

Nitto

Innovation for Customers



Nitto Group Integrated Report 2020

Nitto Denko Corporation

Corporate Philosophy

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



Mission

Contribute to customers' value creation with innovative ideas

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

Vision

Creating Wonders

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

The Nitto Way

Philosophical Ideas

In order to achieve our Mission to "Contribute to customers' value creation with innovative ideas," and our Vision, "Creating Wonders," "The Nitto Way" indicates the Values, Attitudes and Mindset, and Code of Conduct that every Nitto employee should follow. The passion, wisdom, and values of the various senior employees who have shaped the Nitto Group for a long time since its foundation have now taken the form of "DNA" that can be found in each and every member of the Group. These principles and ideologies are stipulated as "The Nitto Way," which serves as our standard for judgment and is something that we all turn to in situations of uncertainty.

We place safety before everything else

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

Amaze and inspire our customers

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

Anticipate and leverage change

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

Take on challenges for new value creation

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

Act promptly and follow through on your decisions with determination

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

Transform ourselves constantly

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

Have an attitude of integrity, and understand and respect diversity

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

Contents

Profile	1 Corporate Philosophy/Contents/Editing Policy
	3 Footsteps of the Nitto Group
	5 History of Technology Innovation
	7 The Nitto Group Now
	9 Financial/Non-Financial Highlights
Top Message	11 Top Message
Business Models	17 What Makes the Nitto Group Unique
	19 Value Creation Process
	21 Addressing Material Issues for Sustainability
Strategies	27 Nitto Group's R&D Strategy as per the Chief Technology Officer
	31 Innovations to Shape the Next Generation
	33 Financial Policies
	35 Segment Information
Management Foundations	41 Addressing Social Issues in Each Stage of the Value Chain
	43 Human Resources
	46 Product Safety/Quality
	49 Environment
Governance	53 Round-table Talk among Outside Directors
	57 Directors, Auditors, and Vice Presidents
	62 Corporate Governance
	66 Compliance
	67 Risk Management
	68 Impact of the Novel Coronavirus Disease (COVID-19)
Data Section	69 Business Results: 10-Year Summary
	71 Financial News
	73 Shareholder/Stock Information
	74 Social Contributions

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 enhance corporate 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 98 companies including Nitto Denko Corporation and its 95 subsidiaries and 2 affiliates, as of March 31, 2020.

Time Period

Fiscal 2019 (April 1, 2019 - March 31, 2020) Some performance figures and activities from periods other than the above are also included.

Reference Guidelines

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

- Global Reporting Initiative (GRI) Standards by the Global Reporting Initiative
- International Integrated Reporting Framework by the International Integrated Reporting Council (IIRC)

Footsteps of the Nitto Group

True to our corporate Mission of “contributing to customers’ value creation with innovative ideas,” we at Nitto Group have continuously managed to amaze and inspire our customers by identifying the opportunities presented by changes in the world.

Founded as a manufacturer of insulating materials, the Nitto Group has since advanced hand in hand with customers, tapping into its core expertise, such as adhesion and coating technologies, to deliver diverse products to a variety of industrial sectors, including electronics, automobiles, housing, infrastructure, environment, and healthcare.

Across the globe, we are witnessing increasingly diversifying and complicated social issues that are changing faster than ever before. Against this backdrop, the Nitto Group hopes to remain an integral part of society as it challenges itself to make people’s lives better and more convenient by offering solutions to social issues while achieving its corporate value.

1918-1945

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.



Linotape



Electrical Insulating Varnish

1946-1960

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, “Innovation for Customers.” In 1957, Nitto’s unique marketing approach that holds up to this day, *Sanshin Katsudo* (three new activities), began.



Vinyl Tape



Maxell Battery

1961-1973

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 even at present, began operation. The Kanto Plant also began operation in 1967 in a move to increase production. Overseas, Nitto Denko America, Inc. was formed in 1968, followed by the 1969 foundation of Nitto Denko (Taiwan) Corp. as the first overseas manufacturing site.



Double-sided Tape



Fluoroplastic Tape “NITOFLO®”

1974-1988

Diversification of Business and Globalization

– 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, Nitto drove diversification of business to fortify itself with enough resources to survive economic fluctuations. Nitto began offering materials for use in electronics and also gave birth to various products related to medical care and the membrane business.

In 1974, Nitto Belgium N.V. was formed. In 1987, Nitto acquired Hydranautics in the U.S. to implement the membrane business on a global level.

In 1988, when Nitto celebrated the 70th year since its foundation, the company name was changed to Nitto Denko Corporation.



“COLOCOLO®” Series



Transdermal Patches

1989-2007

Introduction of the Business Division System / Implementation of Global Niche Top™ Strategy

– Establishing business foundation for sustained growth –

In 1989, the business division system was introduced to get back to the basics of serving customers and to respond speedily to dynamic changes in the market. In 1996, Nitto 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 Nitto has a competitive advantage.

Nitto’s effort was not limited to the offering of products, and resulted in the development of Roll to Panel®*1, a business model which offers new values to customers, including productivity improvement, reduction of packing materials, improved yield of polarizing films, and manpower saving.

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



REVALPHA®



TEMISH®

2008-

Innovation for Customers
– Further business reform to offer comfortable lives to people –

The economic crisis of 2008 cast a major shadow over countless businesses and Nitto was not an exception. Yet, Nitto was able to recover in a short time by responding speedily to the changes in the business environment and with its unique management approaches of “*Mu-Gen-Dai*” and “*Kurumaza*,” a group discussion to come up with ideas or solve problems, achieved major earnings growth thereafter. In 2013, the “Nitto Denko” brand logo was renewed to the current “Nitto,” and in 2014 the new brand slogan, “Innovation for Customers” was established. Nitto celebrated its 100th anniversary in 2018.

*2 Nitto’s growth plan that centers around substantial reform of cost structure from three points of view: *Mu* (to eliminate), *Gen* (to reduce), and *Dai* (to substitute).



Ultra-Thin Polarizing Film



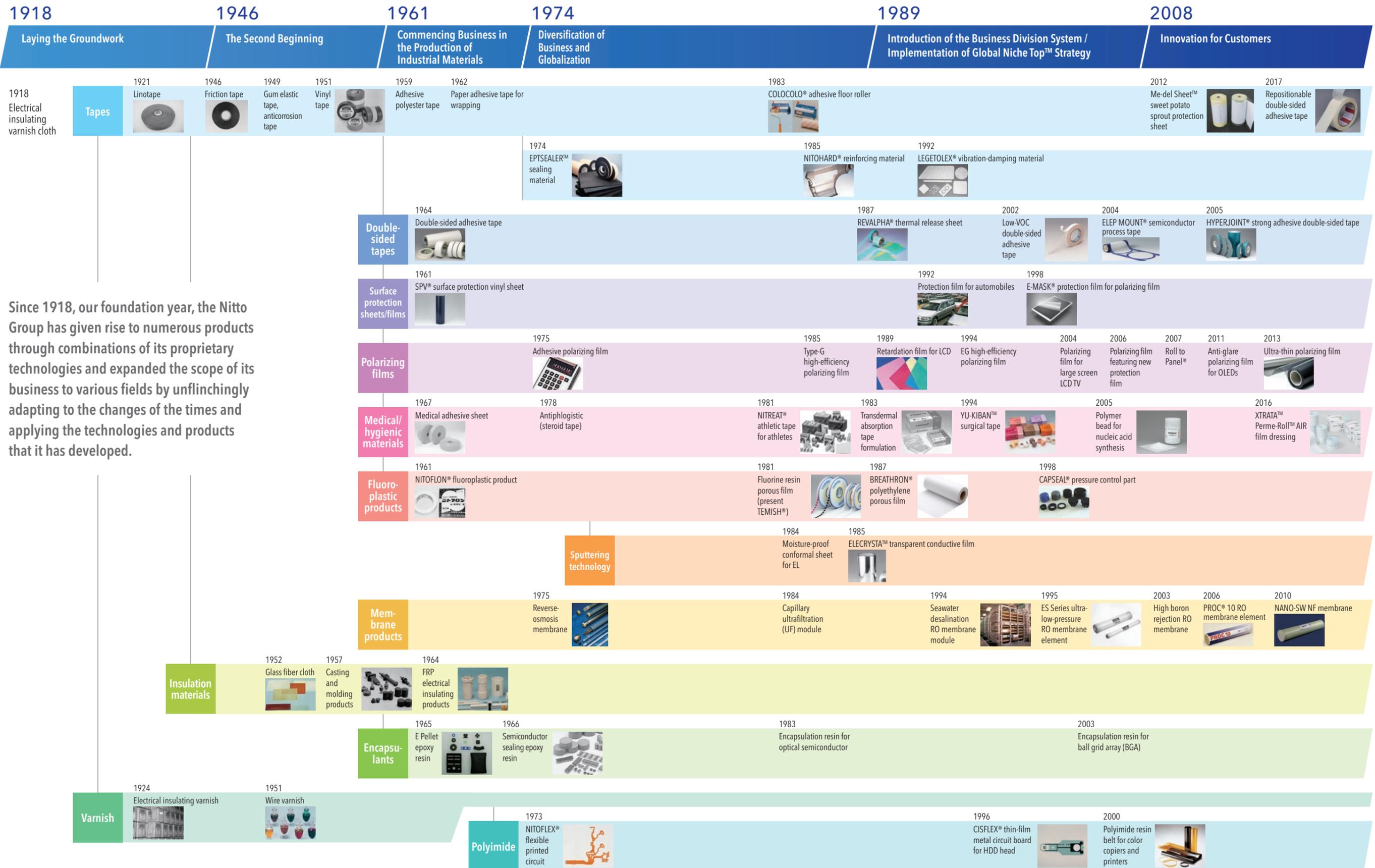
Plastic Optical Cable

Sales Trends*3



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

History of Technology Innovation



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

The Nitto Group Now

Everywhere, Comfortable Life

Nitto has continued its challenge with the near future in mind, in areas no one else has ever challenged.



Housing / Housing Equipment

The housing industry is increasingly faced with highly demand functions, such as solar cells, storage batteries, and an integrated management system for household appliances. Nitto is doing its best to meet these advanced requirements by providing the materials and parts needed for these applications.



Infrastructure Industries

Nitto offers products and technical services, including filtration that help protect water resources through seawater desalination and reuse of drainage water. In addition, Nitto has advanced its research and development in the field of new energy, providing materials for wind power generation.



Medical

Nitto has secured the global top share in the synthesis of nucleic acid medicines. Nitto's transdermal adsorption drugs that apply its adhesive technology have been highly acclaimed for their reliable production technology based on long-standing experience.



Automotive and Transportation Equipment

Nitto provides new value to meet the recent needs of the automobile field, through technologies such as lightweight, and the evolution of power modules for environmental vehicles and electrical equipment developed in pursuit of safety and amenity.



Packaging

Nitto provides a wide range of tape products that are used in various applications. Some of the products include tape for cardboard packaging, temporary adhesion tape that doesn't leave any adhesive residue when removed, and security tape that makes it possible to know that the tape was tampered with.



Materials

Beginning with surface protection films, Nitto provides a diverse lineup of products for processing materials such as metal plates, resin substrates, glass sheets, etc.



Displays

Nitto offers valuable solutions that incorporate its unique technologies and products. Nitto has experience in producing high-definition image, durable, thin, and lightweight technologies in various types of optical and adhesive film for displays and touch panel devices.



Consumer Products / Personal Care Products

Nitto supplies the consumer market with various materials from housewares to materials used in hygienic goods, such as diapers. These products help customers achieve a more comfortable way of life.

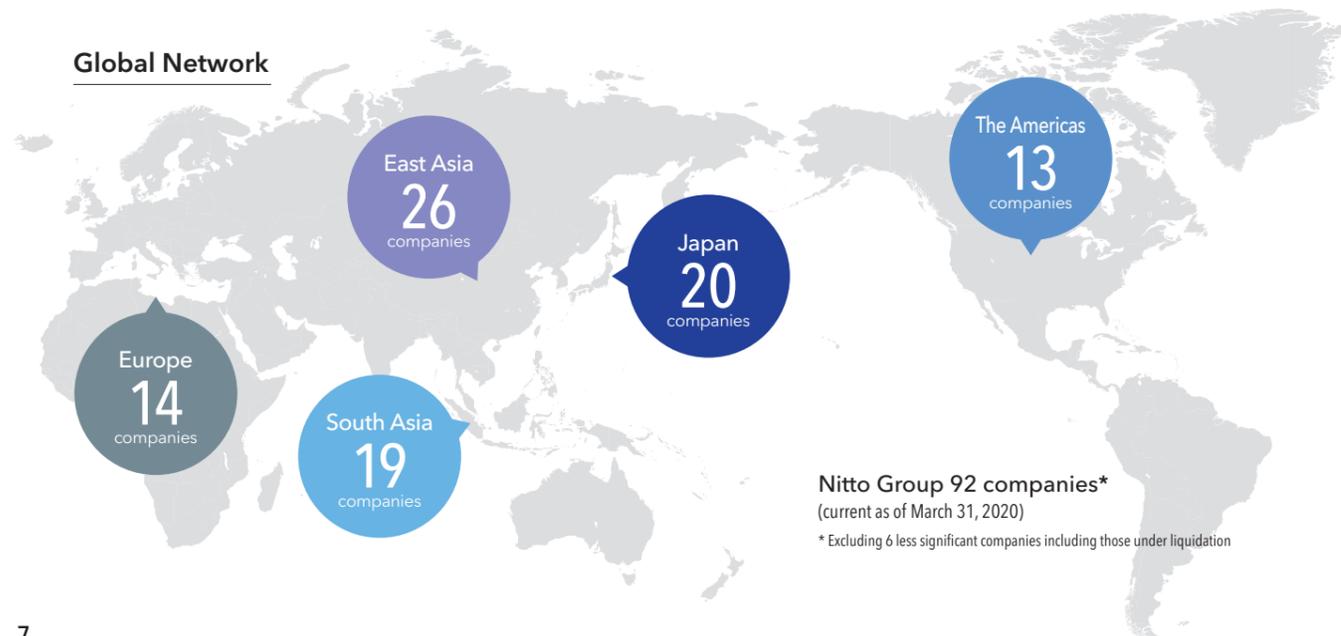


Home Appliance and Electrical Equipment

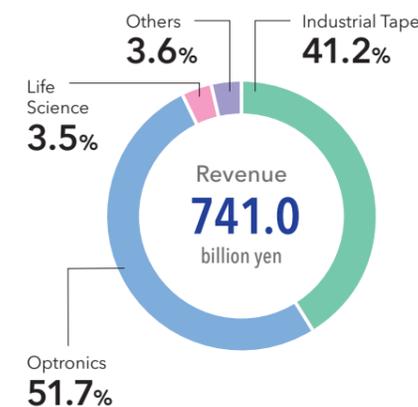
Nitto offers a diverse lineup of products for various applications. This wide variation includes ultra-thin sealant materials, which are practically free of impure substances that can contaminate devices; as well as double-sided tapes which can replace mechanical fasteners such as screws.



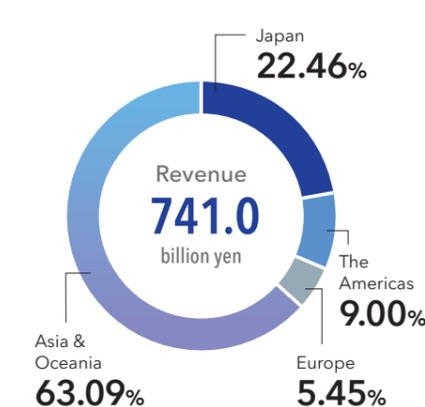
Global Network



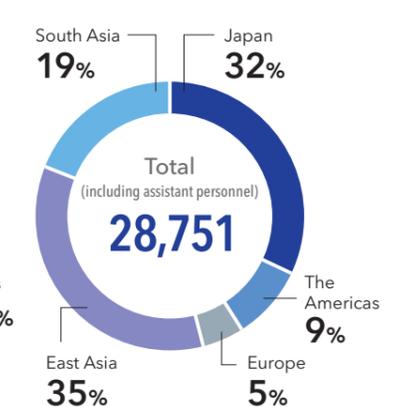
Segment Revenue



Regional Breakdown of Revenue



Regional Breakdown of Employees

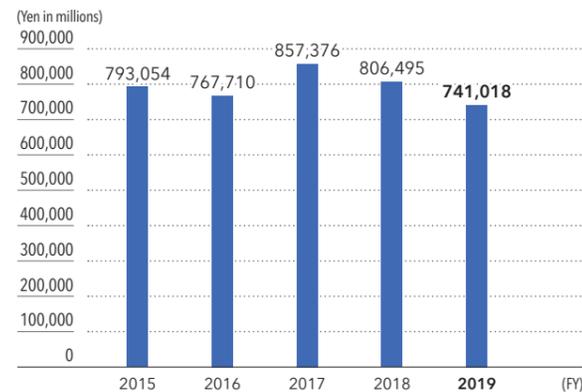


Financial/Non-Financial Highlights

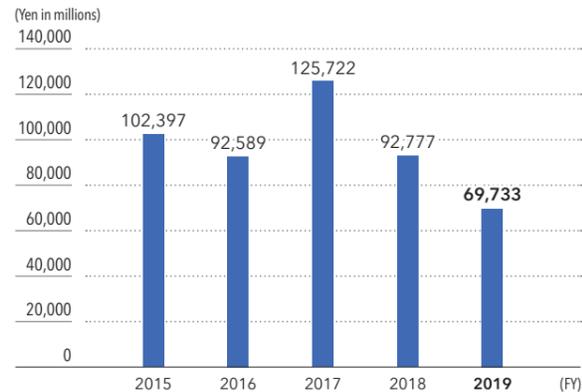
Revenue decreased by 8.1% from the previous fiscal year (changes hereafter are given in comparison with the previous fiscal term) to 741,018 million yen. Operating income decreased by 24.8% to 69,733 million yen, and net income attributable to owners of the parent company decreased by 29.2% to 47,156 million yen.

In fiscal 2019, we had seven critical/serious occupational accidents, a decline from 12 in fiscal 2018. CO2 emissions decreased by 46,612 tons from the previous year to 758,903 tons/year. Total waste, etc. disposed and atmospheric release of toluene, too, are on the decrease.

