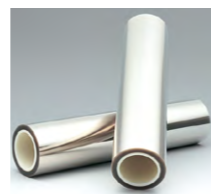
In addition to our long-time mainstay polarizing films, we have a wide spectrum of products for use in displays, including process protection films for organic light-emitting displays (OLEDs) and transparent adhesive sheets. Offering solutions that combine different products, we facilitate the optimization of customers' production processes.

Where Nitto's Products Are Used: By Panel Technology



• Transparent conductive films

Beyond the application for touch panels, we are expanding the range of applications for the non-display market, such as auto-dimming sunroofs. Designed with proprietary sputtering technology, Nitto's transparent conductive films feature enhanced functions.



Dimming sunroof

Circuit Materials: Electronic printed circuit boards



CIS
Thin-film metal base board

FPC
Flexible printed circuit board



High-precision substrates
Substrates for smartphones

Mid- and Long-Term Strategies

Future Outlook

Nitto's information fine materials are currently enjoying a high market share in displays for smartphones and tablet computers. Our next goal is to establish a solid position in the fast-expanding metaverse market. To do so, we will dedicate resources to developing technologies that meet the demand for higher-definition displays, while strengthening our production system for a stable supply.

As self-driving technology evolves and designability improves, demand for uniquely-shaped or larger in-vehicle displays is increasing. Meanwhile, for non-display applications for automobiles, we are seeing increasing opportunities for us to leverage our technological prowess, such as sputtering technology. For us to respond proactively to such emerging applications and changes in the market, we will accelerate technological development.

For circuit materials, we expect CISFLEX™, the leading brand of circuit integrated suspensions for hard disk drives (HDDs), to see its demand grow further as the data-driven/intelligent society expands more. As demand from data centers, where high-capacity HDDs are indispensable, is expected to expand further, we will focus on developing technologies that add to the capacity of HDDs.

With regard to high-precision substrates, we are busy working on a one-of-a-kind technology that will lead to the next innovation with added value (technology innovation for high-speed transmission and higher reliability) beyond "conductivity" by taking advantage of our superior core technologies such as miniaturization, thin films, and mechanical properties.

We will remain focused on developing proprietary technologies by combining element technologies that

we have cultivated in the HDD market. Based on the technologies thus developed, we will design novel products and transform our product portfolio into one geared toward emerging markets such as semiconductors and sensing devices.

Investment for Growth

For information fine materials, we are reallocating more human resources from existing technologies to the development of new technologies. For the growing market, we have invested in the production line for polarizing films for VR (virtual reality) goggles, which commenced mass production in 2023.

We continue making environmentally-responsive efforts by making our production process solvent-free and carbon-neutral. By focusing on the development of eco-friendly products using recycled materials and biomass materials, we are dedicating ourselves to the realization of a sustainable society. On the equipment front, a solvent-free UV coater that emits significantly less CO₂ compared to conventional machines will become operational at the Nitto Shiga Plant in 2025.

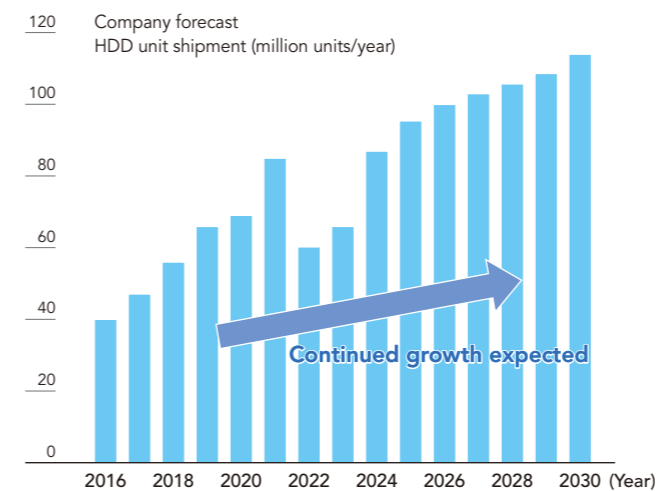
Furthermore, to establish a robust supply system immune to the ever-changing external environment, as in recent years, we will capitalize on the expansion of our sites in Vietnam and Chengdu, China, in order to reinforce the present Business Continuity Plan (BCP).

For circuit materials, because many of our existing models have a high market share, we have a greater responsibility to provide a stable supply. In response to the requests to expand production for the HDD and mobile device markets, we are aggressively making capital expenditures, thus boosting production to secure sufficient capacity. In 2023, in addition to the expansion of the plant in Vietnam, a new building was completed at the Nitto Kameyama Plant for a planned launch of a new product. We will continue ramping up capacity to ensure business continuity while searching for a new mode of manufacturing through process innovation.

On the environment front, we will collaborate with ministries and agencies concerned and relevant foreign agencies to forge ahead with decarbonization and waste reduction. At the same time, we will make forward-looking investments in the development of eco-friendly products by bringing about product innovation and environmental innovation simultaneously.

To promote DE&I, we are making greater efforts to develop human resources. The Nitto Kameyama Plant has worked on DE&I from an early stage, and they are planning to expand the scope of such initiatives, which we implemented in fiscal 2021 and 2022, with a focus on the empowerment of women to include diversity from fiscal 2023. Their goal is to set a leading model for the Nitto Group and make theirs the most fulfilling place of work.

Long-term Trends in HDDs for Data Centers





Business Strategies
by Segment

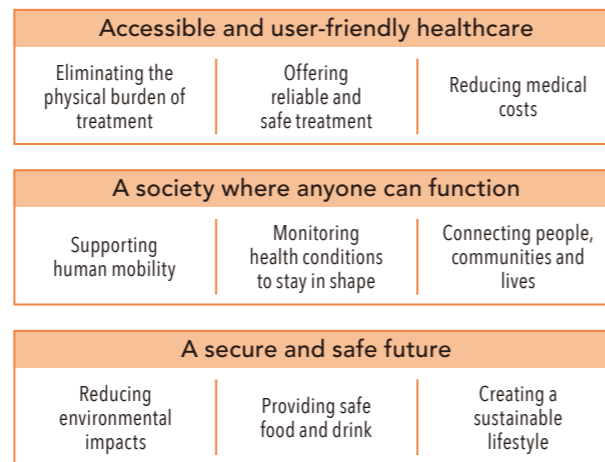
Human Life

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

Overview

The “Human Life” segment is comprised of life science (oligonucleotide contract manufacturing, oligonucleotide therapeutics discovery/development, etc.), membranes (polymer separation membranes), and personal care components (hygiene materials and other functional films). This new reportable segment takes the three approaches of “accessible and user-friendly healthcare,” “a society where anyone can function,” and “a secure and safe future.”

In fiscal 2022, we acquired a personal care component business from Mondi plc, which earned us a new business base in Germany. Building on this foothold, we will further strengthen the Human Life segment.



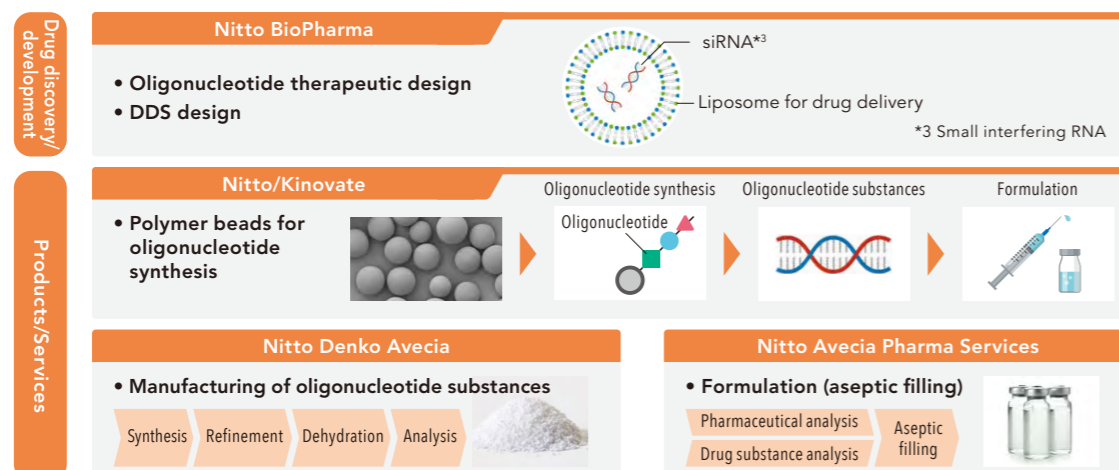
Technology and Products

Life Science

Discovery/development of oligonucleotide therapeutics, contract manufacturing, etc. For development, Nitto’s strength lies in its core technologies of oligonucleotide

therapeutic discovery/development and DDS design*1, and for manufacturing, it is in the synthesis of polymer beads*2 (market leader) and bulk oligonucleotide therapeutics.

*1 Drug delivery system: assisting oligonucleotides in functioning in the body
*2 NittoPhase™



Membranes (Polymer Separation Membranes)

Production and sale of separation membranes for a variety of water treatment applications both in Japan and abroad. Nitto’s competitiveness here lies in the ability to design products that treat water to the level of quality customers want using proprietary simulation technology.



The RO membrane purifies water by filtering out impurities.



Example application of membrane treatment technology—recovering liquid discharge from production processes

Personal Care Components

Development of new functional materials for wearable devices that are applied directly to the body, and production and sale of non-woven fabrics, functional films, and other hygiene materials for paper diapers and masks



Diaper-related products



Face masks, non-woven fabrics, etc.

Mid- and Long-Term Strategies

Future Outlook

With the prospect of continuously strong growth, the oligonucleotide therapeutic market is attracting much attention. In a bid to meet growing demand, the Nitto Group will put a new plant into service in the U.S. and Japan in or after fiscal 2023, thus boosting capacity for oligonucleotide contract manufacturing and manufacturing of polymer beads (NittoPhase™). Alongside this, we aim to consolidate our one-and-only, irreplaceable position in the market by developing and implementing new production technologies that assist customers in addressing social issues such as reducing environmental impact. As for new businesses, we are working on a plan to commercialize the disease prevention/diagnosis business, and will accelerate our efforts for an early product launch.

For discovery/development of oligonucleotide therapeutics, we are conducting clinical trials in patients with hepatic cirrhosis, pulmonary fibrosis, and KRAS-driven tumors by taking advantage of DDS technology, one of our core technologies. We will further our expertise in DDS technology to apply it to the development of new drugs, while promoting the DDS technology licensing business, with which other companies may access Nitto’s DDS to solve their issues.

For the membrane product business, we are contributing to solving environmental and water-related problems

around the world by supplying safe tap water to regions in need of water and recovering/reusing factory effluents. Amid the ongoing move toward carbon neutrality, we anticipate that customers’ demands for effluent treatment will be extremely diverse. As such, we aim to be the niche top creator in the effluent treatment market by strengthening our ability to customize solutions to individual projects, thus positively differentiating ourselves from others.

For the personal care component business, in addition to the existing baby care component business, we aim to expand into the adult diaper business, which is expected to grow further. For the technical film business, we will transform our product portfolio by bringing this product to other businesses, including mobility, life science, and mobile devices. For the non-woven fabric business, being conscious of the environment, we will develop products using biodegradable materials to boost our contribution to a sustainable environment and society.

Investment for Growth

We will advance existing businesses and create new businesses through partnerships with external parties. To accelerate these activities, we will practice talent management on a global scale to develop individuals capable of building a solid relationship of trust with external parties.

For the life science business, a new plant with a capacity large enough to fulfill expanding demand will start operation in fiscal 2023 at our Massachusetts site in the U.S. Using renewable energy, the new plant features a circular system that recycles solvents. We also gained a minority stake in a start-up business developing biomaterials in a bid to create new business opportunities in the field of environmental contributions. We will drive our environmental initiatives further by replacing acetonitrile (solvent), one of the key raw materials for oligonucleotide manufacturing, with a bio-based alternative.



New plant in Massachusetts, U.S. / Oligonucleotide contract manufacturing

New plant in Miyagi, Japan / Manufacturing NittoPhase™

In the membrane product business, we will enhance our technological prowess and ramp up production capacity by investing in production equipment. Also, in a bid to achieve ZLD (Zero Liquid Discharge) at our production sites and build a resource recycling plant, we will make substantial capital expenditures designed to reduce environmental impact by, for example, recovering and reusing wastewater and liquid discharge and recovering CO₂ by separating exhaust gas.