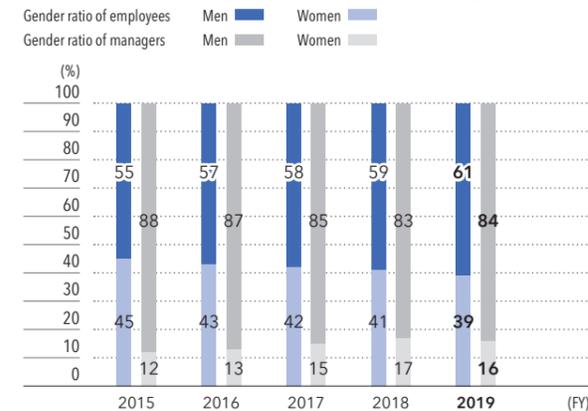
Revenue



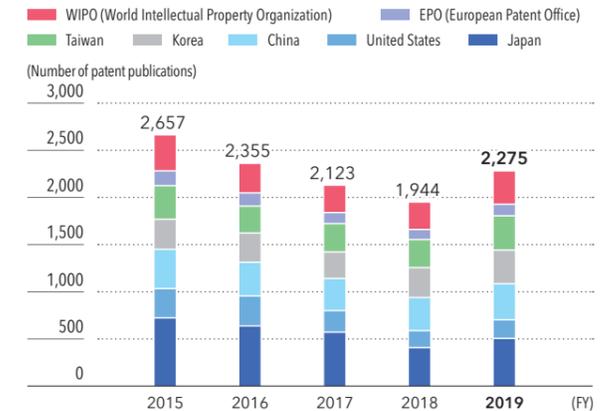
Operating Income



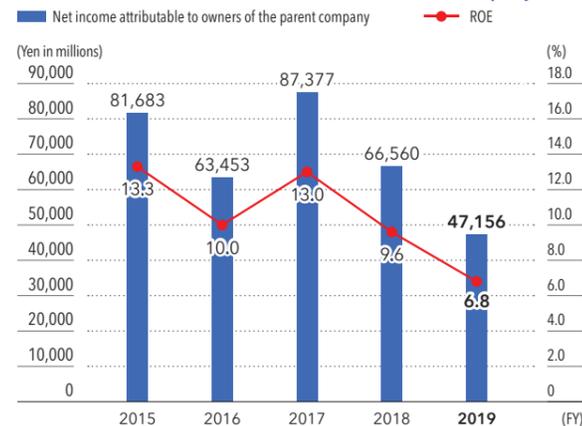
Gender Ratios of Employees and Managers



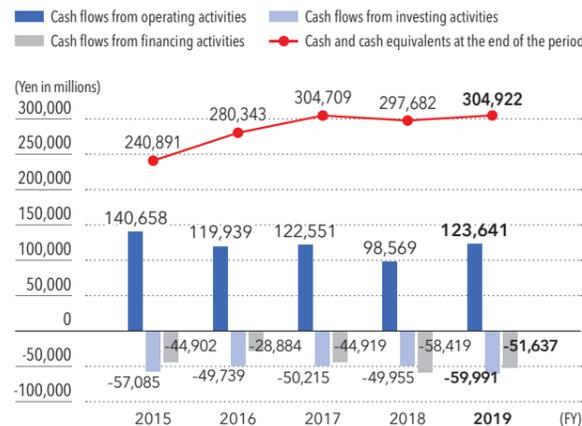
Patent Publications



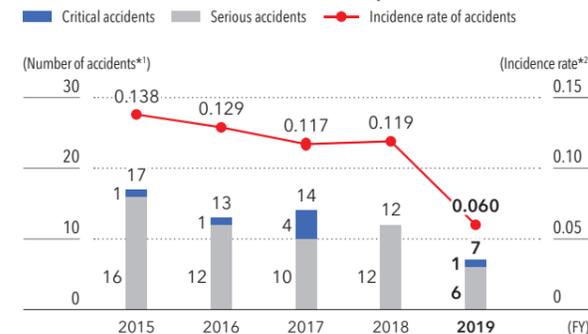
Net Income Attributable to Owners of the Parent Company, ROE



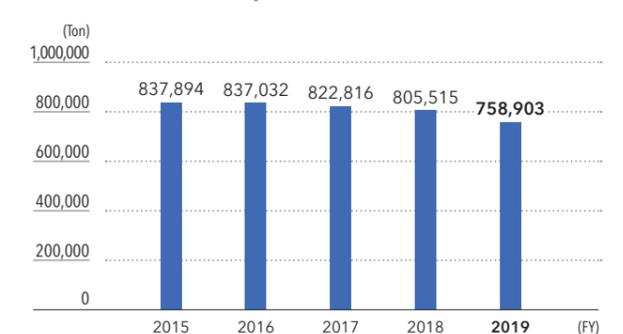
Cash Flows



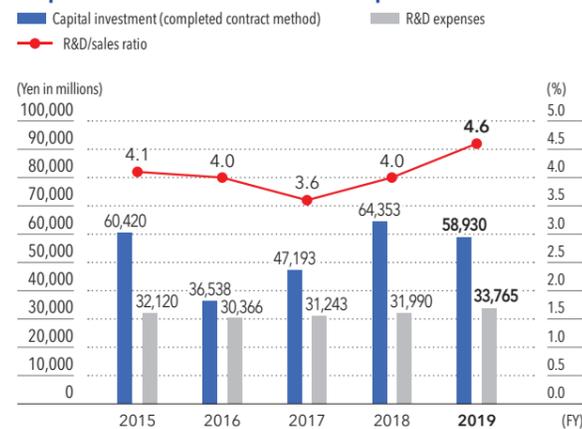
Number of Critical/Serious Occupational Accidents



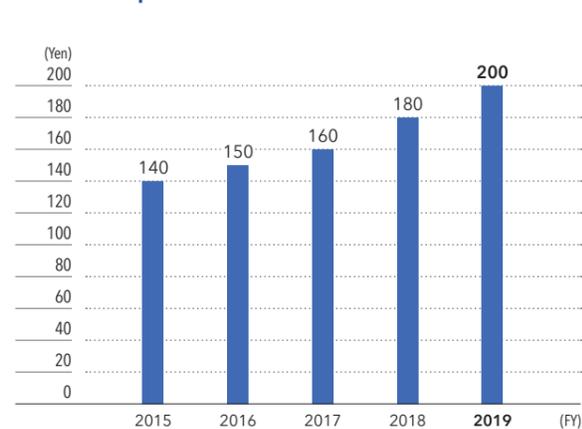
CO2 Emissions (Scope 1+2)*3



Capital Investment and R&D Expenses



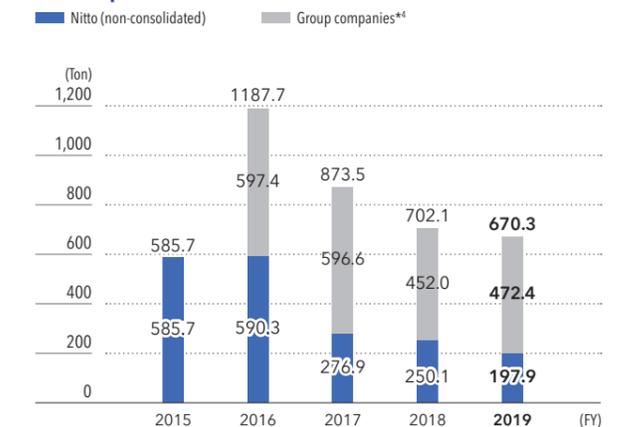
Dividends per Share



Total Waste, Etc. Disposed



Atmospheric Release of Toluene



*1 Including all the persons working on the Nitto Group's premises *2 Including all the Nitto Group employees (excluding temp staff) The number of occupational accidents per million hours worked *3 So far overseas subsidiaries that cannot grasp the CO2 emission coefficients of electricity for each electric power company had used CO2 emission coefficients of "GHG Protocol, Purchased Electricity Tool ver.4.8 (GWP 2014 IPCC 5th Assessment Report)". From fiscal 2019, those overseas subsidiaries have started to use CO2 emission coefficients of "IEA, CO2 emissions from fuel combustion" or "EPA, Emissions & Generation Resource Integrated Database (eGRID)". This change is applied retrospectively to fiscal 2016. *4 Data for Group companies included from fiscal 2016

Top Message



Hideo Takasaki

Representative Director, President
CEO, COO
Nitto Denko Corporation

Impact of the Novel Coronavirus Disease (COVID-19)

Allow me to begin by offering my heartfelt prayers for the repose of souls of those who died an untimely death from COVID-19. I am also praying that everyone who is being forced to lead a daily life of constraint because of this pandemic can resume their normal way of living as soon as possible. I would like to express my deepest gratitude to medical professionals and others for their dedicated efforts to prevent the further spread of the disease and keep society as safe as possible.

We have been working to prevent the spread of COVID-19 and secure business continuity by giving the highest priority to the well-being of people. We are still doing our utmost to fulfill our social responsibility especially by keeping the supply of products and services uninterrupted, contributing services to host communities and society at large, and safeguarding the health and safety of employees of the Nitto Group as well as their family members.

They say that we will have to maintain socioeconomic activities while simultaneously taking preventive measures against the spread of infection, and I am afraid that this battle against COVID-19 is going to be a long one.

We at the Nitto Group have renewed our determination to overcome this difficulty through concerted efforts by all with stakeholders.

Responding to Change Flexibly to Persevere in an Uncertain Time

The global COVID-19 pandemic has brought with it economic stagnation and changes in consumer behavior, which is increasing the uncertainty of the future.

Throughout its more than a century-long history, the Nitto Group has been able to sustain its growth through numerous tribulations. Faced with this latest hardship, we hope to keep moving forward by flexibly coping with change.

When the whole world plunged into a recession in the wake of the global financial crisis of 2008, we implemented drastic reforms under the keywords of "*Mu-Gen-Dai*": "*Mu* (eliminating)," "*Gen* (reducing)," and "*Dai* (substituting)." At that time, we extensively examined what in our everyday jobs, equipment, and systems could be "eliminated," "reduced," or "substituted." With this approach, we were able to make a turnaround earlier than expected.

Going forward, we will streamline the things that we should continue doing, and replace what needs changing with novel ideas, in an attempt to wade through this time of uncertainty.

Top Message

Leveraging Our Strengths to Sustain Growth

For us to keep growing as we cope with changes, I believe that it is important to return to our strengths. With this in mind, we will pursue the strategies unique to the Nitto Group detailed below.

Forming the backbone of these strategies are "Sanshin Activities (three 'new' activities)", which create new demand by using existing products and technologies, and the Niche Top Strategy, under which we utilize our proprietary technologies in a niche segment of a growing market to seize the leading position there.

By promoting *Sanshin* Activities, we stimulate new demand through the development of new applications and products. This unique marketing practice that we have repeatedly implemented with simple honesty is the "DNA" of innovations and one of the growth engines of the Nitto Group.

The Niche Top Strategy, on the other hand, is double-layered. It includes the Global Niche Top™ Strategy for looking after the leading position in the global market and the Area Niche Top® strategy for aiming at the leading position in each national or regional market. The two strategies are not independent of each other; we roll out Area Niche Top® products, that is, products with the leading share in a given country or region, to other countries and regions to develop them into Global Niche Top™ products.

So as not to solely rely on our own resources, we will also try something new, i.e., alliances with external organizations and open innovations, to ensure the lasting growth of the Nitto Group.



Building a Revenue Base Immune to External Environments

What underpins continual growth is a solid revenue base that is unaffected by external factors. To become an enterprise that stably generates an operating income of 100 billion yen or over, we will mainly focus on the following.

Focusing Three Business Fields and Creating New Business Seeds

In order to determine which business domains we should emphasize, we have turned our focus to the three fields of "information interface," "next-generation mobility," and "life science." By strategically pouring management resources into these domains, we aim to consolidate our revenue base.

Additionally, there is one field that we need to work on over the mid- and long-term - the fifth-generation technology standard for cellular networks (5G). For commercial use of 5G, we need ultrafast, large-capacity telecommunications, and our plastic optical fibers/cables are playing an important role in their realization. Once 5G is mainstream, we can expect to see innovations in our lives, such as faster information processing at data centers, remote manipulation at medical settings, and self-driving.

At the same time, we are tackling the development of medical adhesive tape for the wearable device market, as well as components and devices that resolve the common problems in the field of mobility: "heat," "sound vibration," and "electromagnetic waves."

In addressing these projects for the future, we aim to create new business seeds by integrating existing core technologies with diverse businesses.

Improving Productivity over the Mid- and Long-Term

Increases in productivity cannot come about without continual improvement. Knowing this, we make daily efforts to streamline our business operations. For instance, by making constant efforts to save labour at the inspection process and automate production lines, we maintain and even bolster our products' competitiveness.

We are also promoting mid- and long-term projects, such as a sweeping review of investment efficiency for production equipment and optimization of production sites and logistics centers.

Nitto Persons Will Drive Future Growth

At the very basis of the Nitto Group's business activities are people who have a sense of ownership and demonstrate leadership. Accordingly, we are constantly investing in the development of human resources of future generations, upon whose shoulders the Nitto Group will come to be carried. They are given practical training sessions or sent outside of the

Top Message

company for temporary assignments, both of which encourage their growth. We also offer a career path where leader candidates can gain early experiences of what is required of leaders, namely, the ability to have a clear overall picture and make decisions.

Persons who will come to lead the organization are developed as they experience the often harsh dynamism of the external environment after having acquired Nitto's approaches as a basis.

The Nitto Group is proud of its corporate culture that encourages people to challenge themselves and gives a second chance when failure is the outcome. We will train up Nitto Persons of future generations by urging people to take on challenges positively.

Nitto Group's Determination to Manufacture Responsibly

In every business activity that we undertake, the safety of our employees is an overriding priority. True to this principle, we are determined to not just "reduce" but "eliminate" any and all accidents, occupational or otherwise. For the Nitto Group to sustain its growth while ensuring the safety of our employees, we must run a business with the environment, society, and governance (ESG) criteria in mind.

At the Nitto Group, we do not regard considerations for the environment and society as a cost factor, but instead, as a necessary investment for enhancing our corporate value.

To successfully invest in a way that results in a positive effect on the environment and society, we need to base our decisions on a far-sighted perspective. We have thus set up a unique scheme called "management fund," which allows us to make investment decisions related to the environment and safety for the good of the entire Group.

As a gesture of responsible corporate behavior, in February 2020, we became a signatory to the United Nations Global Compact in support of its Ten Principles on human rights, labour, environment, and anti-corruption. In compliance with these universal principles, we will engage in manufacturing in a responsible manner to realize a sustainable society.

Addressing Material Issues for Sustainability in the Context of Business Activities

In fiscal 2019, we identified "material issues for sustainability," which present social issues for which solutions must be prioritized. We will make greater efforts to ensure that those issues will be taken into account in our business activities so that each and every member of the Group demonstrates a sense of ownership and works as one to offer solutions to these issues.

As we work through the material issues for sustainability, we will bring about innovations that only the Nitto Group can and, together with our stakeholders, go about creating values that are instrumental in solving relevant social issues.

In Pursuit of the Continued Evolution of the Nitto Group

The global COVID-19 pandemic is projected to change people's values and industrial structures, which in turn will accelerate various social shifts. History tells us that infectious diseases inevitably impair the economy and at the same time trigger paradigm shifts that end up giving rise to new needs and industries.

As such, we must be able to change to adapt to a new environment. We need to set our direction toward a new growth phase for the Nitto Group without being complacent within the status quo.

Since its foundation, the Nitto Group has managed to sustain its growth, thriving amidst a myriad of changes in the market and technology. We will continue our journey of establishing ourselves as a manufacturer of high-performance materials who will shape the future by applying its technology to the development of new materials and functions.

Remaining faithful to our brand slogan, "Innovation for Customers," we will continue creating new values and enhancing corporate value over the long term by meeting the expectations of our many stakeholders, while amazing and inspiring our customers.



What Makes the Nitto Group Unique

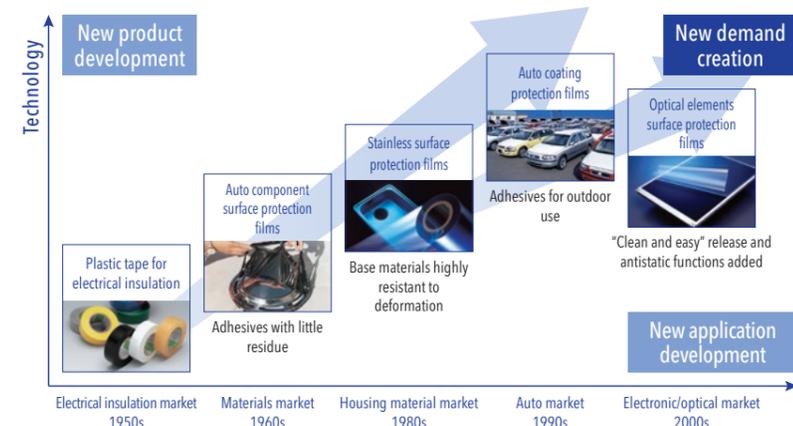
Sanshin Activities

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

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



Example Cases of Sanshin Activities



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

Niche Top Strategy

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

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

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



Example of Global Niche Top™ Products

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

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

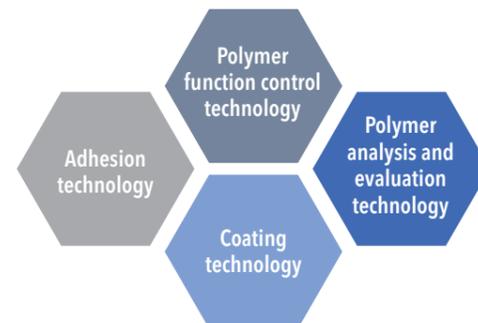
"REVALPHA®" is a unique adhesive sheet that adheres tightly at room temperature but can easily be peeled off by applying heat and contributes significantly to automation/labor-saving of various electronic component manufacturing processes.
- 3 Suspensions with circuits for HDDs (CISFLEX®)**

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

Core Technologies

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

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



Corporate Culture

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

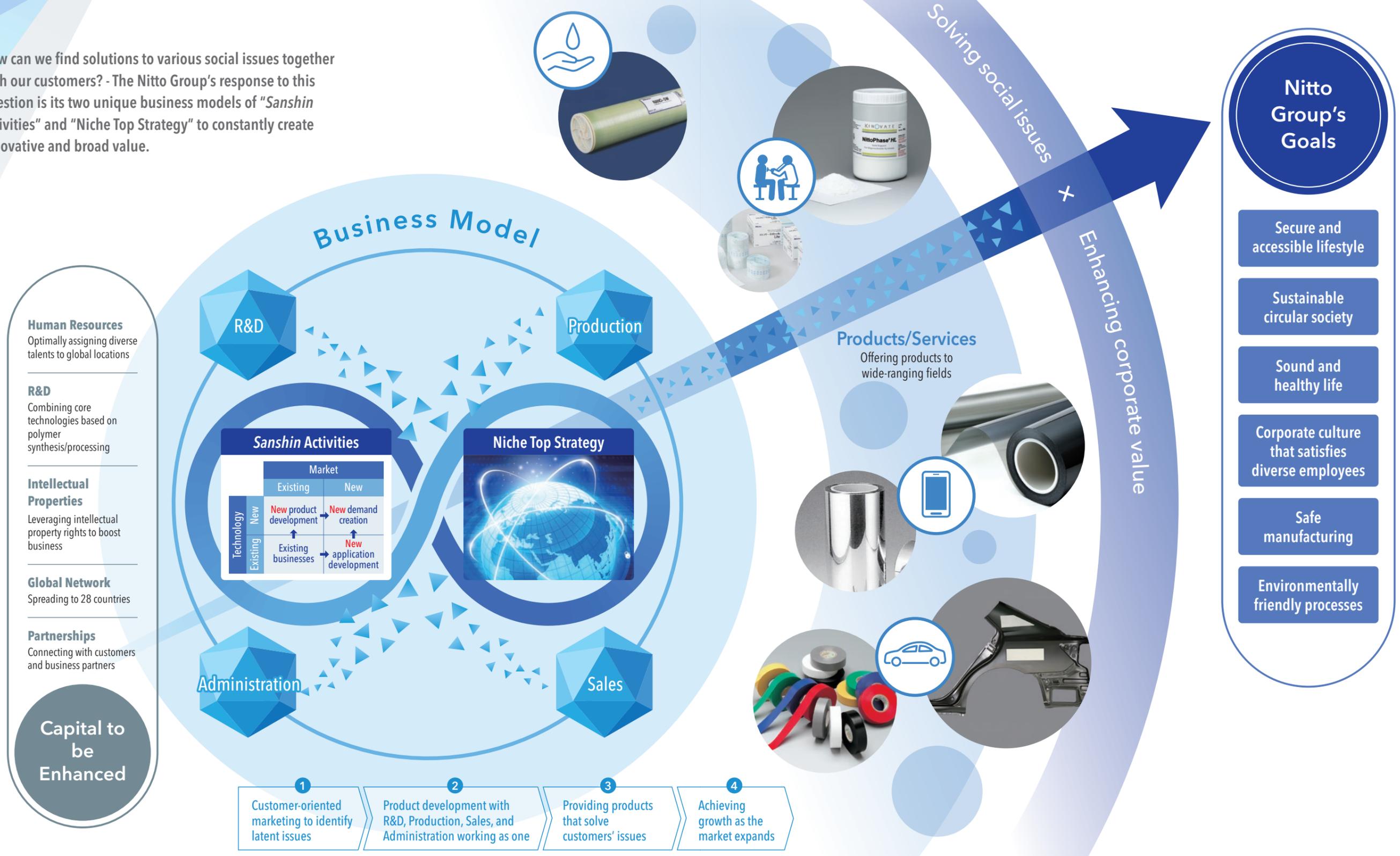
The passion, wisdom, and values of the various senior employees who have shaped the Nitto Group since its foundation have now taken the form of "DNA" that can be found in each and every member of the Group. These principles and ideologies are stipulated as "The Nitto Way," which serves as our standard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

Corporate Philosophy



Value Creation Process

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



Addressing Material Issues for Sustainability

The world faces various social issues, including those concerning the environment and human rights, and the international community is making concerted efforts to find solutions to these serious challenges. It was against this backdrop that the Nitto Group identified its material issues for sustainability in 2019, in an effort to simultaneously solve social issues and enhance corporate value. To address the issues thus identified, we are taking the two-pronged approach

of “creating innovations” and “reinforcing the business foundations.” In this regard, we have begun a drive to raise the awareness of our materiality throughout the organization, so that each and every employee can make a conscious effort to address these issues. At the same time, we will map out detailed plans to solve each issue and take necessary measures across the board.



Identification Process

Co-Creating Value through Innovation (Issues to be addressed through the supply of products/services)

Initiatives taken spontaneously through businesses designed to “simultaneously solve social issues and enhance corporate value”

Step 1	Making a list of social issues (Social issues as business opportunities)	From among major documents on SDGs compiled by governments, academic societies, NPOs, and businesses, we have sorted out issues that are deemed to be socially important and compiled them in a list. We then selected issues that are relevant to us from the perspective of business opportunities after taking into account our business domains and the future course of our business.
Step 2	Materiality assessment	For each of the social issues selected in Step 1, we assessed their materiality for society at large and the company over a 10-year period. Social materiality = How seriously and rapidly the extent of their impact is expanding (high growth potential of the relevant market) Nitto Group's materiality = How possible it is for Nitto Group to provide products/services that tap into its strengths
Step 3	Determining material issues	Based on the assessment results in Step 2, we identified “social issues whose relevant market offers high growth potential and is easy for the Nitto Group to gain an advantageous position” as material issues for sustainability for the Nitto Group.

Enhancing Management Process for Co-Creating Value (Issues to be addressed by reinforcing business foundations)

A prerequisite to “simultaneously solve social issues and enhance corporate value,” which is addressed in response to requests from stakeholders

Step 1	Making a list of requests from stakeholders (Requests from economic, environmental, and social aspects)	The “GRI Standards” issued by the Global Reporting Initiative (GRI) were used to select and make a list of requests from stakeholders.
Step 2	Materiality assessment	For each of the requests from stakeholders selected in Step 1, we assessed their materiality for society at large and our company over a 10-year period. Social materiality = Breadth of stakeholders that make the requests Nitto Group's materiality = Magnitude of impact on the Nitto Group and compatibility with its policies
Step 3	Determining material issues	Based on the assessment results in Step 2, we identified “social issues whose solution is requested by a broad range of stakeholders and that have major impact on the Nitto Group” as material issues for sustainability for the Nitto Group.

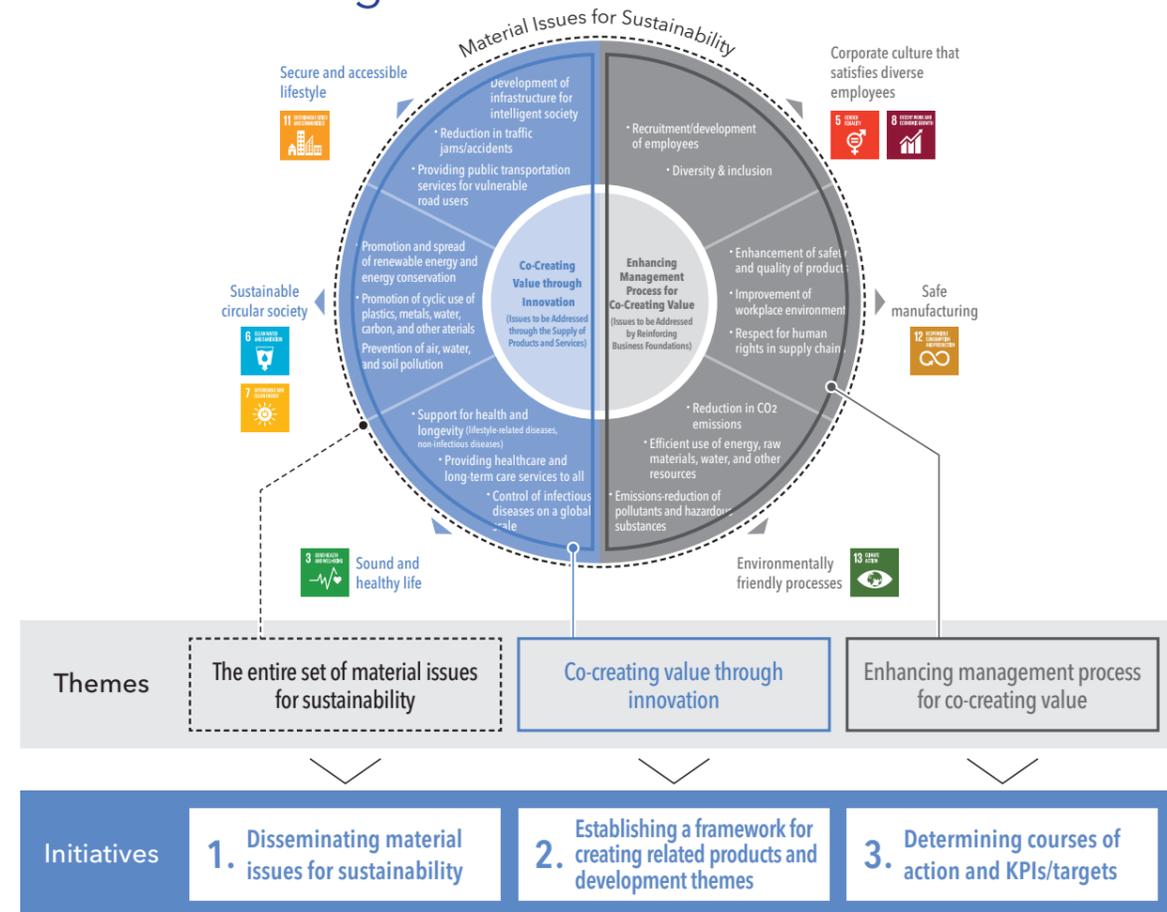
Addressing Material Issues for Sustainability

Risks and Opportunities

	Material Issues for Sustainability	Risks	Opportunities	Nitto Group's Goals	Relevant SDGs
Social Issues Facing the World 	Co-creating Value through Innovation (Issues to be addressed through products and services)	<ul style="list-style-type: none"> • Development of infrastructure for intelligent society • Reduction in traffic jams/accidents • Providing public transportation services for vulnerable road users 	<ul style="list-style-type: none"> • Lowering of products' competitive edge as new alternative technologies for digital devices emerge and the company's technologies become commoditized • Increase in responsibilities as a result of the company's products, etc. playing key roles in ensuring safety of traffic systems 	<ul style="list-style-type: none"> • Increase in demand for components, devices, and materials for sensors, semiconductors, telecommunication infrastructure, etc. as IoT and digitalization advance • Increase in demand for products that improve traffic flow and the safety level of automobiles 	Secure and accessible lifestyle 
		<ul style="list-style-type: none"> • Promotion and spread of renewable energy and energy conservation • Promotion of cyclic use of plastics, metals, water, carbon, and other materials • Prevention of air, water, and soil pollution 	<ul style="list-style-type: none"> • Increase in difficulty in sales of existing products as environmental regulations for chemical substances, plastics, etc. are tightened • Decrease in order volume in case of falling behind competitors in addressing the need for eco-friendly products • Lowering of trust in the company over the long term in case of failure to meet expectations of the market/customers with regard to environmental measures, such as the shift to organic-solvent-free products and bio-plastics 	<ul style="list-style-type: none"> • Increase in demand for technologies/products for cyclic use of various resources/materials as global environmental issues, such as climate change, global warming, and water shortages, worsen • Increase in demand for technologies/products that contribute to separation, removal, purification or otherwise, of hazardous substances in air, water, soil, etc. 	Sustainable circular society 
		<ul style="list-style-type: none"> • Support for health and longevity (lifestyle-related diseases, non-infectious diseases) • Providing healthcare and long-term care services to all • Control of infectious diseases on a global scale 	<ul style="list-style-type: none"> • Increase in the company's cost and risk in case of extended period and/or greater expenses of developing nucleic acid medicine and other pharmaceutical products • Lowering of the company's competitive edge and growth potential in case of failure to meet unmet medical needs • Increase in social responsibilities, such as prevention of harm to patients due to quality problems, adverse reactions, etc. 	<ul style="list-style-type: none"> • Increase in demand for products that realize good health and longevity in forms such as detection of disease symptoms, early diagnosis, and caring for the elderly and supporting their independence • Increase in demand for easy-to-use pharmaceuticals, medical materials, and nursing care products for home care, self-medication, etc. • Increase in demand for products that improve QOL and prevent disease progression 	Sound and healthy life 
	Enhancing Management Process for Co-Creating Value (Issues to be addressed by reinforcing the business foundations)	<ul style="list-style-type: none"> • Recruitment/development of employees • Diversity & inclusion 	<ul style="list-style-type: none"> • Increase in difficulty in maintaining stable business operations due to shortages of employees in case of failure to recruit/develop human resources • Decrease in competitive edge due to inability to respond to rapid changes in the business environment in case of insufficient diversity 	<ul style="list-style-type: none"> • Creation of innovations and enhancement of long-term growth potential made possible by novel ideas offered by diverse and capable human resources 	Corporate culture that satisfies diverse employees 
		<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 and harm to health through use of products • Personal damage and shut-downs due to work-related accidents • Damage to the company's reputation as seen by customers, society at large, and shareholders due to occurrence of human rights issues and other scandals in the supply chain 	<ul style="list-style-type: none"> • Increase in competitive edge through the supply of safe products, which reassure customers and win strong support from them 	Safe manufacturing 
		<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"> • Shut-downs due to tighter regulations in case of continued use of raw materials and energy sources with high environmental impact • Shut-downs due to increased cost and difficulty in procurement of specific raw materials that may face depletion in the future as consumption of them increases globally • Increase in the cost for compliance and difficulty in obtaining operational licenses in case of air pollution during production process and delay in reducing emissions of hazardous substances 	<ul style="list-style-type: none"> • Increase in long-term growth potential and competitive edge due to increased productivity and lower costs made possible by production process with high environmental efficiency 	Environmentally friendly processes 

Addressing Material Issues for Sustainability

Plans and Progress



1. Disseminating material issues for sustainability

When addressing material issues for sustainability, we believe that each and every employee must be aware of them at all times in their daily routine. Accordingly, in fiscal 2020, we are disseminating such issues throughout the Group in the form of opportunities, including e-learning and workshops, which are tailored to different positions and the levels of accomplishment required for each position.

FY2020 Dissemination Programs

Groups	Progress	Dissemination and understanding	Mindset	Creation of innovations	Drawing up of action plans
Staff members		●			
Assistant Managers and Managers		●	●		
Select members from business divisions (Young mid-career employees)		●	●	●	
General Managers		●	●		●

2. Establishing a framework for creating related products and development themes

In order to accelerate the creation of products, services, and technologies that contribute to the solution of social issues, we are preparing to introduce an internal certification system that visualizes the degree of contribution of such creation, while trying to increase employees' awareness through dissemination.

Currently, we are working on establishing certification standards and a screening system in a bid to implement such a system as soon as possible.

3. Determining courses of action and KPIs/targets

We have begun implementing various measures to address some of the eight challenges for reinforcing the business foundations by setting policies and targets. For other challenges, we are making preparations by drawing up targets and action plans and setting KPIs to measure their progress.

Our goal Corporate culture that satisfies diverse employees

Material issues for sustainability	KPIs	Approaches
Recruitment/development of employees	Training hours (per person)	<ul style="list-style-type: none"> Strengthening talent management Enhancing training schemes
Diversity & inclusion	Ratio of women in management	<ul style="list-style-type: none"> Promoting diversity Promoting work style reform

Our goal Safe manufacturing

Material issues for sustainability	KPIs	Approaches
Enhancement of safety and quality of products	—	<ul style="list-style-type: none"> Strengthening quality management Strict management of chemical substances by regulations and systems
Improvement of workplace environment	Numbers of critical/serious occupational accidents	<ul style="list-style-type: none"> Striving for safety for "people, organizations, and equipment"
Respect for human rights in supply chains	—	<ul style="list-style-type: none"> Promoting CSR-based procurement and white logistics movement

Our goal Environmentally friendly process

Material issues for sustainability	KPIs	Approaches
Reduction in CO2 emissions	CO2 emissions	<ul style="list-style-type: none"> Reducing the total amount of energy Using renewable energy Developing collection/recycling technologies
Efficient use of energy, raw materials, water, and other resources	Total waste disposed	<ul style="list-style-type: none"> Reducing the amount of resources used Internal recycling of resources Recycling of waste
Emissions-reduction of pollutants and hazardous substances	Atmospheric toluene emissions	<ul style="list-style-type: none"> Reducing the amount of toluene used Collecting/recycling all toluene emitted

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



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

Meeting the Expectations of Customers with Innovations for the Future

In 2017, I was appointed Deputy CTO to take care of new business development in the Corporate Technology Sector and took office as CTO in June 2020. For more than two decades since joining the Nitto Group, I have been involved in development, sales, and planning of ICT-related products, working closely with customers to come up with solutions to their everyday difficulties. In this industry where technological breakthroughs are a common occurrence, I have been focused on delivering future-oriented proposals that make customers say, "This is exactly what we wanted!" To this end, it is important to consider the "present," as well as the "future," of each individual customer and think over what values end-users - who buy from our customers - really seek, so that we can keep offering innovations conceived from the customer's point of view.

My role as CTO is to tap into my experiences to provide a

bridge between the Corporate Technology Sector and individual business divisions. One of the first things that I did was to establish a technology incubation center called the New Business Development Division under the Corporate Technology Sector, to accelerate the commercialization of innovative products that we expect will drive the Nitto Group's future, such as plastic optical fibers/cables and neodymium magnets.

In fiscal 2019, to stay keenly alert to the changes and needs of the global society, we set up the Innovation Marketing Center within the Corporate Technology Sector. By maintaining a close connection with our valued customers, helping them to shape their dreams, and sharing the same within the company, we hope to develop new values for our customers and society as a whole.

Technology and Intellectual Property Directly Benefit Business Growth

I am delighted to note that some of the reforms that we have initiated in recent years, for example, steadfastly bringing technologies from R&D labs to the market and transforming ours into a business model that creates diverse forms of value out of each technology, have begun to bear fruit.

To shorten the time to market, we have reinforced the process engineering function within the Corporate Technology Sector, which has made it possible to further accelerate the move to establish a mass production process from an early stage of research and development. Take plastic optical

fibers/cables, for instance. At the pilot line, we were able to reduce optical attenuation, thus making significant strides toward the early commencement of commercial production.

To transform ours into a business model that creates diverse forms of value, we have reinforced intellectual property management to visualize intellectual property rights. By making a list of what we do and do not have, we were able to exercise rights and sell them to other companies, or, in some cases, relinquish them, as well as generate royalty income, thus boosting operating income.

Making Intellectual Property Rights Visible



The Nitto Group's New Strategy to Successfully Compete in this Time of Change

The rapid spread of information and communication technology (ICT) is bringing with it sweeping changes in our lifestyles and society at large. A pertinent example of this is the advent of the fifth-generation mobile communications system, when we have access to ultrafast, large-capacity, low-latency, and highly reliable cellular networks. This fifth-generation technology standard allows us to gather big data from each IoT (Internet of Things) device, analyze them by industry using AI (artificial intelligence), and create new values in each industrial sector. In response to these emerging trends, we have begun to see collaborations and realignment of businesses beyond conventional industrial frameworks, leading us to believe that digital transformation will only gain speed in our society.

Being tested in this time of major change is what values the Nitto Group can deliver and how. We must keep creating new values for fast-changing, growing fields by moving beyond the traditional boundaries of the market.

To this end, we must deliver tangible values through the combination of our existing technologies and products with new technologies, while at the same time delivering intangible values in the form of intellectual properties, manufacturing technologies, and other intangible assets. Offering both tangible and intangible values - this is what the Nitto Group must deliver going forward.

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

"Exits" of Diverse Technologies Made Possible by Intellectual Property Management

Managing intellectual property not only contributes to operating income but also catalyzes the shift to a business model that takes into account diverse "exits" for technologies. Now that all of our intellectual property rights have become visible, we can accurately see the picture of the value of the said rights. What this means is that it is now easier to develop new values by integrating technologies acquired from the outside with the Nitto Group's proprietary technologies.

Furthermore, as members from development and intellectual property teams gather together from the project formulation stage to have in-depth discussions as to what values they should offer and what position they want to reach in the market,

a necessary intellectual property network is formed. It is not a matter of how many intellectual property rights we hold, but rather how they can be used as tools with which to sustain the growth of the Nitto Group.

In marketing, too, we will make the most of our intellectual property information as part of IP landscaping. By conducting integrated analyses of information on patents that have been publicly available, we can gain an overview of where we are in the market now and where we should be in the future - something that a conventional patent map simply cannot do. We will then start offering various inputs to R&D, business, and management strategies.

Focusing Management Resources into Fast-Changing, Growth Fields

I believe that "information interface," "next-generation mobility," and "life science" are the three growth domains where the Nitto Group's strengths can be maximized. We will concentrate our management resources on these domains, and, should there be a lack of technology for the commercialization of these businesses, pursue collaboration with external parties via open innovation and M&As.

In the "information interface" field, we took advantage of the open innovation scheme to develop plastic optical fibers at the Optical Cable Joint Research Center, which was established jointly with Keio University. Under this framework, we are developing a final module of plastic optical cables (active optical cables) by incorporating our own technologies for optoelectronic hybrid boards and connectors, in an attempt to further enhance the flexibility of plastic optical fibers. We are hoping to make this a reality by promoting collaboration with external organizations, as we do not believe that our technologies alone will be sufficient to develop a final module. (-> See P. 31)

In the "next-generation mobility" field, we have already begun to see results: The Innovation Marketing Center, IP strategy division, and development project team joined forces to increase the possibility of neodymium magnets delivering value

to new markets that have yet to be manifested. (-> See P. 32)

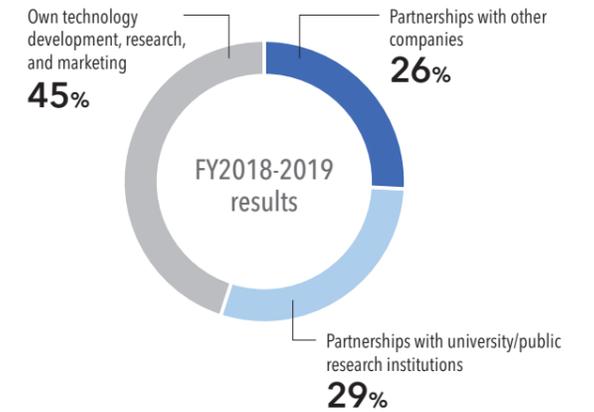
In the "life science" field, we began our efforts in the 1970s by tapping into adhesion technology and drug delivery technology, which delivers drugs to target organs. There were two reasons behind this decision: We wondered if we could use our technologies to extend healthy life expectancy. We also wanted to diversify our business portfolio. Because the Nitto Group does not manufacture pharmaceuticals, we wish to contribute to the creation of new therapeutic drugs by providing customer pharmaceutical manufacturers with our proprietary technologies, such as drug delivery technologies. In April 2019, we established a collaborative research department for the development of oligonucleotide medicines in the laboratories of the Osaka International Cancer Institute. This collaborative research department will integrate the Osaka International Cancer Institute's clinical experience in advanced cancer treatment and drug efficacy evaluation technology using animal models and clinical samples, with Nitto's oligonucleotide medicine and drug delivery technologies to develop revolutionary molecular targeted therapies and immunotherapies for intractable and rare cancers. By combining the outcomes of this effort with the results of the clinical trial of oligonucleotide medicines for KRAS mutant

cancers* which is conducted in the U.S., we are hoping to enhance the reliability of oligonucleotide medicines.

One bottleneck to such attempts in new fields, however, is the time taken to gain internal approval through the standard decision-making process. To bypass this rather lengthy process and make quick decisions, we have set up a "management fund" system, which uses a different set of criteria for making quick decisions on projects if they are deemed to hold future potential. For up to a certain amount, CTO has the decision-making authority for the fund. I am delighted to say that this unique scheme has helped to accelerate collaborations, as evidenced by the fact that 55% of the projects approved under the management fund system in fiscal 2018 and 2019 involved open innovation.

* Intractable cancers caused by mutation of KRAS genes, which relay signals for cell multiplication. Mutated KRAS genes are often found in lung cancers, colorectal cancers, and pancreatic cancers.

Projects Receiving the Management Fund (FY2018 and FY2019)



“ Because we are a B2B manufacturer, it is crucial to stay connected with customers. By not only meeting customers' "present" needs but also more than satisfying their "future" needs, we will work closely with our customers to develop new values in this ever-changing world. ”

Innovations to Shape the Next Generation

Plastic Optical Fibers/Cables



As the spread of IoT and the start of 5G have made it imperative to realize next-generation, high-speed, large-capacity communications, the Nitto Group is working toward the early provision of plastic optical fibers/cables (active optical cables) for a diverse range of applications.

Leveraging Our Strengths for Manufacturing

The Nitto Group is working on the development of cables that combine plastic optical fibers with optoelectronic hybrid boards that transmit both optical and electrical signals.

In October 2017, we started joint research with Keio University, with whom we have maintained technological exchanges for optical materials and other businesses. By combining their photonics polymer technology and their technique to add heat resistance to plastics with Nitto's proprietary technologies, we are working toward commercial production of plastic optical fibers that are thinner, lighter, more flexible, and highly heat-resistant.

We began working on optoelectronic hybrid boards around 2012 for possible applications to electronic and medical equipment, which require high speeds and low noise. Through the integration of Nitto Group's polymer light waveguides and printed circuit boards, we were able to make this innovation a reality.

"We developed two different devices of plastic optical fibers and optoelectronic hybrid boards simultaneously, thus we decided that we could maximize added value if we combined them into a single cable." (Ishimaru)



Yasuto Ishimaru
Optical Communication Business
Promotion Department, New Business
Development Division



Isao Hirose
Process Technology Development
Department 2, Manufacturing &
Production Engineering Division

Marketability, Future Prospects

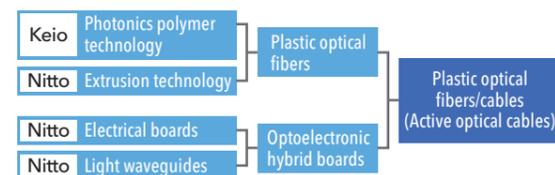
Only the Nitto Group can offer cables that combine heat-resistant plastic optical fibers and optoelectronic hybrid boards. The result is a thinner, more compact, heat-resistant, and flexible cable for broader applications.