A Dialogue with Directors

Nitto

Innovation for Customers



Hideo Takasaki
Representative Director,
President,
CEO, COO



Michitaka Sawada
Outside Director



Placing ESG at the Core of Our Management
to Become an “Irreplaceable Company”
for the Global Environment, Humankind, and Society

Nitto Group’s Business in Fiscal 2022

— How do you look back on fiscal 2022?

Takasaki: With so many things happening, it is hard to give a general overview. Amidst the drastically changing external environment, we were able to make our advantages felt at some points but not others. As prices of raw materials and energy continued to soar, we were kept busy dealing with this and that.

As I felt things changing fast around me, it made me consider what sets Nitto apart from others. Ultimately, it’s our Niche Top Strategy. The fact that this strategy still works suggests that there’s something that insulates us from changes in the macroeconomy. It could be the circumstances we find ourselves in or our corporate culture. To be sure, our businesses that can execute the Niche Top Strategy are generally doing well, as are our current Niche Top products.

Sawada: Let me take a slightly different approach to the question of what makes Nitto unique. I find many in the Nitto Group full of curiosity. I’m always amazed at how creatively they can think, which I attribute to their curiosity. Another trait of theirs I wish to mention here is the intensity of their desires, and I believe that motivates them to take on challenges. The business foundation and cultural base laid by your forerunners have taken firm roots over time. As an outsider myself, I keenly feel that’s

why you have very creative and ambitious persons in the company. This creative thinking and the urge to challenge themselves are, among others, what makes Nitto unique. And I must add “speed” to the list of what makes Nitto so competitive. This is my interpretation.

Fiscal 2022 was a year of complex factors: It started with the extreme depreciation of the yen and the rise in raw material costs, and anti-inflation programs taken to mitigate them dampened the economy in the second half. All the more because of this, Nitto’s strengths were felt more keenly. I believe this is reflected in our business performance.

Placing ESG at the Core of Our Management

— It’s been about a year since you went public with your determination to “place ESG at the core of our management.” Would you be kind enough to reiterate the reasons and background that led you to uphold such a policy?

Takasaki: When we celebrated our first centennial foundation day five years ago, I thought hard about what we should be doing in the next 100 years, and I sent out a message on my musings. So far, Nitto has successfully served society by providing products that would increase convenience for our direct customers or their customers.

In the next 100 years, we want to become a company that contributes to society in a larger context, say, planet Earth or humankind, and I put this goal in words.

The shift to ESG management is the first step to realizing all this, but we decided to make this known to the public at this stage, not only because we thought it would be an opportune time to do so, but because Mr. Sawada and other Outside Directors advised us to.

Sawada: It wasn’t just me, but all board members reached a consensus and just went for it. As much as Nitto Group’s technological level is stellar, Nitto is more than that; it is an organization that cherishes customers’ trust dearly. This being the case, if we adopt a new doctrine like ESG, it has to be led by management, not from the bottom up. That discussion was beginning just when I took the position of Outside Director. I knew that the Nitto Group is an organization that, once it has made a decision, can unite and carry it through. So, I remember suggesting, “Why don’t we tackle ESG head-on by situating it at the center of management?”

Takasaki: Another thing I can think of is the impressions I got from investor relations activities. I travel to Europe and the U.S. for a “CEO’s roadshow” twice a year. In the past, we mostly talked about our performance and return on investment, but at a certain point, I was asked to explain Nitto’s ESG policies. At first, I thought that investors were going to start looking at ESG initiatives more seriously, but then they returned to asking me performance-centered questions with some harsh comments on the downward revisions to our forecasts due to COVID-19.

But that experience led me to conclude that we will be required to do two things simultaneously at a high level. I began to wonder, “What kind of approach do we need to pursue two hares?” To achieve this, we have concluded that we need to make ESG, or environmental initiatives themselves for that matter, part of our business. It is not sufficient to merely be environmentally conscious or reduce environmental impact; we need to go all out to make investments and recoup them over the mid- and long-term. I felt like we must keep this cycle going.

Sawada: True, it’s management that makes the decision, but we cannot expect to achieve anything without the understanding and implementation of those in the field. The Nitto Way indicates the values that members of the Nitto Group should respect, and if we place ESG at the basis of The Nitto Way, we can make it known that it’s not simply “promoting ESG” but “placing ESG at the core of our management.” Also, that way, each and every employee can make it personal, so to speak, and think about ESG as their own business.

As Mr. Takasaki has correctly mentioned, if they’re not linked to business, any ESG initiatives will end

up being superficial attempts or sporadic social engagement activities. For us to “place ESG at the core of management,” we must have a solid technological infrastructure that allows us to realize and lead innovation, rather than just wishing that it will happen. I thought that, having both the desire and technology at a high level, the Nitto Group should be able to place ESG itself at the core of Nitto’s management.

— I think it was clever of you to come up with a concrete scheme of recognizing PlanetFlags/ HumanFlags and to narrow down development projects to those that meet these standards, instead of simply giving images or directions, that was likely instrumental in changing the way Nitto employees think about the issue.

Takasaki: We’ve just begun, and so people in the field are going through some growing pains. For existing products that are not selected, we will have to ask relevant customers to ensure that they meet the standards we have set. I think it will be very difficult to ask this of them.

Once you start compromising with this, though, saying, “A failure to meet the standards by a small margin is fine,” you will take the easy road and never come back. Once the decision is made, we will only make what meets the concept of PlanetFlags/HumanFlags. We are unwavering in this commitment.

Human Capital Management

— In recent years, how human capital—one of the key elements of “S (Social)”—should be treated and how it should be invigorated has posed a significant issue to be considered. Could you enlighten me on Nitto’s approaches to human capital management?

Takasaki: Many business managers, including myself, have made management decisions and steered their businesses by prioritizing human resources. Because the general practice among Japanese companies has been lifelong employment, the basic stance was raising the level of their personnel by developing existing employees and providing them with opportunities to develop their skills, even though they may supplement their shortage of specialists in novel fields by hiring mid-career employees or conducting M&As. The Nitto Group has long provided opportunities for learning and personal growth by organizing study programs in accordance with the training curriculum as well as providing opportunities to create new businesses.

In addition, if and when we realize that we lack something, say, a low ratio of female leaders, or get to know relatively new terminology and ideas, such

as diversity, equity, inclusion, and engagement, and conclude that we have not done enough, we make it a rule to improve and correct our deficiencies. We know that employees feel engaged and fulfilled when they see that they are doing good things for their company and its business and, as a result, contributing to customers, including the global environment and society in general, so the Nitto Group places greater emphasis on “making the most of people” in addition to “treating people well.” Going forward, we will forge ahead with such subjects related to human resources as part of future-financial initiatives by setting quantitative targets.

Sawada: As far as I know, the Nitto Group has long dedicated itself to valuable initiatives out of the belief that human resources are the most important assets for a company. If I were to add one thing, you should be more strategic in this regard in the future.

There are two key points to do this. The focus needs to be not only on their apparent abilities but also their potential, that is, what possibilities they have to offer. Based on these perspectives, ask yourself if you are getting the most out of them as assets of the company. The other point is that, rather than seeking human resource development (through personnel management services) and strategies separately, always consider how to integrate human resource development with management strategies. If these two are added together, the sky is the limit.

Takasaki: Admittedly, we were in the habit of placing priority on designing personnel assignments and training for Japanese employees. But that is changing gradually. For instance, employees in leadership positions are being rotated proactively throughout Europe. To develop leaders of the next generation for the Nitto Group, we give them opportunities to work in various countries and markets to bring out what they have to offer rather than limiting them to certain businesses or regions.

We have a global leadership development program called the Nitto Global Business Academy (NGBA). There, we organize teams that contain foreign nationals and ask them to present the findings of their intensive discussions to us. Now, we are increasingly confident that programs geared toward developing global human resources and leaders have begun to bear fruit.

Congenial but Always Candid and Frank Discussions at Board Meetings

— **Now that you have achieved the previous mid-term management plan ahead of schedule, you’ve announced a new one, “Nitto for Everyone 2025.” Could you tell me what its key concepts are?**

Takasaki: Basically, it shows how we will go about realizing ESG management, which we had previously announced. First, we sat down to think about “2030 Ideal State” and we decided that we should aim to become an “irreplaceable top ESG company” that continues to provide amazement and inspiration,” not a “company that is nice to have.”

Then, we set the three focus domains of power & mobility, digital interface, and human life. Going forward, we will focus on firmly establishing the concept of ESG as we involve our customers as well as other players and people in the supply chain. The new mid-term management plan serves as an action plan for the coming three years as we work toward the ultimate goal.

Sawada: To prepare for the shift to ESG management, including the new mid-term management plan, the board has exchanged many opinions. The Nitto Group’s Corporate Philosophy is three-tiered: at the base is The Nitto Way, the Vision comes in between, and the Mission is at the top. While the Mission, which denotes our duty and *raison d’être*, is rather universal, the Vision needs to change boldly as times change. But then again, there are things that we should change and things that we shouldn’t. With all this in mind, the board has discussed how ESG management can be possible at Nitto.

— **What is the atmosphere of board meetings really like?**

Sawada: I think Nitto should be proud of how effective its board meetings are. Every attendee shares the goal of “having good discussions” and “reaching good conclusions” and offers their opinions freely from not one but multiple angles.

It’s not just Directors who are outspoken. Auditors are, too. There’s no room to be reserved. Also, at board meetings, seats are usually assigned, but at Nitto, seats are decided by lot at each meeting.

Takasaki: It has been like that for a long time at Nitto and it means I could sit at a seat commonly regarded as a subordinate’s position. We don’t call each other by title but by “san.” By the way, seats at Corporate Strategy Meetings are decided by lot, too.

Sawada: You may think it’s just seat arrangements, but the course of discussions and the atmosphere of meetings can differ slightly depending on who is sitting in front of or beside you. Thanks to this house rule, I can participate in each meeting with a fresh perspective. Plus, during breaks such as lunch, etc., I always find it meaningful to have a small conversation with different persons every time, which helps to foster mutual understanding and fruitful discussions. What is important here is who you select as members of the board, and I think Nitto has done a fantastic job of making a well-conceived list of members.

Takasaki: We deliberately selected board members to invite as many diverse opinions as possible. Some have served the office for many years, and others are new. They come from different areas of expertise and backgrounds, and we have female and foreign members too. We tell them to say everything that comes to mind as we endeavor to provide the most suitable environment and atmosphere where they find it easy to do so, including seat assignment by lot.

— **What do you take note of during discussions at board meetings?**

Sawada: I think it’s important that each member with diverse backgrounds make their distinct attributes felt candidly. In my case, there are four things that set me apart from other members. First, my experience as a business manager. Second, a good understanding of technology, as I come from a technical background. Third, the experience of listening closely to requirements on ESG from investors and other stakeholders or social demand. Lastly, deliberately trying to see things from the viewpoint of those in the field throughout my career as a businessperson. Whenever we have a proposal, I make it a rule to think from these four perspectives and offer opinions of my own.

I believe other Outside Directors think in a similar way. Being conscious of fields where they have abundant knowledge and experience and trying to cover points that internal Directors may miss, they all try to offer something meaningful to discussions. After all the opinions have been aired, Takasaki-san wraps up the meeting. As was the case when we discussed “future-financial elements,” once a decision is made, everyone changes course together in the blink of an eye to head in a new direction, which never fails to surprise me.

Takasaki: I believe that speed and integrity also form

part of Nitto’s DNA. Once I’m convinced, I’m quick. When someone suggests something, and I think, “Bingo!” I act the following day.

— **Now that ESG has been placed at the core of Nitto’s management, I’m sure the public’s perception of the Nitto Group will be different and, for that matter, the way you see the world around you may change. What do you envision in this regard?**

Takasaki: For us to become an “ESG top company,” I think it practical to use external ESG ratings, for example, to indicate how far we have reached and aim higher. Yet, if it’s just us trying hard, the value we can offer to society is naturally limited. We purchase raw materials from numerous suppliers and provide products, but many are not end products. As such, we need to produce results as we cooperate with other players in the supply chain to which the Nitto Group belongs. There may be some initial reluctance, but we will do our best, hoping to hear them someday say, “Thanks to your leadership, we have been able to pull ahead of our competitors in terms of ESG.”

Sawada: You never assume that all is well just because you are doing fine, and such a human touch is what I appreciate about the Nitto Group. When such an attitude and innovation are combined, Nitto can provide amazement and inspiration to customers, and if you keep shifting to products certified for PlanetFlags/HumanFlags, you will have more niche top products, which in turn further consolidate your business foundation. That is the Nitto I want to see.