To meet the expanding demand for high-speed, large-capacity communications for such markets as housing, medical equipment, aircraft, automobiles, and outer space in the not so distant future, we are working toward the early start of mass-production.

"We managed to improve optical attenuation - the technical bottleneck of plastic optical fibers. I am sure customers will appreciate this advance." (Hirose)

"We have already provided sample optoelectronic hybrid boards to our customers to receive their feedback, and we are currently working on technology for connecting them to plastic optical fibers." (Ishimaru)

Convergence for Plastic Optical Fiber Cables



Competitive Advantages

Customer needs

- Next-generation, high-speed, large-capacity communications
- Broad applications from housing and other spaces to automobiles, aircraft, and robots
- Slimmer wiring, simple installation, and increased freedom in cable placement

Nitto Group's competitive advantages

- Only the Nitto Group can satisfy customers' demands for components/devices, as well as final modules of integrated cables.

Neodymium Magnets

Neodymium magnets are powerful permanent magnets that have found a wide variety of applications. Capable of controlling magnetic field orientation, the Nitto Group's neodymium magnets have realized further miniaturization of motors without compromising on high performance, thus contributing to the development of new innovations.

Leveraging Our Strengths for Manufacturing

Development of neodymium magnets started at Nitto with a customer inquiry about insulating adhesive tape for neodymium magnets around 2007. That casual inquiry led us to discover a potential that went beyond merely commercializing insulating adhesive tape - if we used our technology for sintering organic and inorganic compounds, we could realize neodymium magnets capable of controlling magnetic field orientation, which, by concentrating magnetic force in one direction, would achieve miniaturization, high performance, and energy-saving, when applied to motors. While shipping samples for evaluation from around 2015, we have been working to establish a mass-production process.

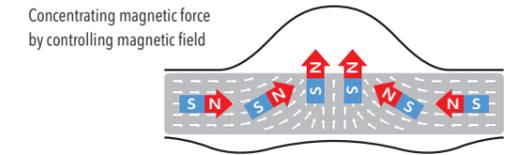
"We successfully made neodymium magnets capable of controlling magnetic field orientation by going out on a limb and doing what no one in the industry thought of; choose an organic substance that does not react with magnet powder and make a green sheet out of it. It was a challenge from the start, and it took us as many as seven years before we could have magnetic properties expressed by using a unique method. We could not have made it without our corporate culture of nurturing technologies and products tenaciously, a platform for organic chemical technology, and talented engineers." (Kume)



Katsuya Kume
Magnet Business Promotion Department,
New Business Development Division



Hiroshi Ebe
Magnet Business Promotion Department,
New Business Development Division

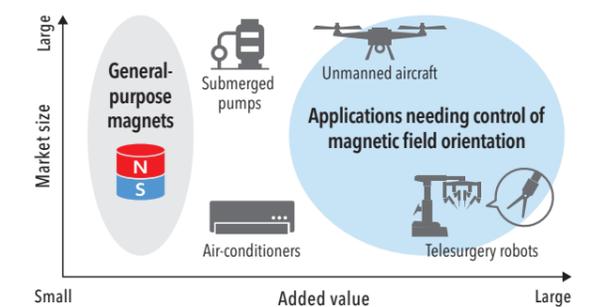


Marketability, Future Prospects

Under the leadership of the Innovation Marketing Center, which was established in fiscal 2019, we set out to find the fields our neodymium magnets' unique properties and features would contribute the most to. The study confirmed that our neodymium magnets could potentially contribute to miniaturization and performance enhancement in fledgling markets and technologies, the demand for which is increasing in tandem with progress in innovative digital technologies, such as unmanned aircraft, sensors, and high-precision robots.

"Although there is no doubt that this technology is revolutionary, not many people have heard of it, so we are hoping to gain trust from our stakeholders by building on track records one by one." (Ebe)

Market where neodymium magnets have a competitive



Competitive Advantages

Customer needs

- Increasing demands for unmanned aircraft, sensors, and high-precision robots, which require lighter-weight, low-vibration motors

Nitto Group's competitive advantages

- Using magnetic field orientation control to produce miniaturized, lighter-weight motors
- Protecting intellectual property rights by a patent that quantitatively specifies characteristics of magnetic field orientation control

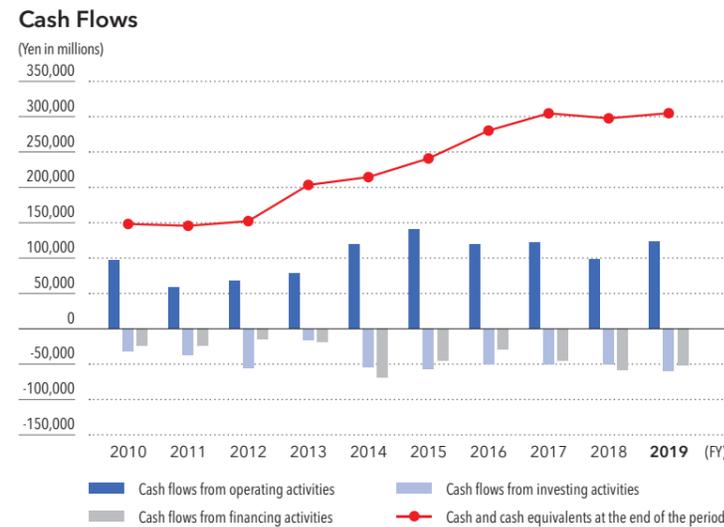
Financial Policies

Forging Ahead with the Financial Base

The Nitto Group aims to build a well-balanced, sound financial base that aligns continual enhancement of corporate value with long-term interest of all stakeholders.

Because we are operating in fast-changing and high-risk fields such as optronics and life science, our basic financial policy is to enhance capital adequacy while constantly generating ample cash flows from operating activities through development and sale of competitive products.

Meanwhile, we consider it important to provide returns to shareholders. Accordingly, we maintain a sound financial base while consistently paying dividends and repurchasing our own shares flexibly.

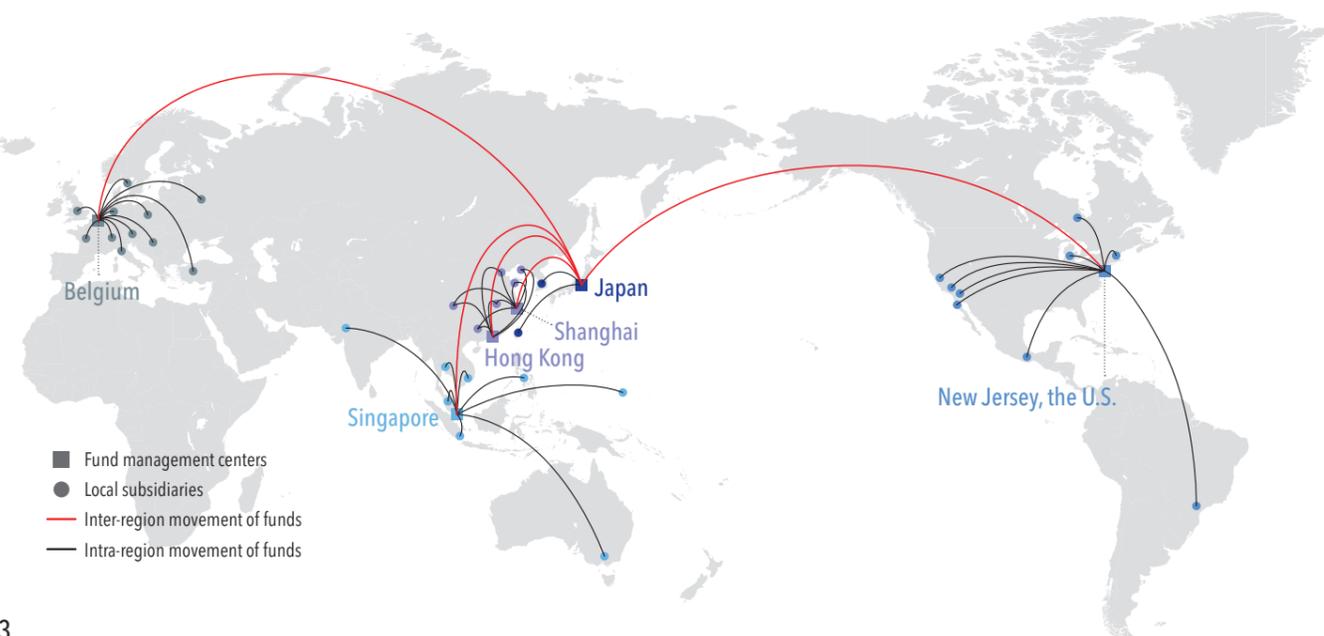


Cash Management

The Nitto Group uses a treasury management system* to monitor the movement of funds within the Group both globally and in a timely manner. Capital efficiency is further enhanced by centralizing funds that are distributed across Group companies into a fund management center in each region by way of dividend payments and cash pooling.

We also set up a policy on the handling of funds within the Group, ensuring that it is widely known and implemented to reinforce financial governance, while at the same time preventing outflow of costs associated with forex risk hedging from the Group and reducing consolidated interest-bearing debts.

* A system that manages financial transactions, such as the promotion of efficient use of funds and currency trading



Application of Funds and Return to Shareholders

In order to consistently enhance its corporate value amid fast-changing operating environments, the Nitto Group prioritizes its application of funds in the order of: 1. Capital investment, 2. Cash dividends, 3. M&As, and 4. Share buybacks.

Capital Investment and M&As

The Nitto Group has consistently invested in its facilities and M&A opportunities in a bid to forge ahead with its growth strategies and business foundations.

Whenever we see an opportunity, we make capex decisions by taking into account how soon we can recoup investments and asset efficiency.

Meanwhile, while taking ESG criteria and the magnitude of risks that may occur in the future into account, we also invest in plants and equipment from a long-term perspective. In particular, we are heavily investing in the environmental friendliness, including reducing CO2 and recycling wastewater, and the reinforcement of our fundamental business foundations, such as improving occupational health and the working environment.

Our investment decisions for M&As are made by giving priority to expected returns. In a bid to capitalize on growth potential outside of the Group, we are constantly searching for M&A partners in fields with growth opportunities.

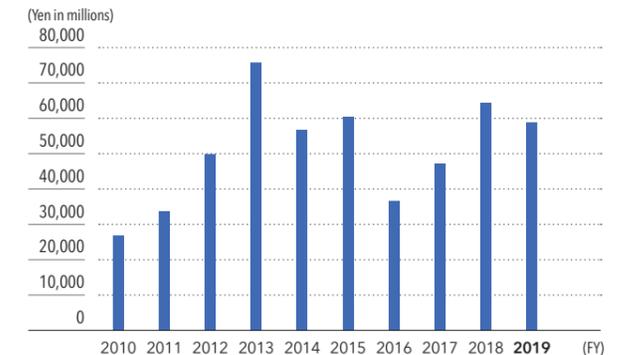
Return to Shareholders

Providing returns to our shareholders is one of the paramount management issues of the Nitto Group. Our basic policy here is to pay stable dividends to our shareholders.

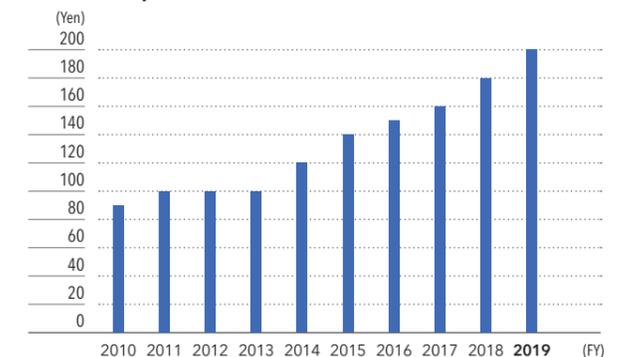
At the same time, it is essential to make proactive upfront investments in research and development and production in order to catch up with rapid technological innovation and meet customer demands in a timely manner. Dividends to shareholders are determined by taking into account various factors, including financial position, profit levels, and payout ratio.

For the purpose of implementing a flexible capital policy in response to changes in the business environment and as part of comprehensive measures to provide returns to our shareholders, we conduct share buybacks. We decided to repurchase 9 million of our shares for up to 50.0 billion yen between February 2020 and July 2020. We also drew up a treasury stock holding policy of cancelling all such shares except those with a specific use, such as compensation to directors.

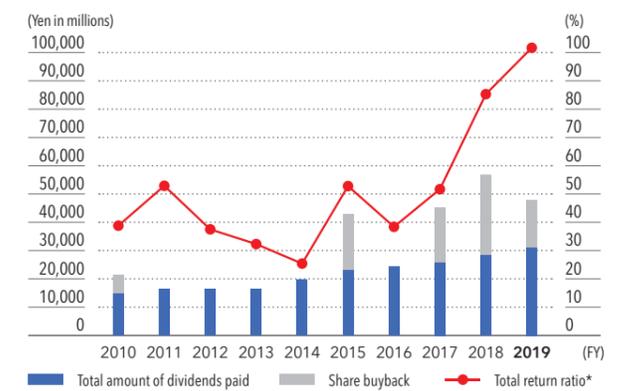
Capital Investment (completed contract method)



Dividends per Share



Shareholder Return



* (Total amount of dividends paid + Amount of shares repurchased) / Net income attributable to owners of the parent company

Segment Information

Summary of Overall Business

During the fiscal year ended March 31, 2020, trade conflicts between the U.S. and China as well as heightened uncertainties over the economic outlook negatively affected the world economy as a whole. The GDP growth rate slowed down in the Americas. Demand remained weak due to Brexit issues in Europe. China saw a drop in import and export from and to the U.S. and weaker business sentiment in the manufacturing industry. Out of the Group's key markets, the auto market recorded a significant decline in production volume. Although the production volume of smartphones did not grow as well, there has been a new change in displays. As the novel coronavirus infectious disease (COVID-19) spread toward the end of the term, the effects of outing restrictions and stalled logistics in each area and region worldwide on the real economy deepened. In response to these circumstances, the Group promotes

telework in the best interest of its employees' safety and handles this situation responding to requests from governments. Although the Group temporarily suspended operations in China region, it gradually resumed production after the Chinese New Year. Meanwhile, some local subsidiaries in the Americas, EMEA (Europe, the Middle East, and Africa) regions, and Asia remained out of operation. The impact of COVID-19 on business results was limited in this fiscal year.

As a result of the above, revenue decreased by 8.1% from the previous fiscal year (changes hereafter are given in comparison with the previous fiscal term) to 741,018 million yen. Operating income dropped 24.8% to 69,733 million yen, and net income attributable to owners of the parent company fell 29.2% to 47,156 million yen.

Consolidated operating results

(Yen in millions)

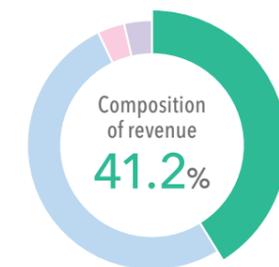
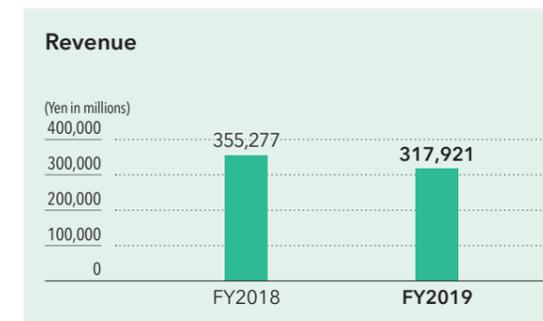
		Revenue	Operating income	Income before income taxes	Net income
1H/FY2018	Results	403,678	51,365	50,178	35,191
2H/FY2018		402,817	41,412	41,732	31,425
FY2018		806,495	92,777	91,910	66,616
1H/FY2019	Results	378,285	41,102	41,016	29,162
2H/FY2019		362,732	28,631	27,996	18,061
FY2019		741,018	69,733	69,013	47,224

Summary of Results by Segment

Industrial Tape

Main products: Functional base products (bonding and joining products, protection products, process materials, etc.) and automotive products

Operating Results



For functional base products, due to the sluggish electronics market, demand for products for smartphones and process materials for electronic components did not grow. Meanwhile, despite the weak semiconductor market, related process materials remained firm. In addition, in response to sales expansion into new areas, the Group enhanced the production system of diaper materials manufactured and developed at a Group company in Turkey. We expect to expand the market area of these materials and develop applications for adults. Further, demand for organic solvent-free double-coated adhesive tapes was steady. The Group will continue contributing to the environment in manufacturing.

The transportation business including automotive products saw a drop in production volume and weak demand in world's major auto markets such as Europe, the Americas, and China. In addition, the business was affected by COVID-19, with the Group's factories in Europe, the Americas, and Asia forced to suspend operations toward the end of the term.

As a result of the above, revenue decreased by 10.5% to 317,921 million yen and operating income declined 33.2% to 20,752 million yen.

Issues to be addressed

For functional base products, the Group will review optimal production system and carry out productivity reform of existing businesses, and thereby enhance its competitiveness. Further, the Group will create new products in fields where the demand for electronics materials, semiconductor process materials, and electronics process materials is expected to grow, driven by the dissemination of 5G and the data center market. It should be noted that the inventory levels of customers of this business may fluctuate sharply due to COVID-19.

For the transportation business including automotive products, with a long-term slump in production volume assumed on account of COVID-19, the Group will enhance the competitiveness and improve profitability of existing products by reviewing and thoroughly streamlining the global supply structure, and integrating and abolishing current products or other efforts. The Group will also push ahead with creation of new products related to car-electronics in response to changes such as car automation, automatic driving, connected and sharing, and the mobility fields other than automobile such as aircraft, and thereby aims to achieve further business growth.

Segment Information

Research and development activities

At the adhesive tape manufacturing process, efforts are being made to reduce organic solvents and promote the use of biomass materials. Nitto received the Excellence Award at the 46th (FY2019) Environment Award (co-organized by the National Institute for Environmental Studies and The Nikkan Kogyo Shimbun, Ltd. and sponsored by the Ministry of the Environment) for its environment-friendly product, organic solvent-free double-coated adhesive tape.

We will remain focused on the development of sustainable and environmentally friendly products while paying close attention to ESG and the SDGs.

In the semiconductor field, we developed process tape that smoothes out uneven wafer surfaces. Since properties of process tape must evolve in tandem with advancements in the semiconductor fabrication processes, we will continue developing new products in this field.

As part of the ongoing effort to explore applications of products that use fluorine functional materials, we will

dedicate our resources to the development of products with novel functions in the fields of semiconductors, electronic components, and mobile devices.

In the transportation field, we are forging ahead with the development of products that help to enhance the performance of transport vehicles, including automobiles, railroad cars, and aircraft. In anticipation of a rapid expansion of the electric vehicle market and an increase in the number of electric/electronic components in vehicles, we now have expanded product lines for insulating materials for motors and vent filters for electric/electronic components. Also, in preparation for the full-scale arrival of the self-driving market, efforts are underway to roll out radio wave absorbing materials for radars. Furthermore, in an attempt to develop new businesses for the CASE (Connected, Autonomous, Shared, and Electric) market, we have embarked on new value development through convergence with the Next Generation Mobility Center.

previous fiscal year, but new revenue is forecast to be recognized from the next fiscal year onward.

With regard to flexible printed circuit boards, production volume of high-capacity hard disk drives (HDDs) remained low in personal computers application and others. However, demand continued to recover in line with realization of high capacity for data center application. In applications other than HDDs, production of materials for hearing instruments in the wireless recharging system started. Going forward, the Group will continue to cultivate new applications of high precision substrates.

The impact of COVID-19 on the segment was limited despite a temporary halt of production in China.

As a result of the above, revenue decreased by 7.2% to 398,942 million yen and operating income slid 7.9% to 57,067 million yen.

communication environment, which in turn will create a higher demand for our flexible printed circuit boards. We will seize the opportunity that such changes present promptly and without fail.

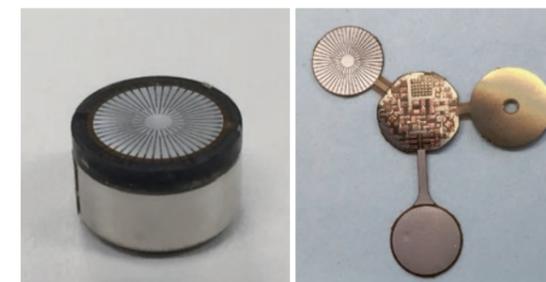
Research and development activities

For flat panel display applications, we are catering to the growing demand for large-sized liquid crystal displays (LCDs), including public information displays (PIDs), monitors, notebook computers, and tablets, as well as OLED-TVs and other organic light emitting displays (OLEDs), while developing products that meet specific requirements of different devices. For mobile display applications, on the other hand, we are being requested to enhance the visual quality of OLEDs and make them thinner and more flexible. In response, we are working on polarizing films that offer higher optical performance while being thin and bendable.

In the auto industry, with the progress in self-driving technology, it is expected that we will see an increasing in both the number and size of in-vehicle displays. Because polarizing films for use in a car are required to have higher heat resistance and lower contraction, we are developing products that meet these requirements. At the same time, we are intent on the development of products that offer the performance needed for polarizing film products used with curved and shaped displays, which enhance freedom in the interior design of high-end automobiles.

For optical materials for display peripherals other than polarizing films, we are also pushing ahead with the development of interlayer filling adhesive for displays and materials for the OLED process, in a bid to offer value to customers manufacturing displays and equipment with a built-in display.

For flexible printed circuit boards, we are marketing high-precision circuits made possible by circuit formation technology using photosensitive polyimide and the semi-additive process to new markets other than that of HDDs. In the current fiscal year, high-precision circuits were adopted for wireless charging systems for hearing aids and components for smartphones to start contributing to our sales. We will continue with development efforts to meet demands as they arise.



Battery pack for a wireless charging system for hearing aids (left) and Nitto's high precision substrates for wireless power transfer (right)

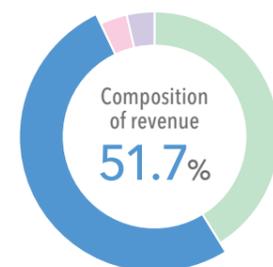
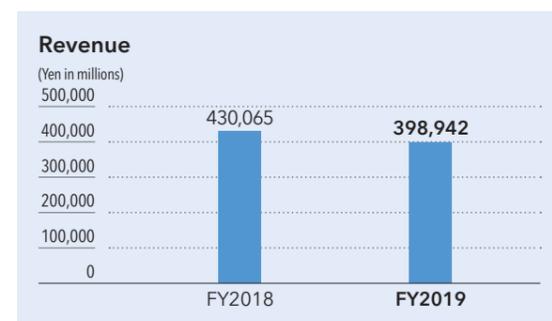
Issues to be addressed

For information fine materials, the display market has been bipolarized between the commodity market and the high-end market. Amid this trend, the Group will, by honing its industry-leading technological prowess, respond to the changes taking place to displays. The Group also aims to strengthen its business foundations and expand highly profitable businesses by strengthening and streamlining its product lifecycle management. With regard to flexible printed circuit boards, the Group aims to enhance profitability by boosting the market share of its HDD application and streamlining the business. The Group will increase its efforts to make this another core business by using the high-accuracy circuit formation technologies it has cultivated for smartphones and other new applications whose demand is growing, while expanding relevant production facilities. Due to the increasing impact of COVID-19 and other factors, it is expected that more people will be working remotely in the advanced

/ Optronics

Main products: Information fine materials and flexible printed circuit boards

Operating Results



Production volume of information fine materials for smartphones did not grow. The Group, however, responded to irregularly shaping of optical films to accommodate to large-sized displays. As a result, this application performed strong compared to the previous year. In the TV market, the

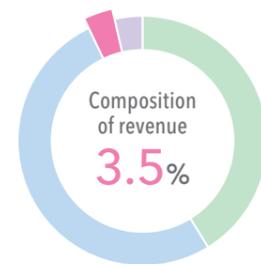
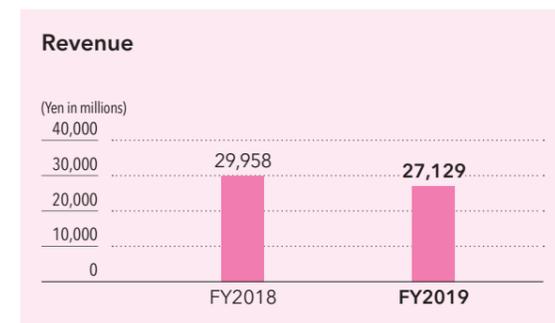
supply and demand balance has greatly changed as panel manufacturers' supply capability expanded. In such an environment, the Group focused on the high-value-added domain in such application. Royalty income from technology licensing of general polarizing films was partly posted in the

Segment Information

Life Science

Main products: Medical-related products

Operating Results



The life science business posted final revenue from a customer's suspension of new drug development in the nucleic acid medicine contract manufacturing in the previous fiscal year. Due to this, the result for the year under review did not reach that of the previous year. Revenue, however, is on a recovery trend to cater to the needs of the steadily growing nucleic acid medicine market. In addition, as for transdermal absorption tape formulations, atypical antipsychotic agent LONASEN® Tape, which the Group jointly developed with Sumitomo Dainippon Pharma Co., Ltd., contributed to this trend.

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

As a result of the above, revenue dipped 9.4% to 27,129 million yen and operating loss amounted to 2,546 million yen (operating income of 1,920 million yen was reported in the previous fiscal year).

Issues to be addressed

In the life science business, the nucleic acid medicine market is expected to expand in the future, backed by an increase in themes for late-phase clinical trials and approval of new drugs. In this context, the Group will expand its share in

the contract manufacturing market by strengthening its manufacturing and technology development capabilities. For the drug discovery business, the Group will forge ahead with research and development as well as clinical trials of drugs in fields such as pulmonary fibrosis and intractable cancer in an attempt to develop them into new core businesses. The Group will also work with Sumitomo Dainippon Pharma Co., Ltd. to expand sales channels and ensure a stable supply of atypical antipsychotic agent LONASEN® Tape, which was launched in September 2019. Please note that these clinical trials may be postponed should the impact of COVID-19 spread further.

Research and development activities

For pharmaceutical products, an atypical antipsychotic was approved by the regulatory authority in June 2019.

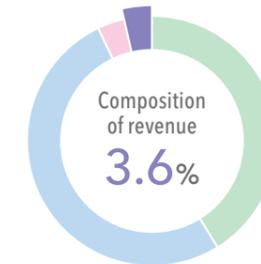
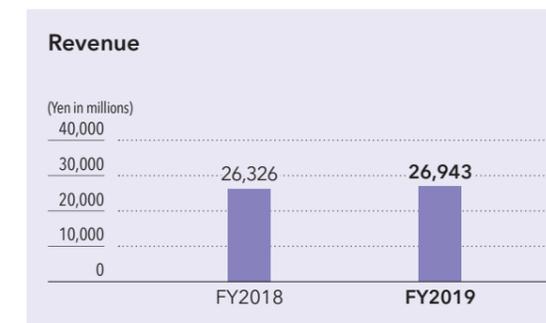
Commercial production was subsequently started and the product was launched in the Japanese market by Sumitomo Dainippon Pharma Co., Ltd. in September.

For medical and hygiene materials, we have promoted the development of business in new domains and the expansion into new markets and regions by strengthening the framework for external partnerships over and above existing partnerships with other business sectors/divisions within the Group.

Others

Main products: Membrane products, other products

Operating Results



For membrane products (polymer separation membranes), demand for industrial applications for seawater desalination and environmental measures was steady. Also, in the field of energy, demand for new nanofiltration membrane for water injection used in oil drilling grew.

Please note that this segment includes new businesses that have yet to generate sufficient levels of revenue.

As a result of the above, revenue increased by 2.3% to 26,943 million yen and operating loss amounted to 2,782 million yen (operating loss of 1,970 million yen was reported in the previous fiscal year).

Issues to be addressed

For membrane products, the Group will streamline its operations, which include automation of its production processes, while strengthening its business foundations. Aiming to grow new businesses in the fields of energy and environment, the Group will work to increase profitability. For new businesses, the Group will aim to bring products currently under development, including plastic optical cables, to the market as soon as possible.

Research and development activities

A treatment process designed to remove all the effluent and wastewater, zero liquid discharge (ZLD), is bringing about a change in the global water environment. At the Shiga Plant, where we manufacture reverse osmosis (RO) membranes, we verified technology for recycling effluent and wastewater and launched a set of products for recycling purposes in fiscal 2019. We will utilize our separation technology to promote recycling of water resources, while at the same time coming up with new products that are meant to meet social needs.

Addressing Social Issues in Each Stage of the Value Chain

The Nitto Group takes into account the gamut of social impact that may be incurred throughout the entire value chain from procurement of raw materials to disposal of products. We fulfill our corporate social responsibility by complying with the applicable laws and regulations in every country and region that we operate in. We review the risks and opportunities to our business operations as appropriate.

Risks and Opportunities to the Nitto Group's Business Operations

		Procurement of Raw Materials		R&D		Production		Logistics/Sales		Use/Disposal of Products	
Risks		<ul style="list-style-type: none"> Administrative disposition (shut-downs, payment of fines and/or supplementary charges) and loss of public trust due to violation of laws/regulations, etc. Increase in business costs and impact on product development and operations due to tightening of applicable laws/regulations, etc. 		<ul style="list-style-type: none"> Intensifying competition for recruitment of human resources with advanced expertise and drain of human resources Slowdown in production, occurrence of accidents and misconduct, and loss of public trust due to damage to employees' mental and physical health 		<ul style="list-style-type: none"> Human rights infringement due to expansion of the supply chain 					
		<ul style="list-style-type: none"> Human rights infringement and aggravation of conflicts as a result of procurement of conflict minerals Depletion of resources as a result of procurement of minerals, water, and other natural resources Environmental disruption as a result of procurement of mineral resources and petroleum-derived materials Increase in business costs as a result of a rise in cost percentage 	<ul style="list-style-type: none"> Increase in business costs due to strengthening of initiatives, etc. Air pollution as a result of consumption of electricity, fossil fuels, and other energy sources Impact on the ecosystem and human health due to use of chemical substances Pollution of the global environment and increase in business costs as a result of emissions of pollutants and hazardous substances 	<ul style="list-style-type: none"> Damage to health, shut-downs, decreased orders and suspended sales due to occupational accidents Cancellation of contracts, compensation for damages, and loss of public trust due to fraudulent quality claims Damage to neighborhood by fire and explosions Shut-downs and increase in business costs due to soil/river pollution as a result of environmental accidents 	<ul style="list-style-type: none"> Increase in business costs due to shortage of human resources Compensation for damages, decreased orders and suspended sales due to logistic accidents, such as cargo breakage, and occupational accidents Decrease in the working/productive population in Japan 	<ul style="list-style-type: none"> Impact of products on the ecosystem and human health Fines and loss of public trust as a result of serious complaints and recalls 					
Opportunities	Human Resources	<ul style="list-style-type: none"> Recruitment of human resources with advanced expertise by enhancing recruitment branding Strategic placement/development of employees by promoting talent management Expansion of job opportunities by promoting diversity (elderly employment, empowerment of women and foreign national employees, employment of individuals with disabilities, etc.) → Creation of innovation and sustainable growth by diverse employees 		<ul style="list-style-type: none"> Development of employees by systematic training Promotion of work style reform Reducing presenteeism (working while sick) by developing a system for supporting employees' health → Improvement in labor productivity and employee engagement 							
	Product Safety / Quality	<ul style="list-style-type: none"> Ensuring access to resources by procurement of biomaterials and recycled materials → Providing added value and reduction in procurement cost by replacing materials Reduction in procurement cost by using a wider range of vendors → Expansion of options for material selection 	<ul style="list-style-type: none"> Ensuring safety of workers and products and reducing waste by changing/curtailing use of raw materials → Reduction in business costs Ensuring safety of workers by improving work environment and managing chemical substances properly → Enhancement of stable production and promotion of job security 	<ul style="list-style-type: none"> Ensuring safety of workers and reducing risks of fire/explosion accidents by risk assessment / chemical risk assessment → Ensuring stable production and social credibility 	<ul style="list-style-type: none"> Improvement in distribution productivity by business reform and promotion of work style reform → Reduction in transportation cost and ensuring social credibility 	<ul style="list-style-type: none"> Unified management of information for appropriate disclosure of information on chemical substances → Increase in customer satisfaction 					
	Environment	<ul style="list-style-type: none"> Reduction in CO2 emissions by switching means of transport → Reduction in transportation cost 	<ul style="list-style-type: none"> Reduction in environmental impact on the ecosystem and humans by developing environmentally friendly products → Development of new markets and increase in market share Discovery and creation of concepts for new products Development of technology for efficient use of energy and raw materials → Reduction in business costs CO2 fixation by recovery and recycling of CO2 → Greater recognition by contributions to local communities and society at large 	<ul style="list-style-type: none"> Reduction in CO2 emissions by developing/introducing new technologies, use of renewable energy, etc. → Discovery of concepts for new products, reduction in electricity cost Environmental conservation by proper management of chemical substances → Ensuring safety of local residents 	<ul style="list-style-type: none"> Reduction in CO2 emissions by switching means of transport → Reduction in transportation cost and improvement of logistics operations 	<ul style="list-style-type: none"> Providing products that are healthier and more environmentally friendly → Development of new markets, increase in market share 					
	<ul style="list-style-type: none"> Reduction in waste through cyclic use of resources, ensuring access to resources, and reduction in pollutant and hazardous substance release → Discovery of concepts for new products, reduction in treatment cost 										

Human Resources

Reasons for Materiality

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

Nitto Group's Approaches

At the Nitto Group, every employee is expected to be a "Nitto Person," who comprehends and lives up to the Nitto Way, that is, one who can function as an integral member of a global team to create new value by joining hands with people of diverse backgrounds without being divided by differences in culture and values. To empower human resources across the globe, we provide a shared personnel system and infrastructure, which encompass global grading, Nitto Competency, a Human Resource Information System (HRIS), and other programs. Going forward, we intend to develop more Nitto Persons on a global basis by accelerating the introduction of these programs to establish them within the Group firmly.

Recruitment and Development of Employees

The ever-changing business environment these days is pushing the Nitto Group into the global market with the result that its overseas sales ratio reached over 75% in fiscal 2019. Against this backdrop, we will ensure that the Nitto Group continues to deliver innovation and sustains its growth by making greater efforts to recruit and develop people through enhanced employer branding and a systematic training scheme.

Recruitment of Global-Minded Human Resources

Nitto Internship Academy hosted 1,400 graduate/undergraduate students

The Nitto Internship Academy is designed to provide students from across the globe with opportunities to grow through various experiences at Nitto.

Four unique programs were offered to students of all grades. Each student joined a team with Nitto employees to suggest new businesses or work on a task at various workplaces, after being briefed on the Nitto Group's hallmark innovations and strategies. In fiscal 2019, a total of 1,400 students were given this internship opportunity.

On the Experience Internship program, students were invited to join the branding team to communicate the Nitto Group's powerful appeal to people the world over at the Nitto ATP Finals in London. An exceptional opportunity to recruit students from the global job market, this program not only helps students to get to know the Nitto Group better but also enhances the Group's recognition in society at large.

Nitto Internship Academy Organization Chart

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

Development of Global-Minded Employees Nitto Global Business Academy (NGBA)

Launched to foster future senior executives, the Nitto Global Business Academy (NGBA) is driving the Group forward in the areas of new business creation and solutions to managerial issues, transforming itself into a program that better caters to practical needs as a powerhouse that cultivates the human resources who will shape Nitto Person's identity.

More than 70% of Nitto's executives have undergone this training program offered by the NGBA and its predecessor Nitto University. We will continue to invite management candidates from around the world to this excellent training opportunity.

Textbook for Nitto Persons available in 15 languages

A training course on the Nitto Cultivation System (NCS) began in fiscal 2007 for all Nitto Persons to learn what it takes to live up to their namesake. The course covers basic knowledge from the six key areas that a manufacturing business should have, i.e., "Corporate Philosophy, CSR, safety, environment, quality, and 5S*." The course textbook has been translated into 15 languages for people working at the Nitto Group companies around the world to gain shared understanding and was partially revised in fiscal 2019. In fiscal 2020, we will distribute the revised course textbook to our sites both in Japan and abroad to forge ahead with human resource development for the entire Nitto Group.

*5S: A workplace organization method designed to maintain/improve the workplace environment. Short for "Seiri (Sort)," "Seiso (Shine)," "Seiton (Set)," "Seiketsu (Standardize)," and "Shitsuke (Sustain)."

Empowerment of Employees Employee engagement survey "Seeds"

In May 2019, we conducted an engagement survey, "Seeds (Survey for Employee Engagement, Diversity, and Satisfaction)," to make ours a company where each of its members feels motivated. The questionnaire was sent to a total of 8,955 employees of Nitto Group companies in Japan, and 95.2% of them responded. The survey results show that, while the safety culture is highly regarded within the Nitto Group, it is imperative to enhance "communication between management and employees" and "productivity" in order to advance employee engagement. With this in mind, we drew up action plans for increased engagement in fiscal 2019, which will be implemented in fiscal 2020.

We plan to conduct the Seeds for the entire Nitto Group, including overseas Group companies in fiscal 2021, after which it will be conducted every other year.

A Reviewed In-House Award System

To foster a culture of commending employees, each year, the Nitto Group awards businesses that had an outstanding performance. In fiscal 2019, the categories of the awards were realigned into four, i.e., "Financial Results Contribution and Marketing Award," "ESG Contribution Award," "Technology Contribution Award," and "Emotional Capital Contribution Award," to shed light on achievements by those from functions that underpin business.

From among the four award-winning projects, the best is selected and presented with the President's Award. In the first year of the new award system, a project on the "development of emulsion adhesion technology," the winner of the Technology Contribution Award, also won the President's Award, in recognition of its significant contributions to ESG and brand value enhancement for having received the "Excellence Award," a category of the 46th Environmental Award supported by the Ministry of the Environment of Japan.



Presenting the President's Award

Diversity & Inclusion

The Nitto Group employs diverse people around the world, representing a wide range in terms of nationality, cultural background, gender, age, and employment type. As the working/productive-age population continues to shrink in Japan, it is vital over the long term that we open our doors wider to prospective employees by promoting diversity, while at the same time pushing forward work style reform to provide an environment in which employees find it rewarding and comfortable to work. Our goal is to create new values in management that incorporate multiple perspectives through these two approaches.

Human Resources

Empowerment of Women

Empowerment of women is among the top priority issues at the Nitto Group. For the sake of promoting diversity, we set a KPI of increasing the ratio of women in management from 17% (fiscal 2018 result) to 19% (fiscal 2020 target).

From fiscal 2020 and beyond, we are making it obligatory for employees, both male and female, to take childcare leave for at least five days within a year of having a child, so that all employees can work without worry.

Well-being of Foreign National Employees

The Nitto Group appreciates the values and sensibility of foreign national employees, which are different from those of their Japanese counterparts. By making the most of their unique traits, we wish to bring about changes to develop products and services of high value and augment efficient operation. To retain foreign national employees, we organize a training course on cross-cultural communication, while at the same time assigning them foreign national mentors.

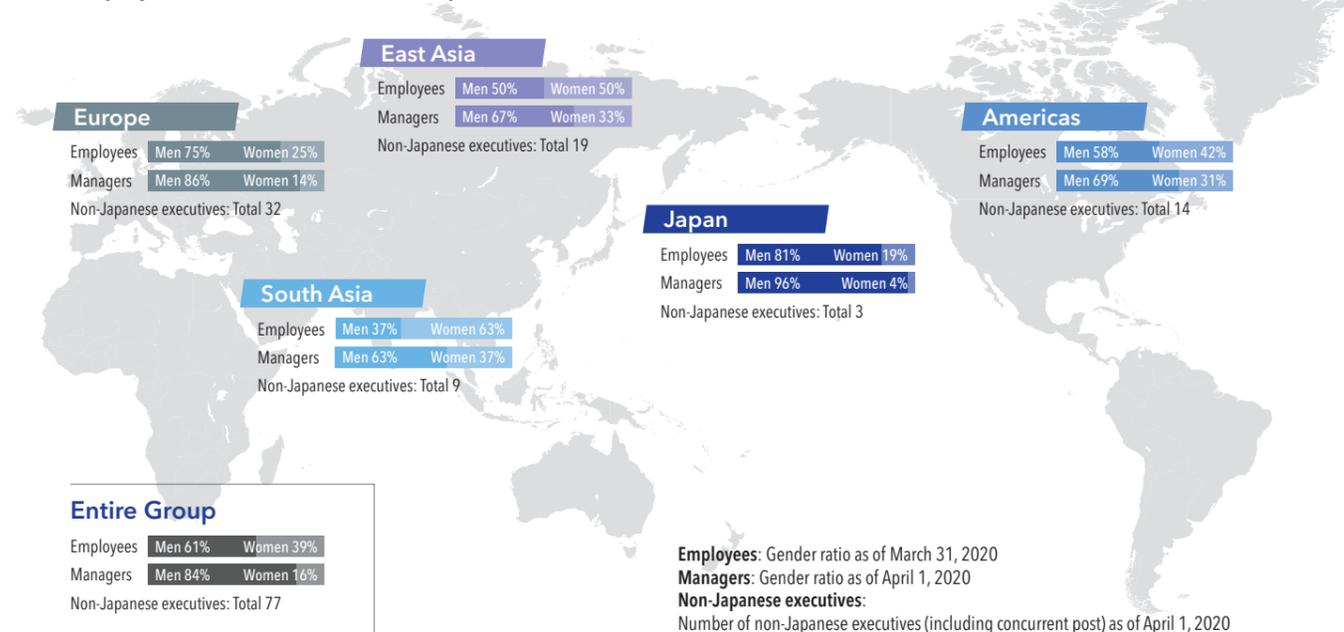
Percentage of Employees with Disabilities Reaching 3.3%

The Nitto Group is committed to the employment of individuals with disabilities. In fiscal 2019, we held Himawari Summit where representative members from Nitto Denko Himawari Group companies (special subsidiary companies) and other sites where individuals with disabilities work were invited to compare notes on their employment and retention. As of March 2020, the percentage of employees with disabilities stood at 3.3% in Japan, which is among the highest in the country.