Directors and Auditors (As of June 23, 2023)



Mitsuhide Shiraki
Outside Corporate Auditor

Shin Tokuyasu
Corporate Auditor

Yasuhiro Iseyama
Director, Senior Executive
Vice President

Michitaka Sawada
Outside Director

Yosuke Miki
Director, Senior Executive
Vice President

Tamio Fukuda
Outside Director

Yoichiro Furuse
Director
(part-time service)

Masashi Teranishi
Outside Corporate Auditor

Toshihiko Takayanagi
Corporate Auditor

Mariko Eto
Outside Director

Hideo Takasaki
Representative Director, President

Wong Lai Yong
Outside Director

Yasuhito Ohwaki
Director, Senior Executive
Vice President

Yasuhiro Yamada
Outside Director

Yasuko Kobashikawa
Outside Corporate Auditor

Directors

Hideo Takasaki

Representative Director, President

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, COO (present)

Yasuhiro Iseyama

Director, Senior Executive Vice President

June	1991	Joined Nitto Denko Corporation
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
June	2023	Director, Senior Executive Vice President, CFO (present)

Yoichiro Furuse

Director (part-time service)

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 (retired in December 2020)
October	2015	Director, Sushiro Global Holdings Ltd. (retired in December 2016)
March	2016	Outside Director, Nasta Co., Ltd. (present)
January	2018	Consultant of GLP Pte. Ltd. (present)
January	2021	Consultant of Japan, Permira Advisers KK (retired in December 2022)
June	2023	Director (part-time service), Nitto Denko Corporation (present)

Tamio Fukuda

Outside 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)

Michitaka Sawada

Outside 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)
June	2022	Outside Director, Komatsu Ltd. (present)

Yasuhiro Yamada

Outside Director

April	1987	Joined Bank of Japan
May	2018	Executive Director, the Bank of Japan (retired in May 2022)
June	2022	Outside Director, Nitto Denko Corporation (present)
September	2022	Outside Director, SUSMED, Inc. (present)

Yosuke Miki

Director, Senior Executive Vice President

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, 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
June	2022	Director, Senior Executive Vice President, CTO (present)

Yasuhiro Ohwaki

Director, Senior Executive Vice President

April	1984	Joined Nitto Denko Corporation
June	2006	General Manager of Printed Circuits Department, Industrial Business Division
April	2010	General Manager of Planning & Management Department, Information and Communication Technology Division
April	2011	General Manager of Planning & Management Division, Tape Products Sector and General Manager of Planning & Management Department Industrial Products Division
April	2012	General Manager of Strategy Management Division, Functional Base Products Sector
June	2012	Vice President, General Manager of Functional Base Products Sector
October	2013	Vice President, General Manager of Automotive Products Sector
April	2015	Vice President, General Manager of Quality, Environment & Safety Management Sector
April	2017	Vice President, Director of Nitto Denko India Private Limited
June	2017	Senior Vice President
October	2018	Senior Vice President, CPO
October	2019	Senior Vice President, CIO, CPO
June	2020	Executive Vice President, CIO, General Manager of Corporate Sustainability Division
June	2021	Senior Executive Vice President
April	2022	Senior Executive Vice President, General Manager of Human Resources Management Division
June	2023	Director, Senior Executive Vice President, General Manager of Human Resources Management Division (present)

Wong Lai Yong

Outside Director

September	2013	Founder, Principal Trainer and Consultant, First Penguin Sdn. Bhd. (present)
July	2018	Director, Penang Women's Development Corporation (present)
October	2019	Adjunct Associate Professor, Graduate School of Leadership and Innovation, Shizenkan University Deputy Center Leader, Center for Sustainability and Innovation (present)
June	2020	Outside Director, Nitto Denko Corporation (present)
November	2022	Outside Director, Farmnote Holdings, Inc. (present)

Mariko Eto

Outside Director

April	1994	Joined MITSUI & CO., LTD.
October	2003	Resistered with Daini Tokyo Bar Association
April	2015	Joined TMI Associates
January	2017	Partner of TMI Associates (present)
March	2019	Outside Corporate Auditor, OTSUKA KAGU LTD. (retired in August 2021)
June	2022	Outside Director, Starzen Co., Ltd. (present)
June	2023	Outside Director, Nitto Denko Corporation (present)

Corporate Auditors

Shin Tokuyasu

Corporate Auditor

April	1985	Joined Nitto Denko Corporation
June	2017	Vice President, Representative Director, 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

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

Mitsuhide Shiraki

Outside 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
October	2009	Vice President of Japan Academy of International Business Studies
June	2012	Outside Corporate Auditor, 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
October	2021	Permanent Director of Japan Academy of International Business Studies (present)
April	2022	Professor Emeritus, Waseda University
April	2022	Visiting Professor, Kokushikan University (present)

Toshihiko Takayanagi

Corporate Auditor

April	1981	Joined Nitto Denko Corporation
June	2009	Representative Director, Nitto Shinko Corporation
August	2014	Vice President, Chairman, Nitto Denko (China) Investment Co., Ltd.
April	2018	Vice President, General Manager of Sales Management Sector & Manager of Tokyo Sales Branch
June	2018	Senior Vice President
June	2020	Executive Vice President, General Manager of Sales Management Sector, General Manager of Taiwan
June	2023	Corporate Auditor (full-time service) (present)

Yasuko Kobashikawa

Outside Corporate Auditor

February	2001	Registered as a Certified Public Accountant
June	2006	Established MIKASA&Co
June	2015	Outside Director, ARTNATURE INC. (retired in June 2022)
December	2017	Established JK & CREW Tax Accountant's Corporation (present)
June	2023	Outside Corporate Auditor, Nitto Denko Corporation (present)

Skills Matrix

Name	Title	Gender	Length of service	Leadership	Technology	Finance	Governance	Sustainability
Hideo Takasaki	Representative Director	Male	15	●				
Yosuke Miki	Director	Male	6	●	●			
Yasuhiro Iseyama	Director	Male	3			●	●	
Yasuhiro Ohwaki	Director	Male	—	●			●	●
Yoichiro Furuse	Director	Male	16	●		●	●	
Tamio Fukuda	Outside Director	Male	5	●	●			●
Wong Lai Yong	Outside Director	Female	3				●	●
Michitaka Sawada	Outside Director	Male	2	●	●			●
Yasuhiro Yamada	Outside Director	Male	1		●	●	●	
Mariko Eto	Outside Director	Female	—				●	●
Shin Tokuyasu	Corporate Auditor (full-time service)	Male	4			●		●
Toshihiko Takayanagi	Corporate Auditor (full-time service)	Male	—	●			●	
Masashi Teranishi	Outside Auditor	Male	15	●		●	●	
Mitsuhide Shiraki	Outside Auditor	Male	11				●	●
Yasuko Kobashikawa	Outside Auditor	Female	—			●	●	

*The table above shows skills specifically expected and is not all-inclusive.

*Director Hideo Takasaki is designated as Leadership only from the viewpoint that it is most important for him to oversee management as President-Director.

Policies and Procedures for Electing and Dismissing Directors and Corporate Auditors

Appropriate structure of the Board of Directors and Board of Corporate Auditors

Given the current scale of business, the need to facilitate substantial discussions at Board of Directors meetings and Board of Corporate Auditors meetings and to ensure an appropriate number of Outside Directors, and so forth, the Company believes that the appropriate size of the Board of Directors is not more than ten (10) Directors (one third (1/3) or more of whom are Independent Outside Directors). Likewise, the Articles of Incorporation set an upper limit of ten (10). The Company also believes that the appropriate size of the Board of Corporate Auditors is not more than five (5) members (half or more of whom are Independent Outside Corporate Auditors), who are individuals having appropriate experience and ability as well as necessary knowledge in finance, accounting, and legal affairs, with at least one (1) Corporate Auditor who has sufficient expertise in finance and accounting. Likewise, the Articles of Incorporation set an upper limit of five (5). Furthermore, in order to make important policy decisions in an ever-changing business environment and to exercise a sustained supervisory function, we have identified five qualities, knowledge, experience, etc. (hereinafter collectively referred to as "skills") in "leadership," "technology," "finance," "governance," and "sustainability" for the Board of Directors and Board of Corporate Auditors and believe that a composition that ensures a good balance of such skills will contribute to management.

Five skills identified by the Company

Skill	Reason for selection
Leadership	For a company to keep growing in a dramatically changing business environment, it needs to make bold business decisions. For this reason, we have chosen leadership qualities and experience in a global organization, such as being part of a management team or a person responsible for a large project at a listed company, or a manager of a venture company, or having a key role in a government, as a skill we seek in our Board members.
Technology	To achieve Nitto's mission, "Contribute to customers' value creation with innovative ideas," we need to keep investing in innovation. For this reason, we have chosen in-depth knowledge in science and technology not only in relation to our existing businesses but also in relation to IT, DX, quality, the environment, safety technologies, and new areas as a skill we seek in our Board members.
Finance	To manage a company, we need scientific investment measures based on financial indicators. For this reason, we have chosen knowledge in finance and accounting as a skill we seek in our Board members.
Governance	The statement, "We place safety before everything else," which is one of the principles of "The Nitto Way," also encompasses "safety in business management." For this reason, we have chosen insights into and board experience in areas such as legal matters, risk management, and labor as a skill we seek in our Board members.
Sustainability	For a company to keep growing, it needs to help build a sustainable society in addition to achieving its own growth. For this reason, we have chosen a background in areas, such as diversity, environmental contribution, and brand value, as a skill we seek in our Board members.

Appointment and Dismissing of Directors and Corporate Auditors

The Officer Appointment and Dismissing Standards have been established as described below and are applied when appointing a Director or Corporate Auditor. In addition, in order to further enhance fairness and transparency in appointment of Directors, the Management, Nomination and Remuneration Advisory Committee meets and reports the results of its deliberations to the Board of Directors, and the Board of Directors makes the final decision by taking such report into account.

<Officer Appointment Standards>

1. A person who practices the Nitto Way*
2. A person who can contribute to the Company with the five skills identified by the Company.

*Our values, attitudes and mindset, and code of conduct are based on placing safety before everything else, amazing and inspiring our customers, anticipating and leveraging change, taking on challenges for new value creation, acting promptly and following through on decisions with determination, transforming ourselves constantly, and having an attitude of integrity, and understanding and respecting diversity.

<Officer Dismissal Standards>

1. An act was committed that was contrary to public order and morality;
2. A violation of the laws and ordinances, the Articles of Incorporation, or any other regulations of the Group was committed, and Nitto suffered a substantial loss or hindrance to Group business operations due to such violation;
3. A material inconvenience was caused to the execution of the duties of an Officer; or
4. Any of the quality requirements set forth in the Officer Appointment Standards is no longer satisfied.