Himawari Summit

Employment Data of the Nitto Group



Product Safety/Quality

Reasons for Materiality

The Nitto Group operates in 28 countries and regions around the world. As such, we are aware of the magnitude of impact that our diversified business activities have on local communities and economies. As a responsible manufacturer, we deem it imperative to ensure product safety, a secure workplace environment, and respect for human rights, not to mention product quality, cost, and timely delivery, throughout the supply chain. In fact, we currently receive customer requests that are more diverse and advanced than ever before, and local authorities are tightening their laws and regulations across the world. We at the Nitto Group consider it part of our corporate social responsibility to ensure that the workplace environment is improved and that human rights infringements are prevented, while at the same time providing products and services that satisfy our customers.

Enhancement of Safety and Quality of Products

We do our utmost to ensure product safety and quality to prevent our products from having a negative impact on society, thus avoiding critical complaints and product recalls. To deliver products and services that satisfy customers, we identify and analyze any and all risks so that they might be minimized, thus assuring product safety and quality. At the same time, we anticipate changes in society and the market to come up with innovative product ideas.

Building of a Quality Management System

Responding to customer needs by building a management system aligned with the evolution of our portfolio

In order to properly respond to ever-diversifying and advancing customer needs and the evolution of our product portfolio, all the Nitto Group companies seek to strengthen their foundation by raising the overall level of their quality management system and reengineering their business management system. In response to the ever-increasing level of requirements as we migrate to next-generation mobility, many of our overseas sites have acquired an IATF16949 certification. In Japan, too, we are working to acquire such a certificate in line with the expected demands of our customers.

In order to capture customer needs early via customer-oriented marketing and deliver products that meet customer requests, we localize the entire process from procurement to distribution. We provide high-quality products by differentiated technologies such as design that consider work efficiency.

Nitto Group's Approaches

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

To develop a safe and secure workplace environment, the Environment & Safety Committee, which includes members from the management team, meets to discuss goals and programs to integrate activities with management objectives.

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

Proper Management of Chemical Substances

Anticipating future trends in regulations to apply standards stricter than applicable laws/regulations

Proper management of chemical substances is an essential responsibility for the Nitto Group. We use upwards of 4,000 varieties of chemical substances, which include chemicals that can pollute the environment and create health hazards if misused.

As one government after another tightens its laws and regulations, we stay abreast of the latest information to set for ourselves stricter voluntary standards in order to implement proper global management of chemical substances. Furthermore, by centralizing the management of data on chemical substances contained in materials and products, we respond to inquiries from customers promptly and properly.

Environment

Reasons for Materiality

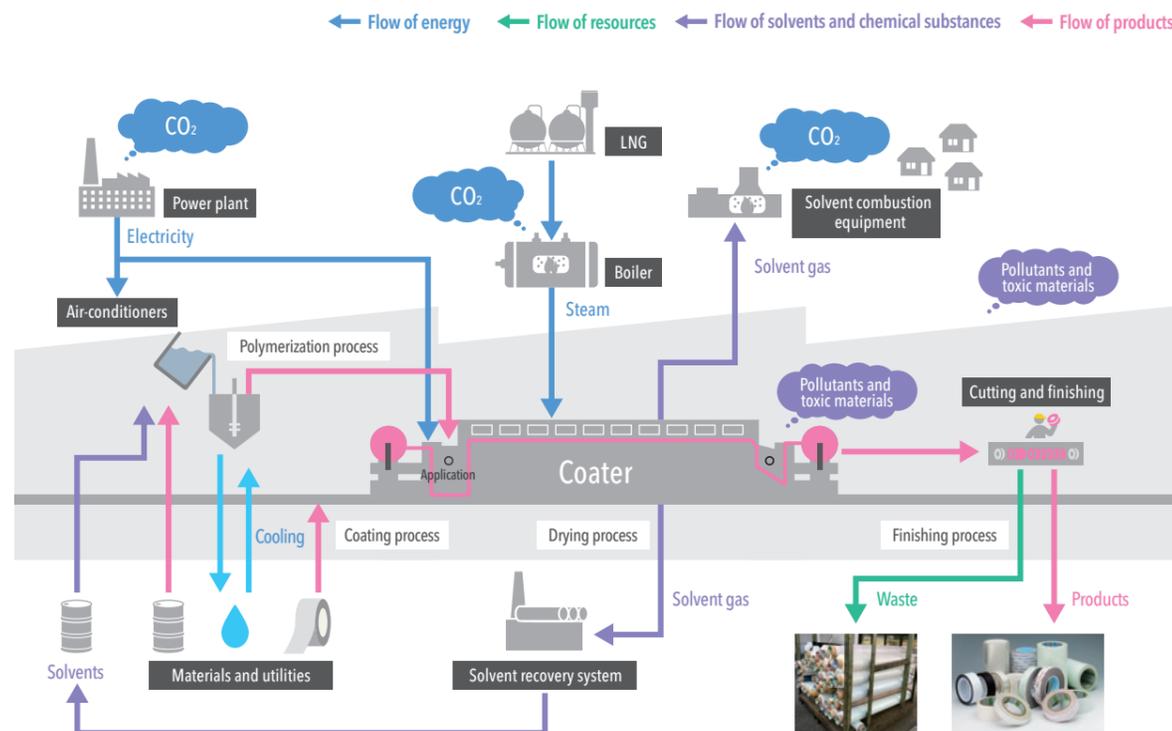
Climate change due to CO₂ emissions, depletion of resources, and marine pollution by plastics and other waste - the global environment is in a state of crisis. For the Nitto Group, it is essential to consider the environment, as we emit CO₂ from the consumption of electric power and fossil fuels and use plastics, organic solvents, and water and other resources as raw materials, which generate waste, at our plants (see the illustration below).

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

Nitto Group's Approaches

In order to fulfill our corporate social responsibility through manufacturing, the Nitto Group maintains the Environment & Safety Committee, which includes board members, to discuss environmental goals and programs, thus integrating our environmental activities with our management objectives. In an effort to involve the entire Group in these initiatives, we have assembled a team of engineers to develop environmental technologies, while at the same time using the management fund for new businesses and other resources to implement investments and action plans in a timely manner. Furthermore, true to our corporate environmental slogan, "Creating Wonders for the Earth," we will expand our efforts to help our employees raise their environmental awareness.

Major environmental impact made in Nitto Group's manufacturing process



Reduction in CO₂ Emissions

As climate change heightens the risk of natural disasters globally each passing year, private enterprises are required to do something to mitigate these conditions.

The Nitto Group's key platform for tackling climate change is reduction of CO₂ emissions. To achieve a self-set FY2025 target, we are curbing our CO₂ emissions by reducing energy consumption by high energy-consuming coaters and air-conditioners in clean rooms. We are also reducing the volume of solvent gases treated by combustion, which is one of the direct causes of CO₂ emissions. We are also proactive in introducing renewable energy, which does not emit CO₂, and developing techniques for collecting and recycling CO₂.

In fiscal 2019, our annual CO₂ emissions decreased by 46,612 tons from the previous year to 758,903 tons.

	FY2025 target
CO ₂ emissions	730,000 tons/year

Efforts to Curb CO₂ Emissions

Reduction of CO₂ emissions by 14,400 tons a year by introducing the cogeneration system at the Toyohashi Plant

As coaters need vast amounts of electric power and steam, we are introducing a cogeneration system* to our sites in Japan and abroad in order to generate both efficiently. In fiscal 2019, we installed a cogeneration system at the Toyohashi Plant, which should reduce CO₂ emissions by 14,400 tons annually. The system can also serve as an emergency power system.

*Cogeneration system: Collects waste heat from electricity generation that uses oil or gas as a fuel

Reduction of CO₂ emissions by 60% by steamless air-conditioning for clean rooms at a new factory of the Kameyama Plant

Clean rooms consume large quantities of energy as their air-conditioners operate 24/7, regardless of whether or not production is ongoing. At the Tohoku Plant, they managed to find ways to stop air-conditioners when there is no ongoing production. They took matters one step further to curb their energy consumption by fluctuating the output of fans according to the air cleanliness of the room; previously, fans were operated at a constant output regardless of air cleanliness.

At the Kameyama Plant, on the other hand, they launched a new factory in May 2019 that utilizes water humidifiers and heat pumps to do away with steam to humidify clean rooms. The Kameyama Plant expects that using this "steamless" humidifying technique will help them to reduce their CO₂ emissions by 60%. We are planning to roll out this technique to other sites in Japan as well as abroad.

Other efforts to reduce CO₂ emissions

In order to reduce a large amount of CO₂ emissions generated by combusting solvent gases, we are introducing solvent recovery systems. Recovery of solvents not only helps us to curb CO₂ emissions but also put resources to efficient

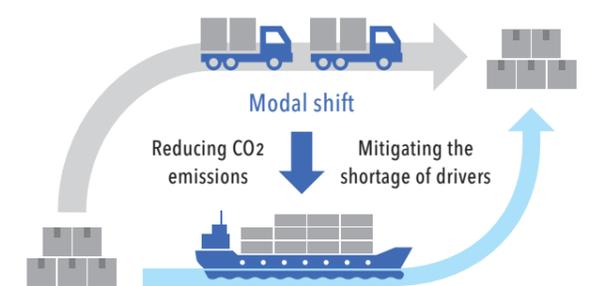


Solvent recovery equipment at the Toyohashi Plant

use. In addition to the aggressive efforts to recover toluene, the Toyohashi Plant began recovering solvents other than toluene in the amount of more than 200 tons annually. In doing so, they expect to reduce CO₂ emissions by 400 tons a year. We will introduce the system to other sites as well.

In distributing goods, significant fuel is required for transportation when shipping by trucks, so we are making a modal shift to alternative transportation methods with less environmental impact to reduce CO₂ emissions. Nitto Belgium NV successfully reduced their CO₂ emissions by 60% a year for transportation from the United States and Asian countries as a result of shifting the mode of transportation from trucks to ships. The modal shift also provides a solution to the shortage of truck drivers in some countries and regions.

Shifting to alternative transportation methods



Environment

Efforts to Minimize CO2 Emissions

Solar power generation to reduce emissions by 811 tons /year

The Nitto Group is introducing solar power generation systems. Such systems installed at the Tohoku Plant, Onomichi Plant, and other plants together reduce CO2 emissions by 811 tons/year. Going forward, we will continue to install solar panels on the roofs of plant buildings in a move to accelerate the use of renewable energy.

Efforts to Recover and Recycle CO2

Developing technologies for recovery/recycling of CO2

Besides reducing CO2 emissions, the Nitto Group has embarked on the development of technologies for recovering and recycling CO2 generated as a result of our business activities as well as atmospheric CO2, for their early commercial applications.

Efficient Use of Resources

Out of the belief that all manufacturers are obliged to efficiently use resources, including water and other natural resources and chemical substances as raw materials, we at the Nitto Group engage in various activities in this regard. Currently, we are working to achieve a 3% reduction per unit production from the previous year. In fiscal 2019, we implemented effective measures, including reducing treatment costs. Our next step is to set a higher target to reduce more waste plastics and liquid waste as a solution to waste treatment issues. We will also develop technology for recycling waste plastics, which account for a majority of waste, to promote the cyclic use of resources.

Efforts to Reduce the Amount of Resources Used

Reducing waste by pinpointing where it is generated

Because much of our waste is generated from the manufacturing process, we have introduced truck scales to our sites in Japan, so that we can pinpoint and visualize where and how much waste is generated. Our reduction efforts cover the entire life cycle – designing products in a way to reduce the use of materials, increasing productivity at the manufacturing process, and recycling components/devices within the process.

Efforts for Cyclic Use of Resources

Reducing the amount of resources discharged by recycling waste plastics and wastewater

At the Toyohashi Plant Recycling Promotion Center, they process plastic waste from their manufacturing process into pellets, which are recycled into roll cores and tablewares, etc., to promote circulation within the company.

They also introduced a system for recovering toluene from waste solvents to further increase the recycling rate. As for wastewater, the Shiga Plant is working to increase its wastewater recycling rate to 90% by fiscal 2022. In fiscal 2019, they recycled 70% of wastewater. At the Onomichi Plant, on the other hand, they are recycling more water by way of evaporative concentration and treatment by Nitto's RO membranes. This way, in-house technology is utilized to put water resources to efficient use and minimize impact when water supply from the outside is interrupted, thereby contributing to the business continuity plan (BCP).



Toyohashi Plant Recycling Promotion Center

Waste reduction efforts in each country

In recent years, an increase in food waste from cafeterias and other places, in addition to waste from manufacturing processes, has added to the problem of waste management. We at the Nitto Group address this problem in a way that meets the culture of each host community in Japan and abroad. At

Nitto Denko America Latina, for instance, food waste was slashed by 80% in fiscal 2019 from fiscal 2018 by installing equipment that produces fertilizers out of food waste generated from their cafeteria, on top of sorting waste and raising awareness among employees. The fertilizers thus produced are donated to nearby kindergartens.



Donating fertilizers made from food waste

Emissions-reduction of Pollutants and Hazardous Substances

To minimize the impact on the work environment and the environment surrounding our plants, the Nitto Group is making concerted efforts to reduce emissions of organic solvents and hazardous substances, thus ensuring the well-being of our employees and nearby residents.

Reduction in Atmospheric Toluene Emissions

Emissions treatment efforts at the Toyohashi Plant and other sites resulted in a 66% reduction (vs. fiscal 2016, non-consolidated)

In accordance with a self-set target for toluene emissions at our sites in Japan, we are taking a combination of measures including replacement of coaters, treatment of solvent gases, and prevention of leakage from buildings. In fiscal 2019, atmospheric toluene emissions were reduced by 52.2 tons (non-consolidated) from the previous year to 197.9 tons, thus achieving the target one year early. Going forward, we will further reduce our toluene emissions by reviewing product design with the three keywords of "Reduce, Replace, Eliminate" in mind.

	FY2020 target
Atmospheric toluene emissions (non-consolidated)	200 tons/year

Enhancement of Employees' Environmental Awareness

We at the Nitto Group believe that it is vital to develop individuals who can think and act on environmental problems independently, and we do this by helping each and every employee to raise their environmental awareness, rather than merely addressing the relevant issues through business undertakings.

Nitto Environment Week

We have proclaimed June 5 to be the "Nitto Environment Day," when every member of the Nitto Group stops to think about the future of this planet, and that the week containing the day is the "Nitto Environment Week." In addition, on a weekly "Environment Day," everyone wears an eco-badge and takes a turn giving an eco-talk at morning assemblies and before meetings.

In fiscal 2019, we published the "Environment Guidebook," which showcases environmental initiatives within the Group. In Japan, some of our sites began serving special lunches that minimize food loss and waste at cafeterias, while others organized lectures by competent directors on the promotion of environmental activities within the Group and invited experts from the outside to talk about the importance of recycling waste plastics.

Overseas, Nitto Denko Material (Thailand) Co., Ltd. offers a diverse range of environmental activities, including the provision of educational opportunities for every member to learn about the environment, limitations on the use of disposable containers and straws, and collection and recycling of disused articles from employees' homes.

In fiscal 2020 and beyond, we are planning to bolster our environmental education and conduct an employee attitude survey in order to expand the scope of these activities on a global scale.



Working for environmental protection

Round-table Talk Among Outside Directors



Yoichiro Furuse
Outside Director, Nitto Denko Corporation



Takashi Hatchoji
Outside Director, Nitto Denko Corporation



Tamio Fukuda
Outside Director, Nitto Denko Corporation

This talk took place at Nitto's Tokyo Head Office on March 31, 2020. To safeguard against the novel coronavirus, Director Tamio Fukuda joined via teleconference.

Open, Fair, and Free-spirited Discussions at Board Meetings

Moderator: Today, I have the pleasure of welcoming three of Nitto Denko Corporation's outside directors to share their candid opinions on Nitto. Now, I hear that Nitto board members exchange their views in a free and open-minded manner at board meetings. What do you think about the atmosphere of the meetings?

Furuse: My impression is that open and fair approaches are followed at all the meetings. I've been serving in this position for 13 years, and I can safely say that we always have very practical discussions. Nitto's presidents, past and present, have shown a very clear and excellent leadership style. My main role as an outside director has been to give pushes where they are needed. I believe that all key decisions are ultimately made internally, and whatever needs changing is changed.

Hatchoji: This is my fifth year since assuming the position of

outside director. I would say Nitto's board meetings are disciplined and held with a very open and positive atmosphere. They focus on practical and open-minded discussions and always strive to utilize Nitto's century-old Corporate Philosophy into the field, which I think makes a difference. Another thing I find unique to Nitto is its empathetic backing of the execution of critical operations. For about a year after I joined the board, my attendant took me on tours to the plants and laboratories of each business. Having those opportunities to speak face-to-face with field workers allowed me to think and discuss as both an insider and an outsider. The fact that management and the shop floor work closely together has been, and will continue to be, one of Nitto's greatest merits and strengths.

Fukuda: It's been two years since I accepted a position as an outside director for Nitto, and it is the first time I have done so for any private enterprise. Prior to that, I had the pleasure of getting to know various managers from my role as a consultant. My impression of Nitto is that everyone feels free to express their intentions and exchange views openly. They discuss with a free-spirit and sometimes we almost run out of

time for deliberation.

Moderator: Mr. Furuse, you mentioned excellent leadership. What do you think about the ways they develop management candidates and human resources in general?

Furuse: When it comes to developing people, I believe *kuruma-za* round-table group discussions are critical. They assemble about ten members from different sections of broad-based divisions to make a group, which then discusses a chosen topic until it is fully understood. The team then makes their suggestions at the board meeting, when necessary, and put them into practice if approved. I think everyone in this company has firm faith in this approach. It seems that this leads to the diversity of the company and is a very powerful tool to develop the Group's workforce.

Moderator: Mr. Hatchoji, you have concurrent positions as an outside director at other companies as well. In what ways do you think Nitto is different from others?

Hatchoji: At Nitto, we get to hear directly what employees around the world have to say about what they are doing, be it production or sales. Sometimes they are invited to a board meeting or board members visit the field to meet with them. I would say one of Nitto's remarkable features is that directors and those executing operations can put themselves in each other's shoes, so to speak, and think accordingly. And it all boils down to Nitto's centennial history and urge to grow further. You can safely say that The Nitto Way and safety awareness are shared across the board. Also, I'm always impressed by the safety call at the board meetings!

Moderator: Mr. Fukuda, your specialty is design management. What do you think about the way Nitto provides information?

Fukuda: Having been involved in a job that required a huge amount of time dedicated to worrying about how I should disseminate information, there have been several instances where I believed Nitto could have asserted itself more aggressively or used more impactful words in its appeal to stakeholders. This is because Japanese manufacturers tend to place high importance on product quality and rarely release products other than that which has been thoroughly tested for quality. My advice in this regard is very simple: just send out messages that are truthful and powerful.



Steady Progress in the Board Effectiveness Evaluation

Moderator: I'd like to hear what you think about the board effectiveness evaluation next. I believe that you analyze and evaluate the effectiveness and review processes periodically. My question is, what improvements do you think have been made so far, say, in the makeup of the board or decision-making process, or how the board meetings are managed overall?

Furuse: We don't see effectiveness evaluation as something that has abruptly changed, and instead think it has been improved steadily over time. Even before Japan's Corporate Governance Code was published, we had made improvements where necessary as we discussed what we could specifically do in our continuous pursuit of being a better company. Above all, Nitto's strengths are backed by free-thinking and the culture of fairness, both of which have been nurtured by previous presidents. If I were to single out an area for improvement, it would be to have a bit more urgency in everything they do. Because conducting business today is more complex than ever, we would be left behind if we simply continued to operate as we have done in the past. And so increasing speed is crucial. Another thing that I would like to see more of is diversity. In this respect, I expect to see more women in management and further globalization.

Round-table Talk Among Outside Directors

Hatchoji: One of the roles of the board of directors is to make decisions on important matters and to ensure that the PDCA cycle is implemented. From the time I joined the board, I maintained that the board should invite individuals who would soon be leading Nitto, and I must say that this practice is now solidly implemented. In regards to employees, I would like to see more diversity throughout the Nitto Group.

Fukuda: Effectiveness evaluation tends to be qualitative, partly because it is extremely hard to make quantitative evaluations of organizations other than business divisions. While working as a consultant for quantitative evaluation of a design division at a certain company, I gained a notable takeaway: Scientific analysis of quantitative information leads to correct evaluation. In board meetings and elsewhere, the lack of diversity is noticeable. When we discuss diversity, we tend to take note of the number of employees by diversity type. However, I believe it is important to approach it from a more foundational level and make it a part of our corporate culture. By improving the corporate culture, we will see a more diverse management team as a result.

Furuse: Unfortunately, Nitto does not have many female employees. The percentage of women in management in Japan currently stands at 4%, but I am hoping that it will increase as Nitto works on some of its diversity initiatives.

Hatchoji: Women make up about 16% of those in managerial positions within the global Nitto Group. Overseas, I see a

diverse group of employee workers as plant supervisors or in management teams. I expect our continued growth in diversity will help the Nitto Group become more globalized.

Harnessing Nitto's Strengths in Practicing Initiatives for ESG and SDGs

Moderator: As ESG investment has become an important topic, initiatives for E (Environment) and S (Society) are assuming greater importance. Nitto is now a UN Global Compact signatory. What was the motive behind this, and how do you evaluate such initiatives by Nitto?

Hatchoji: If Nitto wishes to grow globally over the mid- to long-term, I believe that a commitment to ESG and the UN Global Compact is essential, as they represent social demands. I think the selection of material issues for sustainability is unique to Nitto, as they include themes that Nitto can contribute to, such as the provision of products to human mobility and smart society, promotion and spread of renewable energy and energy conservation, and water treatment. Also, for the pharmaceutical market and other healthcare products and businesses, Nitto is working on ESG and the SDGs by focusing on healthcare and medical services, which customers find most relevant to themselves. Nitto also contributes to the well-being of people through the oligonucleotide medicine business.

Moderator: In which field do you think we will see innovations first?

Hatchoji: Nitto will continue to contribute to human mobility, the automotive sector, and 5G-related technologies and equipment. Nitto is collaborating with partners from across the globe in the spirit of open innovation by, for instance, teaming up with companies with unique technologies and equipment, and partnering with universities and research institutions in the healthcare sector. And it's not just the diversity of the partners that matters. The fact that Nitto deliberately chooses as its partners those with expertise in respective fields coincides with Nitto's Global Niche Top™ and Area Niche Top® strategies.

Furuse: For ESG, how you go about meeting these criteria is important. In this regard, the basic requirement is that steady

efforts are made to reduce stress on society and the environment. It is also important to ensure that employees and other stakeholders can engage in business activities both safely and comfortably.

As is demonstrated by the practice of conducting safety calls, even at small meetings, Nitto is demonstrating that it places a high value on holding firm to and living up to its beliefs, and that's an underlying concept for its products. With respect to progress in materiality, while there is room for improvement, I think we are moving in the right direction. After all, as long as Nitto holds on to the fundamental principle of safety and security first, they can't go wrong as a business.

Fukuda: For ESG and the SDGs, Nitto published a list of things that we can do in virtually every single area, and we are required to work on them, but many of these things are easier said than done for a private enterprise. The more I study them, the more I think it's important for Nitto to be different from others in its endeavors. For example, as a supplier of intermediate materials, it's vital for Nitto to decide how they should go about procuring materials, the sources for which will need to change due to climate change. Speaking of uniqueness, I believe the Area Niche Top® strategy can differentiate Nitto from all others. I expect Nitto to apply a formula akin to the Area Niche Top®, that is, "a product that is a blockbuster in a certain region and will do well on a global basis," and encourage each region to come up with suggestions on innovation and ESG.

Transform Risk into Opportunity Through Long-term Strategy

Moderator: As a long-term strategy assumes greater importance going forward, they say it is necessary to draw up long-term scenarios. Important examples of such scenarios include those for the Task Force on Climate-related Financial Disclosures (TCFD) and other initiatives for climate change, business continuity plans, and corporate strategies. How do you think Nitto should respond to these?

Furuse: Nitto should naturally plan ahead and work on long-term strategies with such an approach in mind. I believe being able to present a scenario of how you will survive is very important, and I think that, by dealing with risks face-to-face



and working to solve them, you can turn them into opportunities. Nitto has always been that way, and I believe they should stay unchanged in that regard.

Hatchoji: Based on my experience from my previous long-time employer, what really matters is how many people you have who are passionate about promoting ESG and the TCFD. I believe that at Nitto, there is always someone that will lead the SDGs and ESG initiatives in their respective fields. If you wish to work on such initiatives over the long term, the way in which you develop diverse people to take on these tasks becomes vital.

Another important point is to allocate the best people to the right places on a global basis. As an outside director, I'm hoping to shed light on these issues and keep providing inspiration.

Fukuda: As Mr. Hatchoji correctly pointed out, recruiting talented people is of paramount importance. This is because those people pass on Nitto's DNA to later generations, and so, viewed over the long term, the quantity and quality of such people cannot be taken lightly. And this is directly connected to branding, which means you must consider how you want to go about marketing and how you want to be perceived by institutional investors and the market. I expect that Nitto will make it a rule to take these considerations into full account in their external communications.

Moderator: Thank you for your insightful comments today. You've been wonderful.



Directors, Auditors, and Vice Presidents

As of Jun 19, 2020



Outside Corporate Auditor
Masakazu Toyoda

Outside Corporate Auditor
Masashi Teranishi

Outside Director
Takashi Hatchoji

Director, Executive Vice President
Yosuke Miki

Corporate Auditor
Masami Kanzaki

Outside Director
Yoichiro Furuse

Representative Director, President
Hideo Takasaki



Director, Senior Vice President
Yasuhiro Iseyama

Outside Director
Tamio Fukuda

Outside Corporate Auditor
Mitsuhide Shiraki

Outside Director
Wong Lai Yong

Director, Executive Vice President
Nobuhiro Todokoro

Corporate Auditor
Shin Tokuyasu

Directors, Auditors, and Vice Presidents

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
 November 2016 : Representative Director, President
 CEO, COO, CTO
 April 2017 : Representative Director, President
 CEO, COO (present)

Nobuhiro Todokoro

Director, Executive Vice President

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

Yoichiro Furuse

Outside Director (Independent Director)

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

Takashi Hatchoji

Outside Director (Independent Director)

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

Yosuke Miki

Director, 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, Deputy CTO
 June 2019 : Director, Senior Vice President, Deputy CTO
 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 (present)

Yasuhiro Iseyama

Director, Senior Vice President

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

Tamio Fukuda

Outside Director (Independent Director)

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

Wong Lai Yong

Outside Director (Independent Director)

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

Corporate Auditors

Masami Kanzaki

Corporate Auditor

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

Shin Tokuyasu

Corporate Auditor

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

Masashi Teranishi

Outside Corporate Auditor

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

Masakazu Toyoda

Outside Corporate Auditor

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

Mitsuhide Shiraki

Outside Corporate Auditor

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

Directors, Auditors, and Vice Presidents

Vice Presidents

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

Name	Title	Responsibilities
Hideo Takasaki	Representative Director, President CEO, COO Chairperson, Internal Control Committee	Supervisor of management in general
Toshihiko Omote	Senior Executive Vice President Senior Chief Engineer of Corporate Technology Sector	In charge of corporate technology (special assignments)
Michio Yoshimoto	Senior Executive Vice President General Manager of Legal and Corporate Affairs Division General Manager of Export Control Center	In charge of legal and corporate affairs, and export control
Yukihiro Iizuka	Executive Vice President General Manager, North and South American regions President, Nitto, Inc.	In charge of management of North and South American regions
Nobuhiro Todokoro	Director, Executive Vice President	Supervisor of functional base products business; information fine materials business; membrane business; management of EMEA (Europe, the Middle East, and Africa) region, China region, Taiwan region and Korean region
Yasuhito Ohwaki	Executive Vice President CIO General Manager of Corporate Sustainability Division Chairperson, Information Security Committee Chairperson, CSR Committee	In charge of compliance, IT, logistics, and business reform
Toshihiko Takayanagi	Executive Vice President General Manager of Sales Management Sector General Manager, Taiwan region	In charge of sales management & sales support and management of Taiwan region
Yosuke Miki	Director, Executive Vice President CTO General Manager of Corporate Technology Sector General Manager of Information and Communication Technology Sector	Supervisor of transportation business; medical business; and management of North and South American regions, South Asian and Oceanian regions, and Indian region In charge of corporate technology and ICT business
Sam Strijckmans	Senior Vice President General Manager, EMEA (Europe, the Middle East, and Africa) region President & CEO, Nitto EMEA NV	In charge of management of EMEA (Europe, the Middle East, and Africa) region
Kazuki Tsuchimoto	Senior Vice President Deputy CTO Deputy General Manager of Corporate Technology Sector	In charge of corporate technology (manufacturing engineering & process technology)
Seiji Fujioka	Senior Vice President General Manager of Medical Division	In charge of medical business
Yasuhiro Iseyama	Director, Senior Vice President CFO General Manager of Corporate Accounting & Finance Division Chairperson, J-SOX Committee; Chairperson, Timely Disclosure Committee	Supervisor of compliance In charge of accounting & finance
Atsushi Ukon	Vice President President, Nissho Corporation	In charge of management of business companies
Bae-Won Lee	Vice President General Manager, Korean region President, Korea Nitto Optical Co., Ltd.	In charge of management of Korean region and information fine materials business
Norio Sato	Vice President General Manager of Functional Base Products Sector	In charge of functional base products business
Katsuyoshi Jo	Vice President General Manager, China region Chairman/President, Nitto Denko (China) Investment Co., Ltd.	In charge of management of China region
Tatsuya Osuka	Vice President	In charge of management of offices/plants
Mehrdad Tabrizi	Vice President Director, Nitto, Inc.	In charge of management of North and South American regions
Tatsuya Akagi	Vice President General Manager of Information Fine Materials Sector	In charge of information fine materials business
Kenjiro Asuma	Vice President CPO General Manager of Corporate Strategy Management Division	In charge of corporate strategy, public relations, investor relations and procurement
Norikane Nabata	Vice President General Manager of Quality, Environment & Safety Management Sector Chairperson, Environment & Safety Committee	In charge of quality, environment, and safety
Scott Shu	Vice President General Manager, South Asian and Oceanian region General Manager, Indian region Chairman/President, Nitto Denko (HK) Co., Ltd.	In charge of South Asian and Oceanian regions, and Indian region
Yukihiro Horikawa	Vice President General Manager, Transportation Business Sector	In charge of transportation business
Nobuyuki Aoki	Vice President General Manager, Human Resources Management Division	In charge of human resources & training

Corporate Governance

Topic

Recent years have seen rapid progress in the development of corporate governance systems by Japanese companies. In particular, it has become expected that companies will utilize outside officers to enhance corporate governance and ensure transparency.

In 2003, Nitto established the Management Advisory Committee that consisted of external members who could relay the opinions from outside the company to management. The makeup of the advisory committee has since evolved to

become the present Management, Nomination and Remuneration Advisory Committee with broader functions.

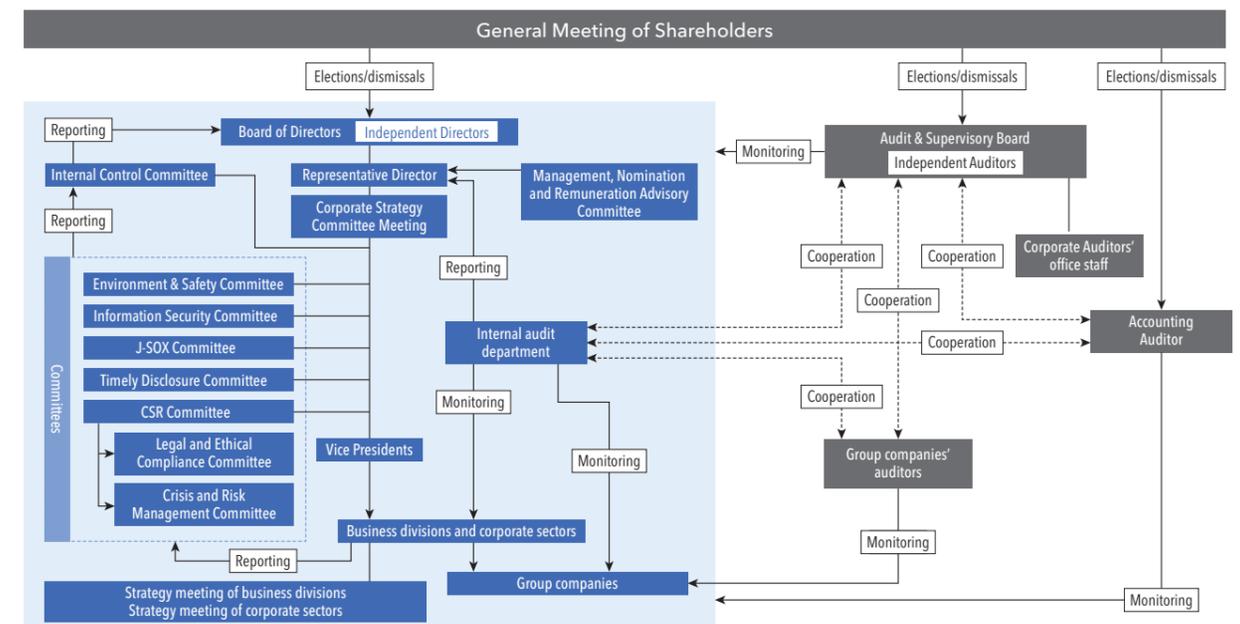
Meanwhile, two outside directors were appointed in 2007, and the number of seats for such directors was subsequently increased to three in 2015. By the beginning of fiscal 2020, one additional seat on the board was given to a foreign-national woman, with the result that half of the board members are now outside directors.

	2007	2015	2020
Outside Directors	Two Outside Directors appointed	Seats of Outside Directors increased to three (one third or more of the board members are Outside Directors)	Foreign national female Outside Director elected (half of the board members are Outside Directors)
Advisory committee	2003 Management Advisory Committee established	2011 Reorganized into Management and Remuneration Advisory Committee	2018 Reorganized into Management, Nomination and Remuneration Advisory Committee
Compensation system	2004 Equity-based compensation stock options introduced	2018 Restricted share remuneration and performance-linked share-based remuneration introduced	

Corporate Governance System

Our system of corporate governance is structured as follows.

Corporate Governance System



Corporate Governance

Board of Directors

The Board of Directors (Chairperson: Hideo Takasaki) makes decisions concerning important management-related matters and oversees the business affairs of Representative Director(s), Vice Presidents, and others. Furthermore, in order to ensure the health and transparency of management, Directors serve one-year terms, with multiple Outside Directors having been appointed.

Representative Director(s), Vice Presidents, and the Corporate Strategy Meeting

The Representative Director(s) and Vice Presidents (including Vice Presidents holding concurrent positions as Directors) undertake business affairs in accordance with the basic policies determined by the Board of Directors. The Group Decision-Making Regulations have been developed for business affairs. As its core, the Corporate Strategy Committee (Organizer: Hideo Takasaki) comprising full-time Directors and Vice Presidents has been established as an organization for important decision-making.

Management, Nomination and Remuneration Advisory Committee

Please see the next section.

Board of Corporate Auditors

The Company has adopted the Corporate Auditor System. Corporate Auditors attend Board of Director meetings to audit the business affairs of Directors. Additionally, their tasks include attending other important meetings, listening to the activity statuses of Directors and employees, viewing approval papers and other important documents, inspecting the main office, technology/business divisions, plants, and Group companies in Japan and overseas, and receiving audit reports from and exchanging opinions with accounting auditors.

Internal Control Committee and Expert Committees

To promote compliance and risk management across the Group, expert committees comprising officers and employees of related departments have been established. In addition, the Internal Control Committee, which comprises full-time Directors and is chaired by the President (who is also a Board Member) reviews the Basic Policies Related to Internal Controls and confirms the operation status of internal controls through reports from each expert committee, among others.

Internal Audits

Upon establishing a department dedicated to internal audits, audits are performed to ensure that management activities are being performed accurately, legitimately, and reasonably by all companies within the Nitto Group, in an effort to contribute to improvements in business operations and performance.

Furthermore, in order to ensure the well-being of employees, customers, and the general public, we conduct QES (Quality, Environment, and Safety) audits and arrange periodic third-party assessments.

Management, Nomination and Remuneration Advisory Committee

Structure and roles of Management, Nomination and Remuneration Advisory Committee

To ensure the objectivity and transparency for important management issues and matters concerning nomination and remuneration for directors and corporate auditors, the Management, Nomination and Remuneration Advisory Committee is established consisting of outside experts*1 as an advisory body of the Representative Director.*2

*1. As of July 2020, it consists of eight members: one Representative Director, four Outside Directors, and three Outside Corporate Auditors (Chairman: President).
*2. Items on the agenda of the general meetings of shareholders concerning nomination and remuneration are determined at the Board of Directors meetings based on inquiries and opinions of the Committee.

Activities of Management, Nomination and Remuneration Advisory Committee

The Committee met three times in total in the fiscal year under review (FY2019), with members' attendance rate of 100% each time. The following are main consultations and deliberations:

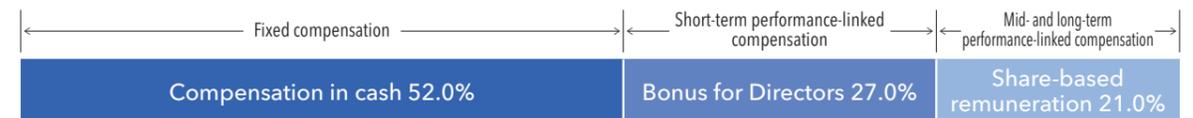
- The Company's course of action based on the global situation, industry trends, new research, etc.
- Current remuneration structure, level and future stance based on trends in other companies, stakeholders including shareholders, etc.
- Current status of securing candidates for management position and succession plan

Compensation of Full-time (Corporate) Directors

Fixed compensation**2	Short-term performance-linked compensation	Mid-term performance-linked compensation	Mid- and long-term performance-linked compensation	How the specific amount of compensation is determined
Compensation in cash By-position fixed monthly compensation The upper limit of the total amount was approved at the 155th Ordinary General Meeting of Shareholders: 30 million yen/month (4 million yen/month of which is for Outside Directors)	Bonus for Directors The upper limit of the total amount to be approved at a general meeting of shareholders each year	Performance-linked share-based remuneration Shares to be provided in a number within the range of 0% to 150% of the standard number of shares in accordance with the achievement of numerical targets for three business terms The upper limit of the total amount and number of shares was approved at the 153rd Ordinary General Meeting of Shareholders: 364 million yen/year 48,400 shares/year	Restricted share remuneration Shares whose transfer is restricted until retirement to be provided in lieu of retirement benefits The upper limit of the total amount and number of shares was approved at the 153rd Ordinary General Meeting of Shareholders: 243 million yen/year 32,000 shares/year	Total amount The upper limit to be approved at a general meeting of shareholders The amount paid to each Director The Representative Director determine the amount paid to each Director in accordance with their duties, responsibilities, and performance after consulting with the Management, Nomination and Remuneration Advisory Committee (The amount of performance-linked share-based remuneration is to be calculated by a separately specified formula.)

*1. In light of the nature of Outside Directors' roles, which is to supervise management by making important decisions at Board of Directors meetings and otherwise, the compensation paid to Outside Directors of the Company does not include equity-related compensation, and instead consists of only compensation in cash which is fixed compensation. The upper limit of the total amount was approved as 4 million yen per month at the 155th Ordinary General Meeting of Shareholders.
*2. In light of the nature of Corporate Auditors' duties, which is to audit and otherwise examine the execution of duties by Directors, the compensation paid to Corporate Auditors of the Company does not include equity-related compensation and other performance-linked elements, and instead consists of only compensation in cash which is fixed compensation. The upper limit of the total amount was approved as 12 million yen per month at the 139th Ordinary General Meeting of Shareholders. The specific amount of compensation paid to each Corporate Auditor is determined through consultation among Corporate Auditors in accordance with their respective duties and responsibilities.

Breakdown of compensation of full-time (corporate) Directors actually paid in FY2019



Findings of the FY2019 Nitto Board Effectiveness Evaluation

1. Analysis/evaluation method

Our Board of Directors analyzed and evaluated the effectiveness of the Board as follows, with advice from a third-party organization starting this fiscal year.

- (1) Prepared a survey questionnaire on the Nitto Board effectiveness with input from a third-party organization
- (2) At the December Board of Directors meeting, the Secretariat of the Board explained the purpose of effectiveness evaluation and distributed a survey questionnaire to the Directors and Corporate Auditors.
- (3) Collected the questionnaire in mid-January
- (4) The Secretariat of the Board parsed the questionnaire results and optional comments by checking them against the analysis results provided by the third-party organization to prepare a report on the effectiveness evaluation survey, which was distributed to the Directors and Corporate Auditors.