Vice Presidents (As of June 23, 2023)

Name	Title (Position)	Responsibilities
Hideo Takasaki	Representative Director, President CEO, COO	
Yasuhiro Ohwaki	Director, Senior Executive Vice President General Manager of Human Resources Management Division	Human resources & education, diversity & inclusion promotion, and management of plants in Japan
Yosuke Miki	Director, Senior Executive Vice President, CTO General Manager of Corporate Technology Sector	Corporate technology (R&D)
Yasuhiro Iseyama	Director, Senior Executive Vice President, CFO General Manager of Corporate Accounting & Finance Division, General Manager of Export Control Center	Accounting & finance, IR, export control, and internal audit
Sam Strijckmans	Executive Vice President General Manager of EMEA (Europe, the Middle East, and Africa) President & CEO, Nitto EMEA NV	Management of EMEA (Europe, the Middle East, and Africa)
Seiji Fujioka	Executive Vice President General Manager of Human Life Solutions Sector	Human life solutions business
Kazuki Tsuchimoto	Executive Vice President, CIO General Manager of Production Division	IT, manufacturing & production engineering, and environment & safety management
Atsushi Ukon	Senior Vice President President, Nissho Corporation	Management of business companies
Bae-Won Lee	Senior Vice President General Manager of South Korea Representative Director and President, Korea Nitto Optical Co., Ltd.	Management of South Korea and information fine materials business
Norio Sato	Senior Vice President General Manager of Advanced Film Solution Division	Advanced Film Solution
Katsuyoshi Jo	Senior Vice President General Manager of PRC Chairman and President, Nitto Denko (China) Investment Co., Ltd.	Management of PRC
Tatsuya Akagi	Senior Vice President General Manager of Information Fine Materials Sector	Information fine materials business
Yukihiro Horikawa	Senior Vice President General Manager of North America and South America President, Nitto, Inc.	Management of North America and South America
Nobuyuki Aoki	Senior Vice President General Manager of Corporate Strategy & ESG Management Division	Corporate strategy, ESG promotion, and PR
Kenjiro Asuma	Senior Vice President Deputy General Manager of Advanced Film Solution Division	Advanced Film Solution and Management of EMEA (Europe, the Middle East, and Africa)
Yasuhiro Hayashi	Senior Vice President General Manager of Legal & Compliance Division, Deputy General Manager of Corporate Strategy & ESG Management Division	Legal & general affairs, compliance, risk management, and ESG promotion
Scott Shu	Vice President General Manager of South Asia, India, and Oceania Chairman and President, Nitto Denko (Singapore) Pte. Ltd.	Management of South Asia, India, and Oceania
Shingo Suita	Vice President General Manager of Functional Base Products Sector	Functional base products business
Yoshihiko Terada	Vice President General Manager of Medical Division, Human Life Solutions Sector	Medical business
Hitoki Kanagawa	Vice President Deputy General Manager of Information Fine Materials Sector	Information fine materials business
Yoichiro Sugino	Vice President General Manager of Information and Communication Technology Sector	ICT business
Nao Murakami	Vice President General Manager of New Business Development Division, Corporate Technology Sector	Corporate Technology (New Business)
Hisataka Ishida	Vice President General Manager of Sales Management Division, General Manager of Taiwan	Sales management & sales support and management of Taiwan
Naoki Makino	Vice President Representative Director, Nitto Shinko Corporation	Management of business companies
Michihiro Hagiwara	Vice President General Manager of Quality Assurance Division	Quality
Junichi Matsumoto	Vice President, CPO General Manager of Procurement Business Division, General Manager of Business Reform Promotion Division	Procurement, logistics, and business reform
Hiroyuki Katayama	Vice President General Manager of Membrane Division, Human Life Solutions Sector	Membrane business

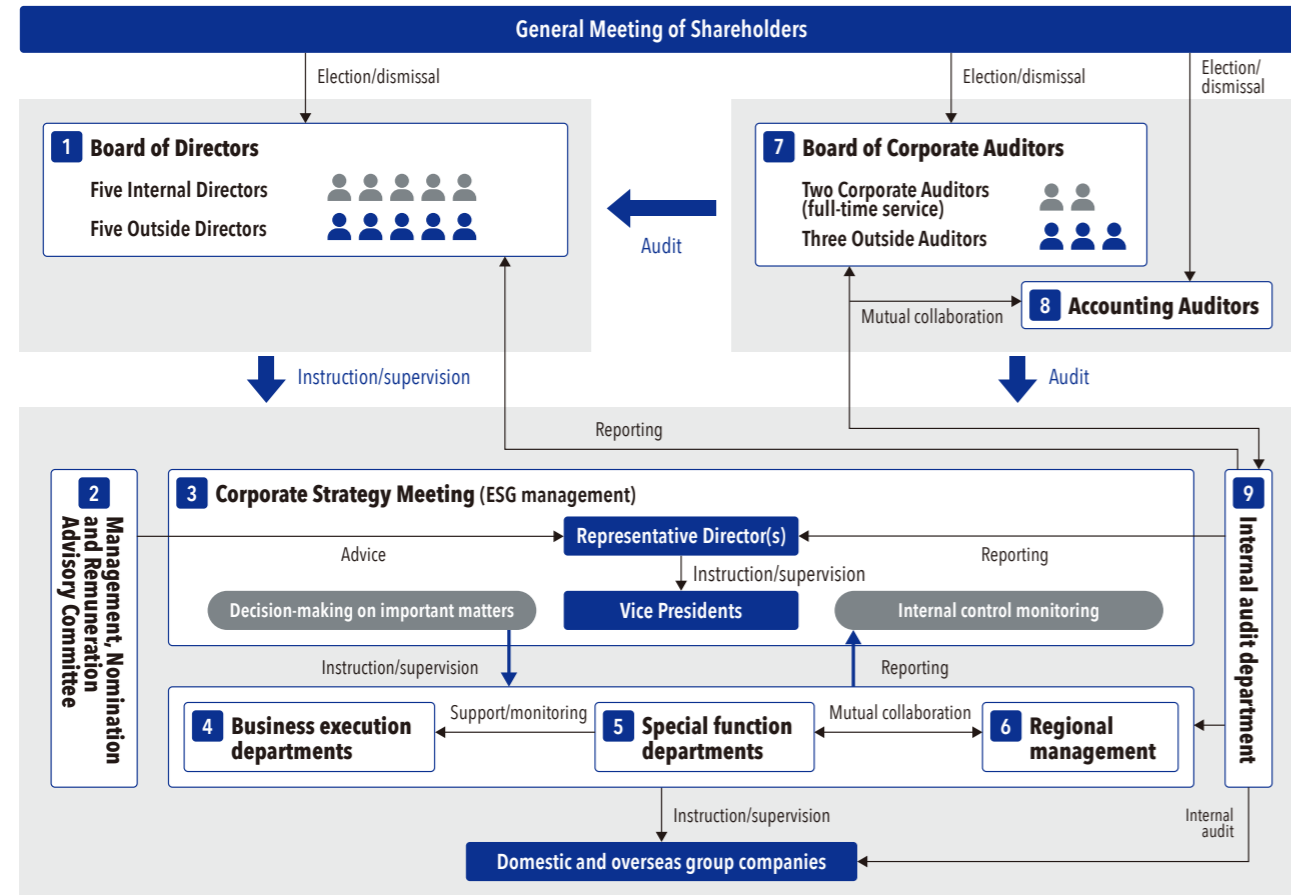
*CEO: Chief Executive Officer, COO: Chief Operating Officer, CTO: Chief Technology Officer, CFO: Chief Financial Officer, CIO: Chief Information Officer, CPO: Chief Procurement Officer

Corporate Governance System

Nitto recognizes that the structure we choose to build for corporate governance is vitally important to facilitate the promotion of business activities. Dedicated wholeheartedly to addressing social challenges, not to mention being careful not to do something illegal, we make constant efforts to improve corporate governance to realize a better management system.

As part of this initiative, Nitto maintains the corporate governance structure as below.

Corporate Governance System



System for Ensuring the Effectiveness of Internal Control Monitoring

The Company has appointed a Director or Vice President in charge of compliance and risk management and established a department in charge within the specialized functional departments. These systems promote compliance and risk management. In addition, the department in charge puts together the status of compliance and risks and reports to the Board of Directors and Corporate Strategy Meeting on a regular basis. Representative Directors and Vice Presidents, who are members of the Board of Directors and the Corporate Strategy Meeting, instruct the responsible business execution departments and Group companies in their respective areas to make improvements, thereby ensuring the effectiveness of internal control monitoring.

System for Ensuring the Effectiveness of ESG Management Promotion

The Company has appointed a Director or Vice President in charge of ESG promotion and established a department in charge within a specialized functional department. The relevant department makes proposals on sustainability, including the identification of materiality issues, based on which the Board of Directors and the Corporate Strategy Meeting make decisions. The Representative Directors and Vice Presidents, who are members of the Board of Directors and the Corporate Strategy Meeting, instruct the responsible business execution departments and Group companies in their respective areas to implement the proposals, ensuring the effectiveness of ESG management promotion.

Descriptions and Roles of the Organizations

Institution	Roles, etc.
1 Board of Directors [Chairperson] Hideo Takasaki, President-Director	[Composition] Five (5) Internal Directors and five (5) Outside Directors (ten (10) in total) <ul style="list-style-type: none"> Decision-making on important matters such as basic policies and strategic management decisions, including management policy, mid-term management plan, and ESG management Supervision of business execution by Representative Directors, Vice Presidents, etc. Establishment of internal controls and supervision of its operational status Decision-making on other legal resolutions
2 Management, Nomination and Remuneration Advisory Committee [Chairperson] Hideo Takasaki, President-Director	[Composition] One (1) Representative Director, five (5) Outside Directors, three (3) Outside Corporate Auditors (nine (9) in total) <ul style="list-style-type: none"> Voluntary advisory committee A structure where Representative Director receives appropriate engagement and advice from Outside Directors and Outside Corporate Auditors in advance and important matters are deliberated at the Board of Directors thereafter Advice on important issues including important management themes, nomination of Directors, and executive remuneration
3 Corporate Strategy Meeting [Chairperson] Hideo Takasaki, President-Director	[Composition] Twenty-six (26) Directors and Vice Presidents (including those concurrently serving as Directors; twenty-seven (27) in total) * Members may be limited for discussion of urgent/technical agenda items. <ul style="list-style-type: none"> Decision-making on important management matters Discussion and decision-making on measures to promote ESG management Internal control monitoring and decision-making on corrective measures
4 Business execution departments	<ul style="list-style-type: none"> Execution of business delegated by the Representative Director(s) Decision-making on important business operations through meetings hosted by the business execution departments (chaired by the Head of said department).
5 Special function departments	<ul style="list-style-type: none"> Support for business execution departments from a professional perspective by special function departments organized by function, such as management strategy, human resources, accounting and finance, etc. Control and monitor compliance of business execution departments through the formulation of rules and regulations, etc.
6 Regional management	<ul style="list-style-type: none"> Established in major overseas regions (Americas, EMEA, China, Korea, Taiwan, South Asia/India/Oceania) Support, control and monitoring based on the characteristics of each region, implemented in cooperation with special function departments
7 Board of Corporate Auditors [Chairperson] Shin Tokuyasu, Corporate Auditor (full-time service)	[Composition] Two (2) Corporate Auditors (full-time service) and three (3) Outside Auditors (five (5) Auditors in total) <ul style="list-style-type: none"> Monitoring of directors' execution of duties through attendance at Board of Directors meetings Attendance at important meetings, interviews with Directors and employees on the status of their activities, inspection of approved documents and other important documents, inspection of the head office, technology and business divisions and offices, and domestic and overseas group companies, as well as interviews with the Accounting Auditors on their audit reports and exchanges of opinions.
8 Accounting Auditors	KPMG AZSA LLC <ul style="list-style-type: none"> Audit of appropriateness and legality of accounting and internal control over accounting
9 Internal audit department	<ul style="list-style-type: none"> Internal audits of the accuracy, legitimacy, and reasonableness of management activities at each Group company for the purpose of contributing to the improvement of operations and business performance, independent of the execution of those activities. Internal audits include QES audits for quality, environment, and safety, and external evaluations on a regular basis.

Findings on the Nitto Board Effectiveness Evaluation

Nitto Denko Corporation (hereinafter "Nitto") conducted an effectiveness analysis and evaluation of its Board of Directors for the fiscal year 2022 (FY2022), which confirmed that the Board is effective. The following shows a summary of the evaluation process and findings.

1. An outline of the evaluation process

Nitto engaged a third party organization to conduct a survey of all its Directors and Corporate Auditors. And based on the results of this survey, it analyzed and evaluated the effectiveness of its Board of Directors, following discussions at the Board. In this survey, to stimulate discussions at the

Board of Directors, the number of items presented in a five-point scale was reduced while the number of items requesting free statements was increased.

2. Questions

The current state of the Board of Directors, the composition of the Board, the operations of the Board, discussions at the Board meetings, monitoring functions of the Board, the performance of internal and outside directors, officer training, dialogues with shareholders (investors), an overview

3. Overview of the analysis/evaluation results

Nitto has confirmed that the strength of its Board of Directors is the open and robust discussions it has on all management issues, which was also found in the FY2021 evaluation.

The following was confirmed concerning efforts by the Board to address the challenges recognized in the FY2021 evaluation.

Under the slogan, "Place ESG at the core of our management," the Board had extensive and detailed discussions on measures such as the medium-term management plan and certification schemes for products that contribute to the environment and humankind. In addition, it was confirmed that the Board made efforts to leave no issues unaddressed; for instance, the skills matrix was disclosed, and there were more discussions on human resources at its meetings.

For its challenge for FY2023, it was suggested that the Board should have more in-depth discussions on human resources (especially on the appointment and development of management executives).

4. Future actions

With the above analysis/evaluation findings in mind, Nitto's Board of Directors will remain committed to further enhancing the effectiveness of the entire Board.

Remuneration for Directors and Corporate Auditors

Remuneration for Directors consists of "remuneration in cash" (fixed remuneration), "bonus for Directors in cash" (short-term performance-linked remuneration), "performance-linked share-based remuneration" (medium-term performance-linked remuneration), and "restricted share remuneration" (medium- and long-term performance-linked remuneration). For the purpose of standard evaluation, the target component ratio of remuneration is: Remuneration 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.

Part-time Directors, Outside Directors and Outside Corporate Auditors receive "remuneration in cash" (fixed remuneration) only on a monthly basis.

The policy related to the standard amount, calculation method, component ratio among different types of remunerations, 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 such factors as the Company's business conditions, management environment, the levels

Topics discussed at Board of Directors meetings in fiscal 2022

Management	<ul style="list-style-type: none"> Revision in The Nitto Way Drawing up of the mid-term management plan Development of a succession plan for officers Measures against climate change Individual M&A deals
Monitoring	<ul style="list-style-type: none"> Verification of the implementation status of internal control
Others	<ul style="list-style-type: none"> Cross-shareholdings Dialogue with investors

Major consultations and deliberations discussed in the Management, Nomination and Remuneration Advisory Committee during fiscal 2022

Management	<ul style="list-style-type: none"> Management framework and changes in the external environment Human resources strategy and human capital disclosures
Nomination	<ul style="list-style-type: none"> Director appointment standards
Remuneration	<ul style="list-style-type: none"> Revision of the standards for granting performance-linked share-based remuneration Confirmation of consistency between the executive remuneration policy and this fiscal year's director remuneration

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. The details are as follows:

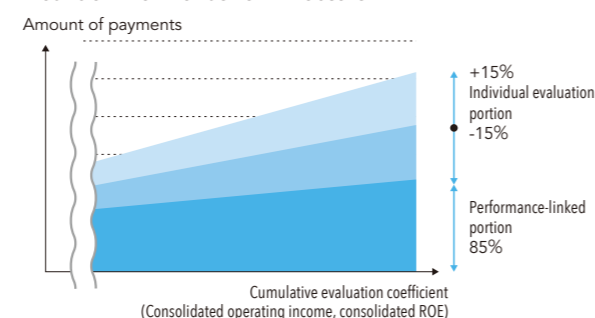
Remuneration in cash

Monthly remuneration as determined by position, etc.

Bonus for Directors in cash

Comprises the performance-linked portion (85%), which reflects the Group's performance, and the individual evaluation portion (-15% to 15%), which reflects individual performance. The amount of the performance-linked portion is determined based on progress made toward achieving the Group's key performance indicators of consolidated operating income and consolidated ROE.

Breakdown of Bonus for Directors



Performance-linked share-based remuneration

This additional remuneration 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 ranges from 10% to 150% and depends on the progress made toward achieving the key performance indicators of consolidated operating income, consolidated ROE, and ESG-related items (future-financial targets that the Company deems important).

* Performance evaluation period: April 1, 2023-March 31, 2026

Table of shares issued

Number of shares delivered individually = Number of shares to be issued (1) x Payment rate (2)

* Any fraction of less than 100 shares resulting from the calculation will be rounded down to the nearest 100 shares.

(1) Number of shares to be issued

Position	Number of shares to be issued
President-Director	5,400
Director, Senior Executive Vice President	1,900
Director, Executive Vice President	1,600
Director, Senior Vice President	1,000
Director, Vice President	800

Amount of remuneration, etc. for Directors and Corporate Auditors

(Yen in Millions)

Position	Total amount of remuneration, etc.	Remuneration by type				Number of eligible Directors and Corporate Auditors
		Fixed remuneration	Performance-linked remuneration			
		Basic Remuneration (cash)	Bonus paid to Directors (cash)	Performance-linked share based remuneration	Restricted share remuneration	
Directors (excluding Outside Directors)	641	198	365	-	77	4
Outside Directors	103	103	-	-	-	6
Corporate Auditors (excluding Outside Corporate Auditors)	83	83	-	-	-	2
Outside Corporate Auditors	48	48	-	-	-	3

Notes:

- The above includes one Director (not Outside Director) who retired during the fiscal year.
- The maximum amount of base remuneration and bonuses for directors was resolved at the 157th Ordinary General Meeting of Shareholders held on June 17, 2022 to be no more than 1 billion yen per year (including no more than 120 million yen for Outside Directors). The number of Directors at the close of the said Ordinary General Meeting of Shareholders was ten (of which, six were Outside Directors). The maximum amount of basic remuneration for Corporate Auditors was resolved at the 156th Ordinary General Meeting of Shareholders held on June 18, 2021 to be no more than 144 million yen per year. The number of Corporate Auditors at the close of said Ordinary General Meeting of Shareholders is five.
- The above bonuses to Directors, excluding Outside Directors, are the amounts paid by resolution of the Board of Directors based on the resolution of the General Meeting of Shareholders as described in Note 2.
- The upper limits of the total value and the number of shares to be granted to Directors (excluding Outside Directors) in the form of performance-linked share-based remuneration were set at 364 million yen and 48,400 shares a year at the 153rd Ordinary General Meeting of Shareholders held on June 22, 2018. The number of Directors at the close of the said Ordinary General Meeting of Shareholders was nine (of which, three were Outside Directors).
- The upper limit of the total value and the number of shares to be granted to Directors (excluding Outside Directors) in the form of restricted share remuneration were set at 243 million yen and 32,000 shares a year at the 153rd Ordinary General Meeting of Shareholders held on June 22, 2018. The number of Directors at the close of the said Ordinary General Meeting of Shareholders was nine (of which, three were Outside Directors).
- In accordance with the determination process, the Board of Directors has delegated the determination of the specific details of remuneration in cash and bonuses for directors to Hideo Takasaki, President-Director based on a resolution of the Board of Directors.
- Consolidated operating income and consolidated ROE are adopted as indicators based on which bonuses for Directors and performance-linked share-based remuneration are calculated. For the fiscal year, the Company's consolidated operating income was 147,173 million yen and consolidated ROE 12.7%. There will be no payment of performance-linked share-based remuneration as the Company did not achieve its targets. Restricted share remuneration is linked to the market price of the Company's shares. There is nothing that needs to be disclosed in relation to its performance.
- Individual remuneration and so on granted to Directors and others for the fiscal year are (or will be) paid in accordance with the determination process. The Board of Directors considers that their details are in line with the Company's remuneration policy.
- Salaries (including bonuses) of Directors concurrently serving as employees are separate from the above remuneration, etc., but no employee salaries were paid in the fiscal year.

(2) Payment rate

		Consolidated ROE	
		Up to 15%	15% and above
Consolidated operating income	Up to 170 billion yen	0%	
	170 billion yen or more - less than 185 billion yen	30%	100%
	185 billion yen and above	50%	120%

+

ESG-related items*	Payment rate
9 items achieved	30%
7-8 items achieved	20%
5-6 items achieved	10%
0-4 items achieved	0%

* The nine future-financial targets listed under "Management Targets" for the mid-term management plan

Restricted share remuneration

Share remuneration is granted in the quantity determined by the recipient's position, etc. The amount of remuneration is linked to the market price by setting restrictions on transfer until retirement.

Message from a New Outside Director



An Organization That Embodies Reasonable Optimism

Yasuhiro Yamada
Outside Director

A Corporate Culture That Enjoys Challenge

Over the past year, I have had the pleasure of exchanging opinions at board meetings and made many discoveries through exchanges with employees when I visited various plants. In doing so, I discovered three things about Nitto's corporate culture. One such discovery, which impressed me profoundly, was Nitto's corporate culture of enjoying challenges.

Humans and companies tend to use pessimistic thinking or risk avoidance as an excuse not to take on challenges. On the other hand, always acting optimistically without deep thought is an act of sheer recklessness, and no business can survive if many of their employees act that way.

To quote the words of my favorite philosopher, commonly known as Alain, "Pessimism of the intellect, optimism of the will." A mindset of evidence-based optimism with due care (reasonable optimism) is something that any organization seeking growth and development cannot do without. Being ever positive and tolerant of new challenges, Nitto is fully aware of this essential mindset and embodies it well. My convictions in this regard have grown stronger over time.

I was also impressed by the strong awareness of playing fields for business growth. You determine things that will grow, that is, business fields with greater potential, incorporate them without hesitation, and attempt to reconfigure your business portfolio. I think that's part of Nitto's culture.

And then inclusion. It takes more than having diverse persons (diversity) to make a competitive organization. The "atmosphere of respecting each other," which is evident throughout the company, is vital to unite individual wisdom. I'm sure that the attractive corporate culture, which

combines inclusion and diversity, contributes to the shining ability to execute business strategies.

Decision-Making Balanced Between Risks and Opportunities

Being an Outside Director of Nitto who is always willing to take on challenges, I have kept roughly two things in mind.

First of all, for each matter discussed at the Board meeting, I try to determine if the decision-making process itself is free from issues. In many cases, those on the execution side are more versed in the fields of the topics for discussions than I am. Consequently, they might lose the balance between risks and opportunities related to execution because they have strong feelings and abundant knowledge about such topics. I make it a rule to ensure that discussions are not biased toward either side.

The other thing I'm conscious of is introducing other members to new perspectives that they may find worth consideration or informative by saying, "Is there any possibility of this happening?" I try to ask questions by tapping into what I have experienced and learned in my life, as well as my expertise in macroeconomics and financing.

Because most of the Nitto Group's business is B2B, the products it develops and manufactures may not be familiar to the public. Yet, many of its products, be they information equipment, medicines, or filtration membranes, are related to the lifestyle and business of most people in one way or another. I would be most pleased if our stakeholders took an interest in our products to exclaim, "Wow! I didn't realize Nitto's products are used here." At the same time, I am determined to fulfill my responsibilities as a Director, so that the Nitto Group can simultaneously solve social issues and create economic value.

Compliance

Ensuring Strict Compliance

For an enterprise to achieve sustainable growth, compliance provides a key foundation. To make compliance part of our corporate culture, the Nitto Group is taking various initiatives.

Revision of the Nitto Group Business Conduct Guidelines

In 2006, the Nitto Group established the Nitto Group Business Conduct Guidelines (BCG) as a code of conduct for its officers and employees that serves as the foundation and cornerstone of compliance. In September 2022, to make it more compliant with recent social demand and the Nitto Group's ESG management, we made the first complete revision since it was released and disclosed it online (in 17 languages). The revised version is more to-the-point, and reader-friendly, and follows international norms.

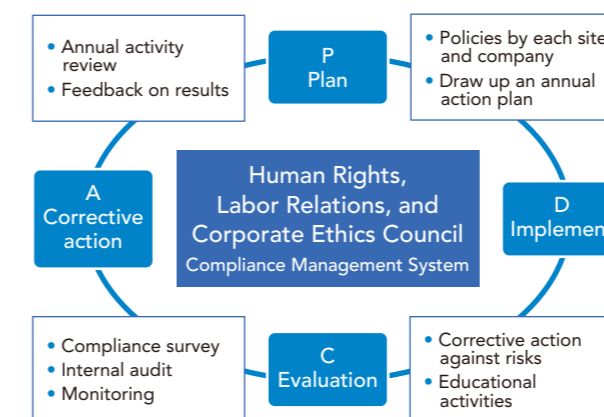
To make the new BCG known throughout the Group, we have produced videos in multiple languages for in-house training and distributed them. By fostering recognition from many angles like this to facilitate deeper understanding, we will ensure that everyone lives up to the BCG.

Identifying Risks and Making Improvements Based on the Compliance Survey Results

In order to identify risks and take action against them, we began taking a full-fledged compliance survey that complies with the new BCG in fiscal 2023, in the hope that the new BCG will further penetrate throughout the Group and pin-point risks latent at each Group company and site.

The basic flow of the compliance survey is to send one to all employees within the Group once a year, summarize the results, and feed them back to each site and region.

Nitto Group's Human Rights, Labor Relations, and Corporate Ethics Management System



Based on the findings of the compliance survey, we will draw up an action plan, according to which the Human Rights, Labor Relations, and Corporate Ethics Council will make efforts to reduce the risks. Comprised of members from heads of each Group company and site, this newly-formed council is designed to make the human rights, labor relations, and corporate ethics management system function smoothly.

Furthermore, in order to objectively validate the Council's activities to reduce compliance risks, monitoring is carried out by qualified experts from external organizations. Those experts are assigned to each Group company and site to check the status of their activities.

We will ensure compliance by having the Council implement the PDCA cycle to get the management system going.