- (5) At the February Board of Directors meeting, the Directors and Corporate Auditors discussed the Board's effectiveness based on the report.
- (6) The Secretariat of the Board prepared a document summarizing the outcomes of the discussions, which was distributed to the Directors and Corporate Auditors.
- (7) At the March Board of Directors meeting, the Board went over the discussion outcomes, reviewed the details of the Board effectiveness evaluation, and approved the timely disclosure document.

Corporate Governance

2. Categories of the survey questions

- Composition of the Board of Directors	3
- Agenda items for Board of Directors meetings	12
- Deliberation method at the Board of Directors meetings	8
- Risk management	3*
- Training for Directors and Corporate Auditors	2*
- Dialogue with shareholders	2*
- Efforts by individual Directors and Corporate Auditors	7*
- Others	2
- Overview	1
Total of 40 questions	

* The four categories with an asterisk were added last year to expand the range of topics.

3. Overview of the analysis/evaluation findings

1) Conclusions drawn

It was concluded that the effectiveness of Nitto's Board of Directors is ensured.

2) Analysis and evaluation

All the Directors and Corporate Auditors responded to the Board effectiveness survey on a five-point scale. They chose "Appropriate" or "Largely appropriate" for many of the questions (77% of the total). In particular, the survey confirmed that, at the Board of Directors meetings, open discussions are conducted among its members including Outside Directors and Outside Corporate Auditors, and that the agenda items and deliberation times are deemed to be largely appropriate. With regard to the mid- and long-term management themes required to be addressed that were discussed as part of the Board effectiveness evaluation last year, it was confirmed that efforts were made to improve them by bettering the content of business reports from executive officers in each overseas geographical region and amending the decision-making regulations, among other initiatives.

Meanwhile, the Board of Directors confirmed that continued efforts would be made to improve issues that have come to light this fiscal year. These issues include: recruitment/development of the right candidates for Board members to ensure the diversity of Board members, enhancement of discussions on the risk management system, improvement of transparency and fairness through the Management, Nomination, and Remuneration Advisory Committee and other optional committees, improvement of

the content of shareholder relations reports to facilitate dialogue with shareholders, and administration of the Secretariat of the Board with social trends and requests from shareholders in mind.

4. Future action

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

Compliance

Compliance Promotion System

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

It was out of this desire that we established a Legal and Ethical Compliance Committee chaired by the CSR Committee Chairman to oversee issues concerning legal and ethical compliance for the entire Group, while at the same time ensuring that any piece of information on a significant matter is reported at a Corporate Strategy Committee meeting and dealt with appropriately.

Cultivation of Ethical Values and Prevention of Problems

Educational Campaign

To help Nitto Persons to cultivate their ethical values, we distribute the "Nitto Group Business Conduct Guidelines," which are available in 16 different languages, to all of our employees with diverse backgrounds of culture, customs, and nationalities, and oblige all of them to receive training on the Guidelines as part of our new employee orientation. In addition, we invite those in managerial positions or otherwise to a CSR workshop every year to encourage them not only to reaffirm their values but also to raise awareness of their role in

monitoring and preventing injustices. In fiscal 2019, we conducted a compliance behavior self-check to alert them to the danger of self-justification, and found that "information security" and "harassment" are the two notable compliance risks. We will bring this to the attention of every manager so that they are responded to appropriately. Meanwhile, we beefed up the Guidelines with a focus on human rights, whose protection is stipulated in said Guidelines.

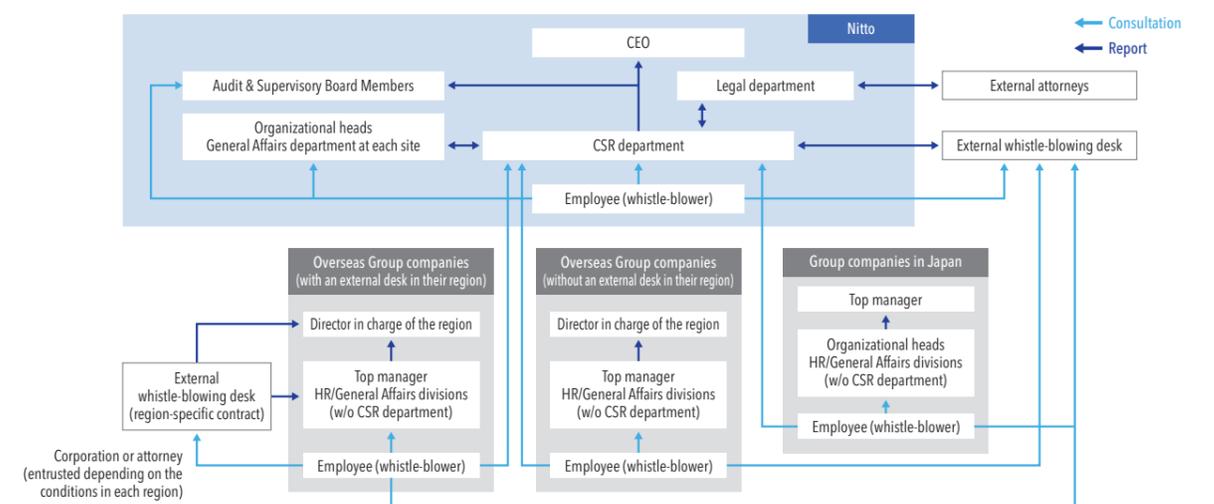
Initiatives Focusing on Serious Compliance Risks

We have identified serious compliance risks from among issues that are frequently reported or consulted on by our employees, and that we know from the self-check results managers are well aware of. For the issues concerning information security and harassment thus identified, we will take preventive measures by, for example, identifying possible issues, while at the same time making the most of the whistle-blowing system.

Whistle-Blowing System

To facilitate early detection of legal violations and ethical issues and ensure instantaneous action against them, we have maintained a whistle-blowing system that allows employees to report to the CSR department, which then sends the report to the CEO and auditors if appropriate. We are also adding independent whistle-blowing desks throughout the Group, to ensure that whistle-blowers remain anonymous.

Whistle-Blowing System



Risk Management

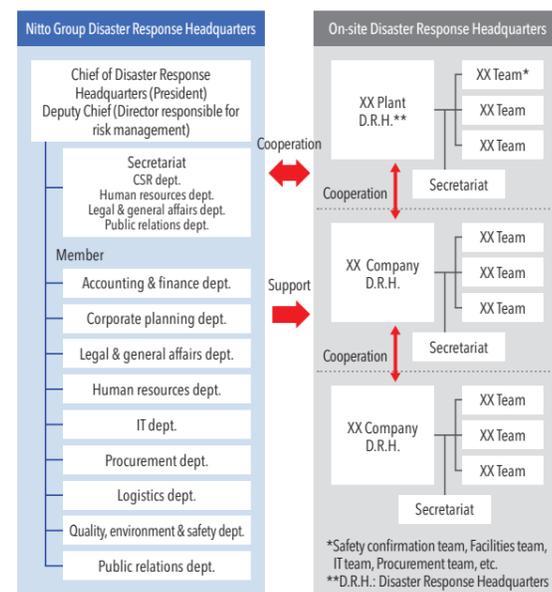
Risk Management System

The Nitto Group has established the Internal Control Committee and other expert committees to properly manage various business risks and crises that may arise in areas such as the environment, safety, information security, compliance, and quality irregularities, thus preventing damage to corporate value.

In times of emergency, we can shift rapidly to an appropriate response that minimizes the impact on human lives, host communities, and business activities.

In terms of the shape the response takes, as soon as the emergency countermeasures office is set up, we start gathering information and confirm the safety of everyone. If the situation requires it, we establish a Disaster Response Headquarters chaired by Nitto's President, as well as an On-Site Disaster Response Headquarters, which work closely together to address the situation.

Organization of Disaster Response Headquarters



could impact the entire Group, identify issues, and prepare a risk map, which showed where we were in safeguarding against risks and their magnitude and likelihood and helped us to determine critical risks. We will take steps to address such material risks.

Retooling BCP/BCM

For us to take prompt and appropriate action in times of emergency, we are retooling our Business Continuity Plan (BCP) and a Business Continuity Management (BCM) framework. In fiscal 2019, we worked on "management and supervision," "business continuity," and "human resource development," all of which assume high priority.

With regard to management and supervision, in fiscal 2019, we examined the present state of BCP/BCM at Nitto and identified issues, so that we could build a Group-wide BCP/BCM system and promote the system by implementing the PDCA cycle. In fiscal 2020, we plan to establish a system under which business divisions and other sites can work together.

For business continuity, we revised our BCP and organized training opportunities and drills for Group companies in Japan in order to ensure that the recovery process after initial responses and the business activities that follow will be executed without fail.

For human resource development, we provided members from a BCP promotion task force at each site with training opportunities to strengthen the permanent BCP/BCM promotion structure at Group companies and Nitto's production sites and sales bases. On these training occasions, the participants deepened their understanding of various exercises and learned how to re-examine and improve BCP based on what they exercised. Going forward, we will organize such exercises at sites as well to establish a BCM framework.

Protection of Intellectual Property Rights

The Nitto Group considers intellectual property rights to be assets of critical importance. As such, we make doubly sure that adequate action is taken to prevent infringing others' or others infringing our intellectual property rights, while utilizing them for the benefit of business management. Under the following three policies, we file nearly 2,000 patent applications globally each year in order to obtain intellectual property rights, which protect our products and businesses.

- 1) To obtain high-quality intellectual property rights
- 2) To assert intellectual property rights rightfully
- 3) To respect intellectual property rights held by other companies

Impact of the Novel Coronavirus Disease (COVID-19)

(as of May 31, 2020)

Please find below a summary of the actions that the Nitto Group has taken in response to COVID-19, which began spreading worldwide at the end of 2019, as well as the impact that it has had thus far on the Group.

Impact on our Business Activities

Formation of a Task Force

In response to the guidance by the Chinese Government, on January 28, 2020, we set up an On-site Disaster Response Headquarters, which is chaired by the General Manager of the East Asian region (Vice President), and a Nitto Group Disaster Response Headquarters, which is chaired by the President of Nitto Denko Corporation (see the Response Headquarters Organization Chart on p. 67). With the subsequent spread of the infection, a Response Headquarters was established in six other regions of the world, all of which work closely to gather the latest information on the daily-changing situations to work through one problem after another.

Prevention of COVID-19

One facet of The Nitto Way reads, "We place safety before everything else." To live up to this, we are doing our utmost to prevent the spread of COVID-19 by introducing staggered commuting and teleworking and prohibiting business trips and events, placing the safety and health of our employees and their family members before everything else. Fortunately, the Nitto Group has not been forced to suspend its operation due to infection within the company.

We have also taken this occasion to make a sweeping review of the manual for infectious diseases to facilitate pandemic prevention.

Business Continuity

Some Group companies outside Japan were ordered to suspend their operations for a certain period by the national and local governments of their host country/region. Meanwhile, Group companies in Japan remained operational by adjusting their workplace environment, work schedule, and work style. Special attention was paid to the continuity of business of those providing products and services that are essential for social infrastructure and medical services to ensure that their supplies did not falter.

Impact on Business Performance

The temporary suspension of operations at some overseas Group companies had little impact on our fiscal 2019 business results. Due to the difficulty estimating the impact COVID-19 may

have on our business going forward, however, we have withheld our forecasts in this regard.
⇒ Please see Financial Summary on our website for details.

Social Contributions

Contributions through the supply of unique products and services

One recent example can be found in Malaysia, where we suggested a new application for a tape marker of Japanese *washi* paper: marking seats and tables that are off-limits to enforce social distancing.

In Europe, we are involved in the joint development of a biosensor using adhesives gentle to the skin.

Donations and Aid

Nitto Group companies donated masks and other goods for pandemic control to struggling medical institutions in their communities.

In Japan, at the request from the Onomichi City Government, Hiroshima, we donated spectacle-type eye guards manufactured by Nissho Corporation to the Onomichi Municipal Hospital.

In April, we donated RMB 1 million (approx. JPY 16 million) to the Shanghai Health and Medical Development Foundation in China. In June, we have supported UNICEF's COVID-19 response with a donation of USD100,000 (approx. JPY 11million).



Donation to the Shanghai Health and Medical Development Foundation



Director Dr. Oeda (left) and a staff member trying an eye guard (Onomichi Municipal Hospital)

Remaining Alert

The COVID-19 pandemic is expected to linger for an extended period, and we must be prepared for second and third waves. In order to ready ourselves for life where this virus is a norm, we at the Nitto Group are currently optimizing work style and enhancing business continuity.

Consolidated Financial Statements

Consolidated Statements of Financial Position

Yen in Millions

	Amount	
	As of March 31, 2020	As of March 31, 2019 (Reference)
(Assets)		
Current assets	576,056	581,536
Cash and cash equivalents	304,922	297,682
Trade and other receivables	154,473	169,768
Inventories	96,124	93,985
Other financial assets	2,642	412
Other current assets	17,893	19,687
Non-current assets	345,843	331,882
Property, plant and equipment	266,948	267,133
Right-of-use asset	16,266	-
Goodwill	4,852	6,834
Intangible assets	10,198	12,393
Investments accounted for using equity method	206	194
Financial assets	7,242	8,428
Deferred tax assets	25,694	26,548
Other non-current assets	14,434	10,349
Total assets	921,900	913,418

Yen in Millions

	Amount	
	As of March 31, 2020	As of March 31, 2019 (Reference)
(Liabilities)		
Current liabilities	161,895	158,478
Trade and other payables	90,811	96,887
Bonds and borrowings	90	448
Income tax payables	10,036	5,073
Other financial liabilities	24,050	21,609
Other current liabilities	36,907	34,458
Non-current liabilities	69,800	53,752
Other financial liabilities	18,976	503
Defined benefit liabilities	48,272	50,320
Deferred tax liabilities	284	619
Other non-current liabilities	2,266	2,309
Total liabilities	231,696	212,231
(Equity)		
Equity attributable to owners of the parent company	689,446	700,443
Share capital	26,783	26,783
Capital surplus	50,271	50,319
Retained earnings	643,521	622,025
Treasury stock	-27,505	-11,081
Other components of equity	-3,624	12,395
Non-controlling interests	757	744
Total equity	690,204	701,187
Total liabilities and equity	921,900	913,418

Consolidated Statements of Changes in Equity

April 1, 2019 - March 31, 2020

Yen in Millions

	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
Balance at the beginning of current year	26,783	50,319	622,025	-11,081	12,395	700,443	744	701,187
Net income	-	-	47,156	-	-	47,156	68	47,224
Other comprehensive income	-	-	-	-	-11,866	-11,866	1	-11,864
Total comprehensive income	-	-	47,156	-	-11,866	35,290	69	35,359
Share-based payment transactions	-	-37	-	-	-8	-45	-	-45
Dividends	-	-	-29,806	-	-	-29,806	-23	-29,829
Changes in treasury stock	-	-12	-	-16,424	-	-16,437	-	-16,437
Transfers from other components of equity to retained earnings	-	-	4,146	-	-4,146	-	-	-
Increase/decrease due to additional acquisition of interests in subsidiaries	-	1	-	-	-	1	-32	-30
Total transactions with owners	-	-48	-25,660	-16,424	-4,154	-46,287	-55	-46,343
Balance at the end of current year	26,783	50,271	643,521	-27,505	-3,624	689,446	757	690,204

Consolidated Statements of Income

Yen in Millions

	Amount	
	April 1, 2019 - March 31, 2020	April 1, 2018 - March 31, 2019 (Reference)
Revenue	741,018	806,495
Cost of sales	519,090	564,608
Gross profit	221,927	241,886
Selling, general and administrative expenses	111,368	120,576
Research and development expenses	33,765	31,990
Other income	5,423	8,594
Other expenses	12,483	5,137
Operating income	69,733	92,777
Financial income	886	1,195
Financial expenses	1,620	1,917
Equity in profits (losses) of affiliates	13	-144
Income before income taxes	69,013	91,910
Income tax expenses	21,788	25,293
Net income	47,224	66,616
Net income attributable to:		
Owners of the parent company	47,156	66,560
Non-controlling interests	68	56

Consolidated Statements of Cash Flows (Reference)

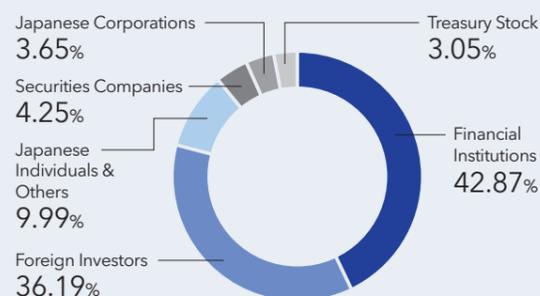
Yen in Millions

	Amount	
	April 1, 2019 - March 31, 2020	April 1, 2018 - March 31, 2019
I Cash flows from operating activities		
Income before income taxes	69,013	91,910
Depreciation and amortization	49,390	45,904
Impairment losses	7,327	41
Increase (decrease) in defined benefit liabilities	2,677	725
Decrease (increase) in trade and other receivables	12,805	23,148
Decrease (increase) in inventories	-5,132	362
Increase (decrease) in trade and other payables	-4,899	-14,227
Interest and dividend income	822	1,089
Interest expenses paid	-650	-357
Income taxes (paid) refunded	-13,332	-41,835
Others	5,619	-8,192
Net cash provided by (used in) operating activities	123,641	98,569
II Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-59,797	-59,628
Proceeds from sale of property, plant and equipment and intangible assets	1,444	331
Decrease (increase) in time deposits	-1,941	6,689
Purchase of investment securities	-1,236	-9
Proceeds from sale of investment securities	1,531	0
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	2,634
Others	7	26
Net cash provided by (used in) investing activities	-59,991	-49,955
III Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-336	-374
Repayment of long-term loans payable	-	-3,000
Repayment of lease liabilities	-4,735	-
Decrease (increase) in treasury stock	-16,701	-28,547
Cash dividends paid	-29,820	-26,928
Others	-44	430
Net cash provided by (used in) financing activities	-51,637	-58,419
IV Effect of exchange rate changes on cash and cash equivalents	-4,771	-1
V Reclassification of cash and cash equivalents included in assets held for sale in the opening balance	-	2,780
VI Net increase (decrease) in cash and cash equivalents	7,240	-7,027
VII Cash and cash equivalents at the beginning of the period	297,682	304,709
VIII Cash and cash equivalents at the end of the period	304,922	297,682

Shareholder/Stock Information (current as of March 31, 2020)

Number of shares authorized to be issued	400,000,000 shares
Number of shares issued	158,758,428 shares <small>(Amount of treasury stock held 4,839,755 shares)</small>
Number of shareholders	36,871
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)	28,737	18.67
Japan Trustee Services Bank, Ltd. (Trust Account)	14,279	9.28
Japan Trustee Services Bank, Ltd. (Trust Account 7)	3,377	2.19
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	2,866	1.86
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,810	1.83
JPMorgan Chase Bank 385151	2,722	1.77
State Street Bank and Trust Company 505223	2,600	1.69
State Street Bank West Client - Treaty 505234	2,429	1.58
Nippon Life Insurance Company	2,082	1.35
SSBTC Client Omnibus Account	2,037	1.32

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

IR Activities

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

	The 153rd meeting (held on June 22, 2018)	The 154th meeting (held on June 21, 2019)	The 155th meeting (held on June 19, 2020)
Number of attendees at the Ordinary General Meeting of Shareholders	481	467	40

The 155th Ordinary General Meeting of Shareholders was held with due cautions given to the novel coronavirus disease (COVID-19).



The 155th Ordinary General Meeting of Shareholders

Events	Target Audiences	Frequency
Company information meetings	Japanese/overseas institutional investors	Twice/year
Financial results information meetings	Japanese institutional investors / analysts	Four times/year
Overseas roadshows	Institutional investors in North America, Europe, and Asia	Six* times/year
Conferences, etc. sponsored by securities houses	Japanese/overseas institutional investors	Six* times/year
Information meetings for private investors	Private investors	Zero* times

The above events include IR meetings held by the CEO and CFO.
*Some IR events were cancelled due to the spread of COVID-19.

The Nitto ATP Finals charitable activities in support of UNICEF

Nitto engaged in various charitable activities at the 2019 Nitto ATP Finals, which took place from November 10 to 17, 2019. Nitto supported the United Nations Children's Fund (hereinafter "UNICEF"), through UNICEF UK under the concept of cheering on all children who strive for the future.

Nitto donated GBP£33,574 to UNICEF, which was divided across two vital UNICEF programs: "Water, Sanitation and Hygiene (WASH)" and "Health."

Throughout the tournament, Nitto had two different exhibition spaces which were photo booths with replicas of the tournament singles and doubles trophies. A total of 19,000 people visited and experienced these interactive activities, with Nitto receiving donations in these two exhibition spots. We were able to raise GBP£3,616 for UNICEF through this activity.



Received donations from booth visitors for UNICEF

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.

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Environmental Data

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

ESG Indexes

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



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

In 2020, 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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