Establishment of the Global Whistle-Blowing System

The Nitto Group has established a system for transparently monitoring the spread of compliance awareness. We have introduced and operated a whistle-blowing system for employees that allows them to file reports to both internal and external contacts. The Partner Hotline, as it is called, is also available for business partners, including those from subcontracting businesses and construction services. Both contacts keep whistle-blowers' privacy strictly confidential, and anonymous reports are allowed. Respondents handle the reports thus made in line with confidentiality obligations. The operational rules of the system stipulate that whistle-blowers should never be treated unfairly and that no threat or reprisal against them should be tolerated.

Since October 2022, we have been working to build a global whistle-blowing system to keep the Nitto Head Office informed of what is going on and where, in order to handle problems in a timely manner. From fiscal 2023, the whistle-blowing system, which served each site and region separately, was unified globally for full-fledged implementation. By sharing information in a prompt manner, we will strengthen our governance further.

Number of reports via the global whistle-blowing system
Fiscal 2022: **77**

Risk Management

Basic Ideas

The Nitto Group divides the risks that management recognizes as having the potential to have a significant impact on business activities into two categories: "business risks," which are associated with our businesses, and "operational risks," which can generate group-wide impact. Business risks include risks related to business, such as risks associated with business components and overseas business operations; risks based on external factors such as exchange rate fluctuations and geopolitics; and risks related to technological competitiveness such as new technology development capabilities and intellectual property rights. Operational risks include those related to safety, the environment, disasters, and product quality and defects and risks related to information security, responses to antisocial forces, and risks related to antimonopoly laws and export control laws. Accordingly, the Nitto Group properly manages risks.

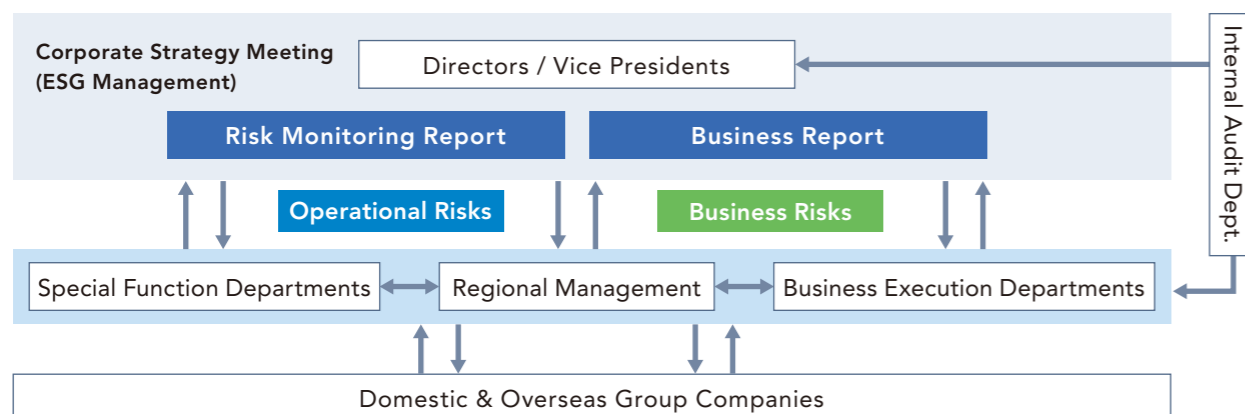
Risk Management System

The Nitto Group manages major risks under the risk management system stipulated in the Basic Policy on Internal Control.

The business execution departments are responsible for controlling and managing "business risks," and the special function departments are responsible for "operational risks." In order to develop a global risk monitoring system, the regional management located in major overseas areas conduct monitoring on an area basis.

Information on risks managed by each responsible department is reported monthly for deliberation to the Corporate Strategy Meeting, which is composed of directors and vice presidents. The results of the deliberations are immediately instructed to each responsible department, and measures to control risks, such as strengthening of control, are promptly implemented. Details of implementation and the status of improvement are reported and checked again at the

Risk Management System



Corporate Strategy Meeting, thereby enhancing the effectiveness of the Group's risk management.

Identification and the Management Status of Risks

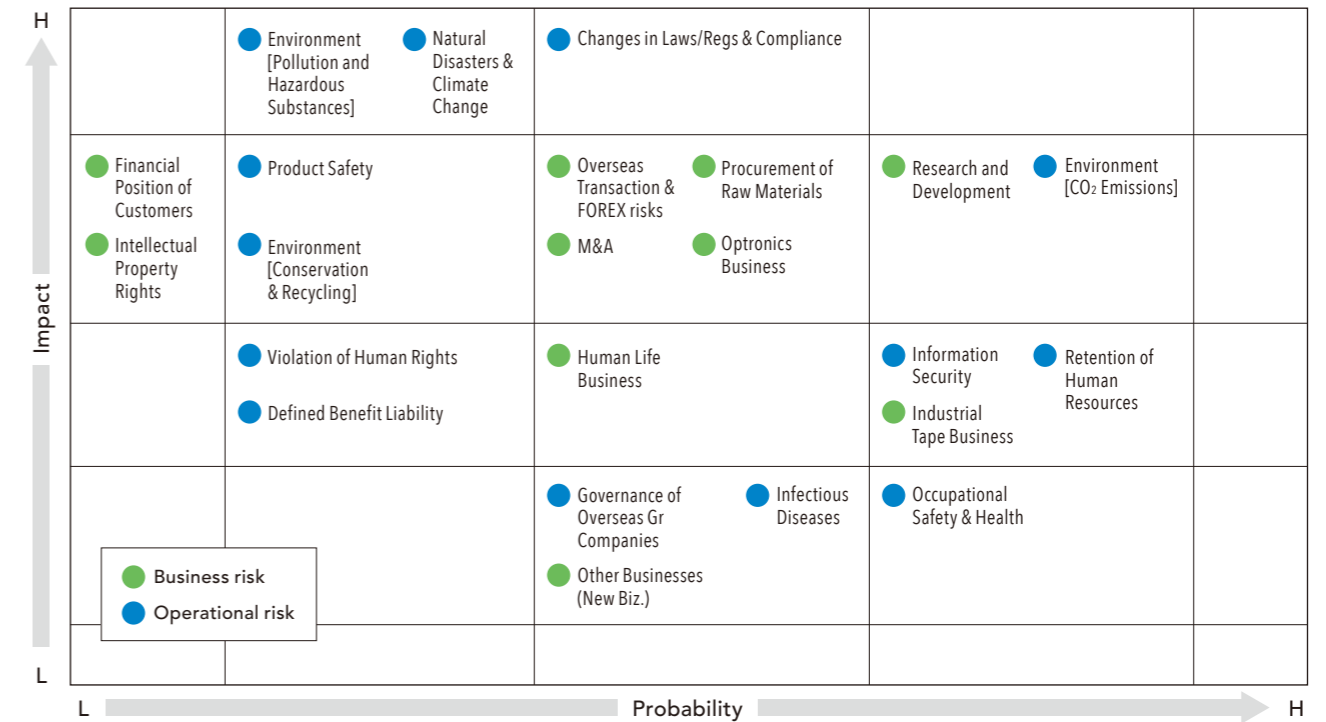
In addition to risks continuing from the previous fiscal years, risks that are to be newly added as subjects to management and reporting in the fiscal year are selected by the officer and department responsible for risk management. The selection is conducted based on interviews with directors, responsible departments, audit firms, etc., as well as analysis of the agenda and details of deliberations at monthly meetings of the Board of Directors and the Corporate Strategy Meeting. The selection is finalized after deliberation at the Corporate Strategy Meeting.

Major risks are recognized and visualized for their relative importance. To do so, we classify risks using a graph with two axes: "degree of impact" on the business in case when the incident, etc. occurs on the vertical axis and the "probability of occurrence" of the incident on the horizontal axis (see right).

At the end of the fiscal year, the responsible departments self-evaluate these major risks (business risks and operational risks) that are reported and deliberated by the Corporate Strategy Meeting, based on evaluation criteria, such as the establishment of an execution system, the implementation of controls and countermeasures, and the occurrence of incidents and responses to them. The department in charge of risk management evaluates the results from an independent standpoint, receives approval from the officer in charge of risk management, and reports the results to the Corporate Strategy Meeting and the Board of Directors as results of independent evaluations.

Shown to the right are the assessment results and the status of each risk at the fiscal-year-end. The fiscal-year-end assessment of each risk is represented by their increase/decrease from the beginning of the fiscal year.

Risk Map in Fiscal 2022



Assessment of Each Risk in Fiscal 2022

	Major Risks	Direction	Assessed Items
Business Risks	Overseas Transactions & Foreign Exchange Risks	→	Deterioration of cash flow Exchange rate fluctuation Customs clearance incidents Russia-Ukraine conflict
	Financial Position of Customers	→	Irrecoverable receivables
	Procurement of Raw Materials	↗	Bankruptcy of supplier Difficult procurement
	Research & Development	→	Delayed/obsolete R&D
	Intellectual Property Rights	→	Intellectual property infringement
	Industrial Tape Business	↗	Changes in semiconductor market Changes in automobile market
	Optronics Business	→	Product or tech obsolescence Changes in external environment Difficult procurement
	Human Life Business	↗	Changes in external environment Difficult procurement
	Other Business M&A	→	Failure of new business Failed M&A and partnerships
	Operational Risks	Product Safety	↗
Environment (CO ₂ Emissions)		→	Response to environmental regulations
Environment (Conservation & Recycle)		→	Resource saving/recycling
Environment (Pollution & Hazardous Substance)		→	Pollution/Emission of harmful substances
Information Security		→	Information leakage/illegal use IT system destruction/failure
Changes in Laws, Regulations & Compliance		↗	Revision of laws and regulations Violation of laws Breach of compliance
Governance of Overseas Group Companies		↗	Poor governance of overseas group companies
Natural Disasters & Climate Change		→	Earthquake Typhoon
Infectious Diseases		↘	Infectious diseases
Retention of Human Resources		↗	Loss of human resources
Occupational Safety & Health	↗	Occupational safety and health	
Human Rights	→	Human rights violations	
Defined Benefit Liabilities	↗	Defined benefit liability	

↗ : Increased → : No Change ↘ : Decreased

For details of the major risks, please visit our website below:

<https://www.nitto.com/jp/en/sustainability/governance/management/risk/>

Business Results: 10-Year Summary

	Japanese GAAP					IFRS					IFRS		
	2013	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2022	
Statement of income (Yen in Millions)													
Revenue	749,835	749,504	825,243	793,054	767,710	857,376	806,495	741,018	761,321	853,448	929,036	6,899,636	
Operating income (ratio to revenue)	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%)	132,260 (15.5%)	147,173 (15.8%)	1,093,004(-)	
Income before income taxes	69,641	70,642	105,947	101,996	91,791	126,168	91,910	69,013	93,320	132,378	146,840	1,090,531	
Net income	51,306	52,188	78,028	81,989	63,690	87,463	66,616	47,224	70,308	97,234	109,264	811,467	
Net income attributable to owners of the parent company (ratio to revenue)	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%)	97,132 (11.4%)	109,173 (11.8%)	810,791(-)	
Total comprehensive income	72,415	72,518	108,098	44,552	63,344	83,907	62,060	35,359	89,796	136,323	137,177	1,018,767	
Cash flows from operating activities	78,286	78,444	119,481	140,658	119,939	122,551	98,569	123,641	116,309	144,489	181,702	1,349,439	
Cash flows from investing activities	-15,735	-15,893	-53,857	-57,085	-49,739	-50,215	-49,955	-59,991	-57,538	-57,594	-159,906	-1,187,568	
Cash flows from financing activities	-18,131	-18,131	-68,966	-44,902	-28,884	-44,919	-58,419	-51,637	-68,297	-36,639	-57,627	-427,976	
Cash and cash equivalents at the end of period	203,446	203,446	214,559	240,891	280,343	304,709	297,682	304,922	300,888	362,046	329,966	2,450,546	
Segment information by geographic area (Yen in Millions)													
Japan	Revenue	186,320	185,990	189,779	180,987	186,979	200,556	194,087	166,419	173,918	195,642	200,634	1,490,041
	Operating income	43,263	44,112	70,322	60,793	51,979	75,982	53,545	51,149	54,526	75,205	103,806	770,932
Americas	Revenue	52,085	52,085	59,451	75,344	80,123	82,568	75,967	66,659	58,425	83,334	100,730	748,088
	Operating income	1,198	1,373	-1,725	12,241	16,570	12,225	7,928	2,429	2,162	9,897	1,957	14,534
Europe	Revenue	38,834	38,834	43,041	42,750	40,521	45,578	45,683	40,402	38,806	42,127	75,188	558,396
	Operating income	3,104	3,025	2,729	3,081	3,727	4,218	3,071	-1,460	3,580	3,064	-1,740	-12,922
Asia & Oceania	Revenue	472,594	472,594	532,971	493,972	460,085	528,672	490,757	467,536	490,172	532,344	552,483	4,103,104
	Operating income	22,158	23,874	36,573	24,410	22,905	32,793	26,065	21,419	34,659	47,586	39,902	296,339
Per share information (Yen)													
Equity attributable to owners of the parent company per share	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	5,548.1	6,183.0	45.92	
Basic earnings per share	309.3	314.6	471.8	495.2	390.9	539.0	423.5	301.3	472.7	656.3	738.8	5.49	
Diluted earnings per share	308.6	313.9	470.9	494.6	390.5	538.4	423.1	301.1	472.4	656.0	738.5	5.48	
Price earnings ratio	16.0	15.7	17.0	12.6	22.0	14.8	13.7	16.0	20.0	13.4	11.6	-	
Dividends per share (Dividend payout ratio (Consolidated))	100.0 (32.3)	100.0 (31.8)	120.0 (25.4)	140.0 (28.3)	150.0 (38.4)	160.0 (29.7)	180.0 (42.5)	200.0 (66.4)	200.0 (42.3)	220.0 (33.5)	240.0 (32.5)	1.78(-)	
Shares outstanding (thousands)	173,758	173,758	173,758	173,758	173,758	173,758	158,758	158,758	149,758	149,758	149,758	-	
Number of treasury stock at the end of the period (thousands)	8,756	8,756	8,614	11,465	11,434	13,592	1,908	4,839	1,792	1,744	3,840	-	
Average number of outstanding shares during the period (cumulative from the beginning of the period) (thousands)	164,950	164,950	165,079	164,940	162,311	162,112	157,165	156,501	148,580	147,996	147,776	-	
Number of shareholders	55,009	55,009	35,014	37,694	29,742	35,847	37,684	36,871	28,456	28,802	28,984	-	
(Yen in Millions)													
Total assets	781,352	783,583	855,433	825,905	879,899	937,796	913,418	921,900	965,901	1,094,469	1,153,647	8,567,746	
Equity attributable to owners of the parent company	523,391	521,385	612,016	614,425	653,772	693,278	700,443	689,446	715,868	821,192	902,211	6,700,416	
Ratio of profit attributable to owners of the parent company to total assets (ROA)	6.7%	6.8%	9.5%	9.7%	7.4%	9.6%	7.2%	5.1%	7.4%	9.4%	9.7%	-	
Return on equity attributable to owners of the parent company (ROE)	10.1%	10.5%	13.7%	13.3%	10.0%	13.0%	9.6%	6.8%	10.0%	12.6%	12.7%	-	
Ratio of equity attributable to owners of the parent company to total assets	67.0%	66.5%	71.5%	74.4%	74.3%	73.9%	76.7%	74.8%	74.1%	75.0%	78.2%	-	
Capital investment	75,814	75,814	56,721	60,420	36,538	47,193	64,353	58,930	50,597	56,496	50,789	377,193	
Depreciation cost	43,188	43,223	45,662	48,537	48,556	49,283	45,904	49,390	47,950	50,211	57,362	426,008	
R&D expenses	28,573	28,444	28,240	32,120	30,366	31,243	31,990	33,765	35,261	37,271	40,175	298,366	
Number of employees (Note 1)	31,504	31,504	31,997	30,007	29,617	29,704	29,019	28,751	28,289	28,438	28,371	-	

<Note>

1. Part-time employees are included.

2. The exchange rate used was JPY134.65 to USD1.00, which was the rate as at March 31, 2023.

3. 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.

4. From the 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 for the fiscal year ended March 31, 2018 have been reclassified to reflect the change.

5. 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			Amount	
	March 31, 2023	March 31, 2022		March 31, 2023	March 31, 2022
(Assets)			(Liabilities)		
Current assets	677,189	722,738	Current liabilities	188,248	208,489
Cash and cash equivalents	329,966	362,046	Trade and other payables	91,834	102,798
Trade and other receivables	178,388	206,084	Bonds and borrowings	272	241
Inventories	141,101	128,318	Income tax payables	18,488	18,138
Other financial assets	2,141	4,939	Other financial liabilities	22,162	19,979
Other current assets	20,358	21,349	Other current liabilities	54,053	67,330
Subtotal	671,956	722,738	Subtotal	186,811	208,489
Assets held for sale	5,232	–	Liabilities directly associated with assets classified as held for sale	1,436	–
Non-current assets	476,457	371,730	Non-current liabilities	62,204	63,873
Property, plant and equipment	333,103	286,949	Other financial liabilities	15,729	16,941
Right-of-use assets	12,959	13,681	Defined benefit liabilities	40,015	44,125
Goodwill	58,822	4,809	Deferred tax liabilities	4,173	326
Intangible assets	21,469	13,707	Other non-current liabilities	2,286	2,480
Investments accounted for using equity method	2,140	547	Total liabilities	250,452	272,363
Financial assets	8,860	12,131	(Equity)		
Deferred tax assets	23,420	24,131	Equity attributable to owners of the parent company	902,211	821,192
Other non-current assets	15,682	15,772	Share capital	26,783	26,783
Total assets	1,153,647	1,094,469	Capital surplus	50,047	49,992
			Retained earnings	786,269	705,910
			Treasury stock	-27,631	-9,771
			Other components of equity	66,741	48,276
			Non-controlling interests	983	913
			Total equity	903,194	822,105
			Total liabilities and equity	1,153,647	1,094,469

Consolidated Statements of Changes in Equity (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 as of April 1, 2022	26,783	49,992	705,910	-9,771	48,276	821,192	913	822,105
Net income			109,173			109,173	91	109,264
Other comprehensive income					27,905	27,905	8	27,913
Total comprehensive income	–	–	109,173	–	27,905	137,078	99	137,177
Share-based payment transactions		-21			-0	-21		-21
Dividends			-34,046			-34,046	-29	-34,075
Changes in treasury stock		75		-17,860		-17,784		-17,784
Transfer from other components of equity to retained earnings			5,232		-5,232	–		–
Transfer from other components of equity to non-financial assets, etc.					-4,206	-4,206		-4,206
Total transactions with owners	–	54	-28,813	-17,860	-9,440	-56,059	-29	-56,088
Balance as of March 31, 2023	26,783	50,047	786,269	-27,631	66,741	902,211	983	903,194

Consolidated Statements of Income (Yen in Millions)

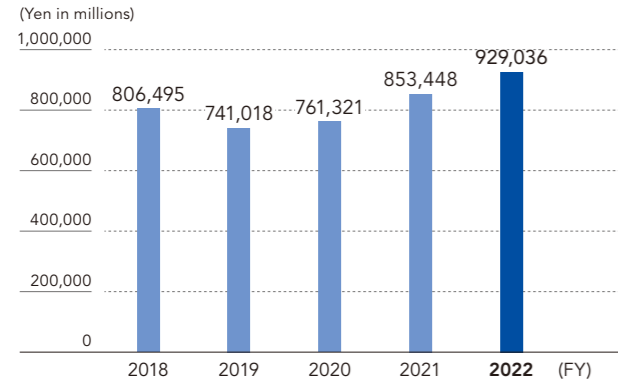
	Amount	
	Fiscal 2022 (April 1, 2022 through March 31, 2023)	Fiscal 2021 (April 1, 2021 through March 31, 2022)
Revenue	929,036	853,448
Cost of sales	591,592	551,059
Gross profit	337,443	302,388
Selling, general and administrative expenses	145,436	129,625
Research and development expenses	40,175	37,271
Other income	8,103	6,707
Other expenses	12,761	9,938
Operating income	147,173	132,260
Financial income	1,574	1,459
Financial expenses	1,936	1,384
Equity in profits (losses) of affiliates	29	42
Income before income taxes	146,840	132,378
Income tax expenses	37,576	35,143
Net income	109,264	97,234
Net income attributable to:		
Owners of the parent company	109,173	97,132
Non-controlling interests	91	102

Consolidated Statements of Cash Flows (Yen in Millions)

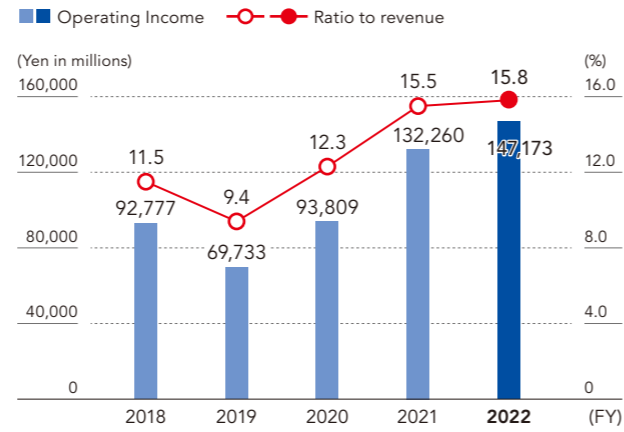
	Amount	
	Fiscal 2022 (April 1, 2022 through March 31, 2023)	Fiscal 2021 (April 1, 2021 through March 31, 2022)
I Cash flows from operating activities		
Income before income taxes	146,840	132,378
Depreciation and amortization	57,362	50,211
Impairment losses	4,036	5,986
Increase (decrease) in defined benefit liabilities	1,270	691
Decrease (increase) in trade and other receivables	44,492	-10,118
Decrease (increase) in inventories	-2,230	-14,000
Increase (decrease) in trade and other payables	-15,779	440
Increase (decrease) in advances received	-17,420	13,897
Interest and dividend income	1,283	569
Interest expenses paid	-538	-535
Income taxes (paid) refunded	-38,748	-30,445
Others	1,133	-4,587
Net cash provided by (used in) operating activities	181,702	144,489
II Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-65,921	-58,958
Proceeds from sale of property, plant and equipment and intangible assets	350	881
Decrease (increase) in time deposits	81	-398
Purchase of investment securities	-177	-596
Proceeds from sale of investment securities	2,675	764
Purchase of shares of subsidiaries and associates	-1,703	-269
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-95,263	–
Others	51	982
Net cash provided by (used in) investing activities	-159,906	-57,594
III Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	29	-315
Repayment of finance lease obligations	-5,567	-5,228
Decrease (increase) in treasury stock	-18,008	–0
Cash dividends paid	-34,046	-31,076
Others	-35	-18
Net cash provided by (used in) financing activities	-57,627	-36,639
IV Effect of exchange rate changes on cash and cash equivalents	5,671	10,901
V Cash and cash equivalents included in assets held for sale	-1,920	–
VI Net increase (decrease) in cash and cash equivalents	-32,079	61,157
VII Cash and cash equivalents at the beginning of the period	362,046	300,888
VIII Cash and cash equivalents at the end of the period	329,966	362,046

Highlights

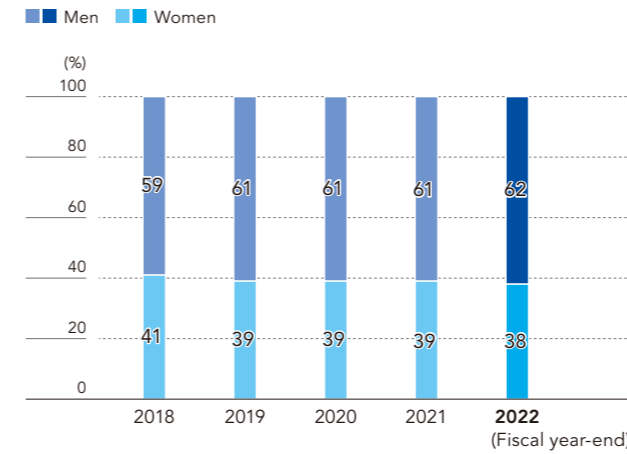
Revenue



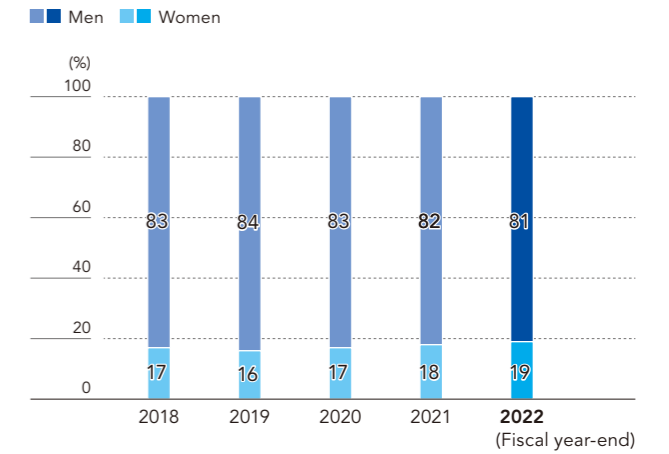
Operating Income/Ratio to revenue



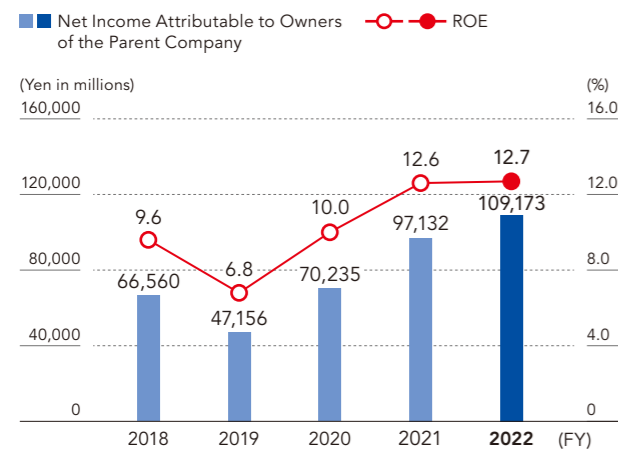
Gender Ratio of Employees



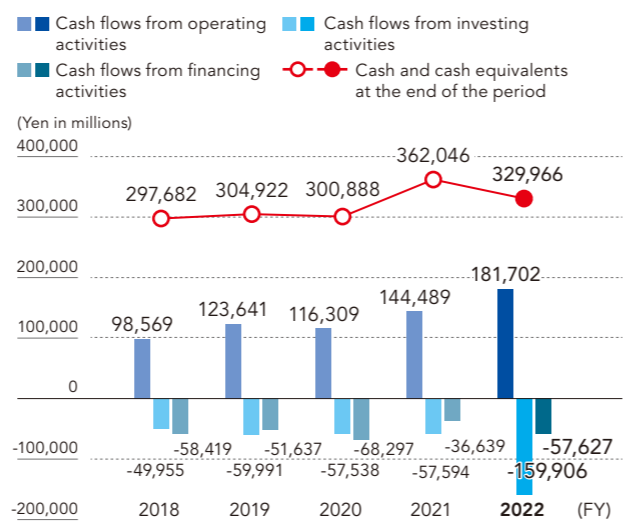
Gender Ratio of Management



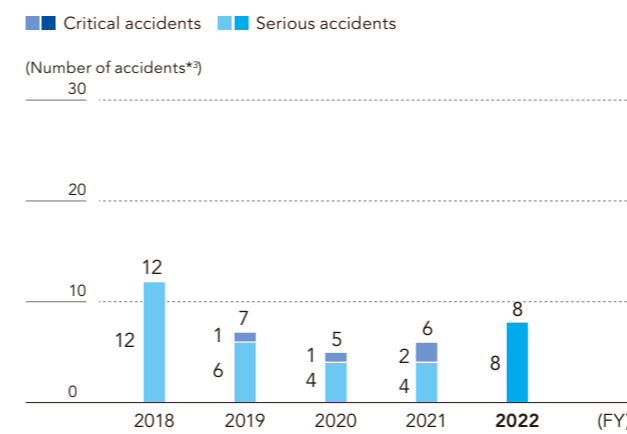
Net Income Attributable to Owners of the Parent Company, ROE



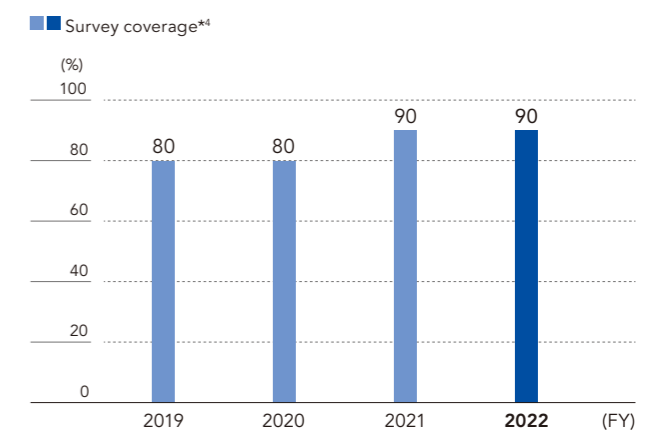
Cash Flows



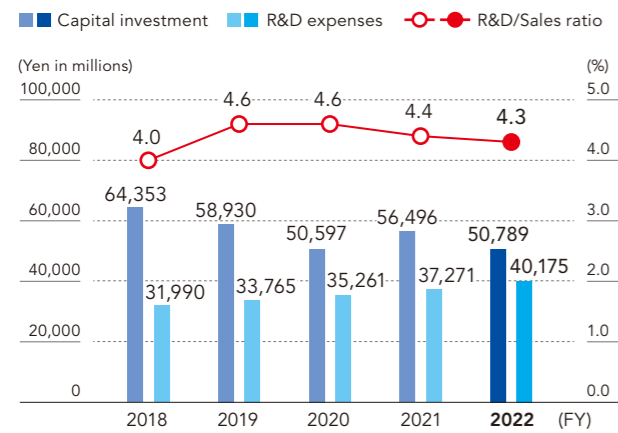
Number of Critical/Serious Occupational Accidents*2



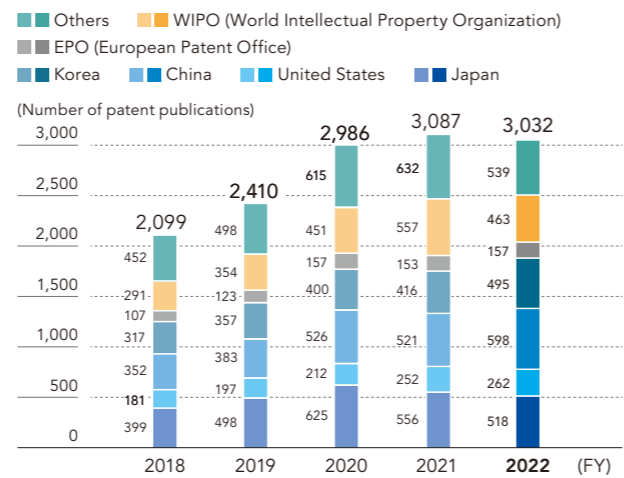
Coverage of the CSR Procurement Survey



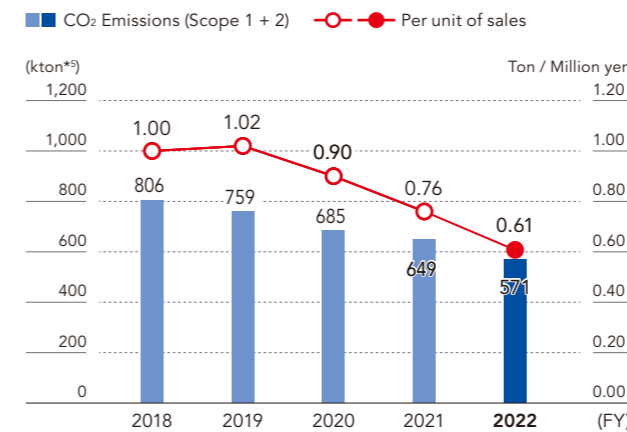
Capital Investment and R&D Expenses



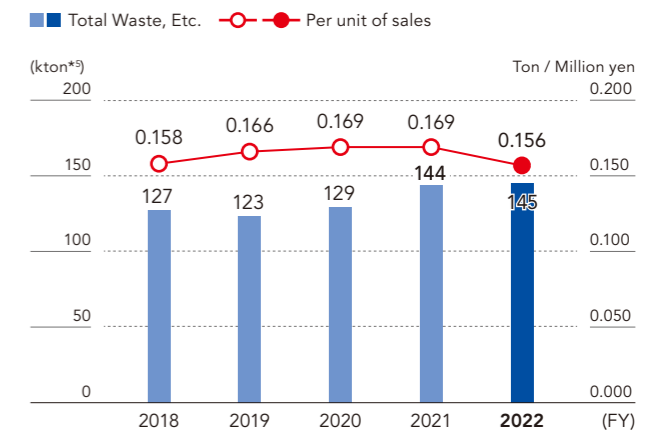
Patent Publications (non-consolidated)*1



CO2 Emissions (Scope 1 + 2)



Total Waste, Etc.

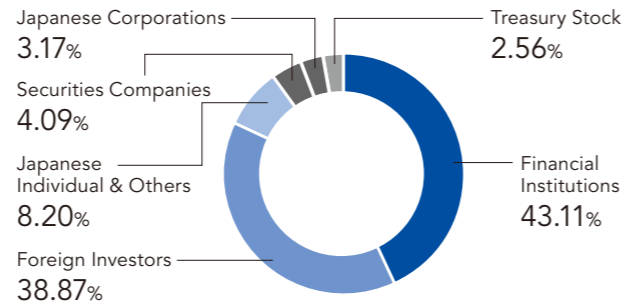


*1 Sums of previous data have been modified as the number of patents outside of key countries (not included before) is included here.
 *2 Critical accidents: Accidents resulting in death or permanent disability. Serious accidents: Accidents that could develop into critical accidents.
 *3 Including all the persons working on the Nitto Group's premises.
 *4 Ratio of the amount of purchases from surveyed suppliers (respondents to the CSR Procurement Survey) to the total purchase amount.
 *5 kton: kiloton (1,000 ton)

Shareholder/Stock Information (as of March 31, 2023)

Code number	6988
Stock exchange listing	Tokyo, Prime, Market
Shareholder Registry Administrator	Mitsubishi UFJ Trust and Banking Corporation
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 3,840,554 shares)</small>
Number of shareholders	28,984
Share Unit	100 shares

Ownership and Distribution of Shares



Major Shareholders (top 10)

Name	Number of shares held (Thousands of shares)	Ownership percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	40,683	27.88
Custody Bank of Japan, Ltd. (Trust Account)	15,667	10.74
STATE STREET BANK AND TRUST COMPANY 505223	5,008	3.43
STATE STREET BANK WEST CLIENT-TREATY 505234	2,554	1.75
Nippon Life Insurance Company	2,082	1.43
JP MORGAN CHASE BANK 385781	1,960	1.34
SSBTC CLIENT OMNIBUS ACCOUNT	1,831	1.26
STATE STREET BANK AND TRUST COMPANY 505103	1,747	1.20
STATE STREET BANK AND TRUST COMPANY 505103	1,598	1.10
HSBC HONGKONG-TREASURY SERVICES A/C ASIAN EQUITIES DERIVATIVES	1,582	1.08

Notes: 1. The ownership percentage has been calculated based on the number of shares issued, excluding treasury stock.
2. The eighth and ninth major shareholders are listed under the same shareholder name in the shareholder registry, but they are under different names with different standing proxies.

IR Activities

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

	The 155th meeting <small>(held on June 19, 2020)</small>	The 156th meeting <small>(held on June 18, 2021)</small>	The 157th meeting <small>(held on June 17, 2022)</small>	The 158th meeting <small>(held on June 23, 2023)</small>
Number of attendees at the Ordinary General Meeting of Shareholders	49	35	83	128



The 158th Ordinary General Meeting of Shareholders

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	2
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.

Report on Nitto's Global Community Services

The Nitto will continue to enhance its corporate value with ESG (Environmental, Social, and Corporate Governance) at the core of our management aiming to realize a sustainable environment and society. Social contribution programs were organized as part of Nitto's activities in sponsoring the Nitto ATP Finals, the season finale of the ATP Tour, which was held from Sunday, November 13 to Sunday, November 20, 2022, in Turin, Italy.

- In cooperation with U.G.I ODV, a Turin-based organization supporting childhood cancer patients, we invited the children and families they support to watch world-class tennis players compete for the championship. The children were also given an opportunity to serve as mascot kids who escort players to the court before matches. They were overjoyed at this wonderful experience, which certainly made them smile.
- During the event, we invited people to donate to UNICEF's emergency fund for natural disasters, which offers prompt support to children who are affected by flooding and other natural disasters, thus contributing a total of 1.38 million yen in Japan and the U.S.

Nitto ATP FINALS



Family invited to watch the matches

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

In 2023, 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).



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ESG Engagement 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:

Nobuyuki Aoki
Senior Vice President,
General Manager of Corporate Strategy & ESG
Management Division

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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/>
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