

Nitto

Innovation for Customers

Nitto Group Integrated Report

2022



Nitto Denko Corporation

Corporate Philosophy

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



Mission

Contribute to customers' value creation with innovative ideas

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

Vision

Creating Wonders

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

The Nitto Way

Philosophical Ideas

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

We place safety before everything else

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

Amaze and inspire our customers

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

Anticipate and leverage change

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

Take on challenges for new value creation

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

Act promptly and follow through on your decisions with determination

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

Transform ourselves constantly

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

Have an attitude of integrity, and understand and respect diversity

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

Contents

Profile

- 1 Corporate Philosophy/Contents/Editing Policy
- 3 Footsteps of the Nitto Group
- 5 History of Technology Innovation
- 7 The Nitto Group Now
- 9 Highlights

Top Message

- 11 Top Message

Value Co-Creation Strategies

- 17 Value Creation Process
- 21 Nitto Group's ESG Management

- 23 Addressing Material Issues for Sustainability
- 25 Mid-term Management Plan "Nitto Beyond 2023"
- 26 Nitto Group Carbon Neutral 2050
- 27 PlanetFlags/HumanFlags Recognition Scheme
-Products Contributing to the Environment and/or Human Life

Co-Creating Value through Innovation

- 29 Nitto Group's R&D Strategy as per the Chief Technology Officer
- 33 Business Strategies by Segment and their Progress

Enhancing Management Process for Co-Creating Value

- 41 Human Resources
- 44 Product Safety/Quality
- 47 Environment

- 51 Disclosure Pursuant to TCFD Recommendations

Financial Strategy

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

Governance

- 55 Directors and Auditors
- 60 Vice Presidents
- 61 Corporate Governance System
- 65 Risk Management
- 66 Compliance
- 67 Messages from Outside Directors

Data Section

- 69 Business Results: 10-Year Summary
- 71 Consolidated Financial Statements
- 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 create economic value." Described in this report are the past, present, and future of the Nitto Group - how it has grown to what it is today and how we will go about co-creating value into the future - which we hope will give you an overall picture of the Group. Please refer to our corporate website for more details and relevant information. This report is available in Japanese and English and can be found on our corporate website.

Scope

This report covers the business activities of 99 companies including Nitto Denko Corporation and its 94 subsidiaries and 4 affiliates, as of March 31, 2022.

Time Period

Fiscal 2021 (April 1, 2021 - March 31, 2022) Some performance figures and activities from periods other than the above are also included.

Reference Guidelines

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

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

Footsteps of the Nitto Group

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

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



Vinyl Tape



Maxell Battery

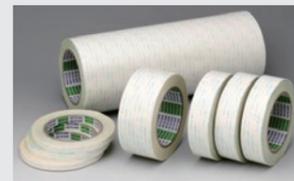
1961 - 1973

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

Development of Multiple Cores and Overseas Expansion

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

In the aftermath of the oil crisis of 1973, the Nitto Group drove the development of multi-core business to fortify itself with enough resources to survive economic fluctuations. The Nitto Group began offering materials for use in electronics and also gave birth to various products related to medical care and the membrane business.

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

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



"COLOCOLO™" Series



Transdermal Absorption Tape Formulations

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, the Nitto Group began implementing the Global Niche Top™ strategy, with the aim of achieving top global market share by determining markets with high growth potential and focusing its management resources into niche fields where the Nitto Group has a competitive advantage.

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

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



REVALPHA™

TEMISH™

2008 -

Innovation for Customers

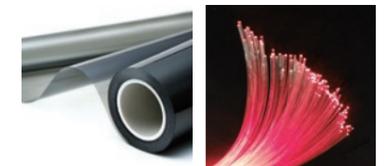
Further business reform to offer comfortable lives to people

The economic crisis of 2008 cast a major shadow over countless businesses and the Nitto Group was not an exception. Yet, the Nitto Group was able to recover in a short time by responding speedily to the changes in the business environment and with its unique management approaches of "Mu-Gen-Dai"*2 and "Kuruma-za," a group discussion to come up with ideas or solve problems, achieved major earnings growth thereafter.

In 2013, the "Nitto Denko" brand logo was renewed to the current "Nitto," and in 2014 the new brand slogan, "Innovation for Customers" was established.

Nitto celebrated its 100th anniversary in 2018.

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



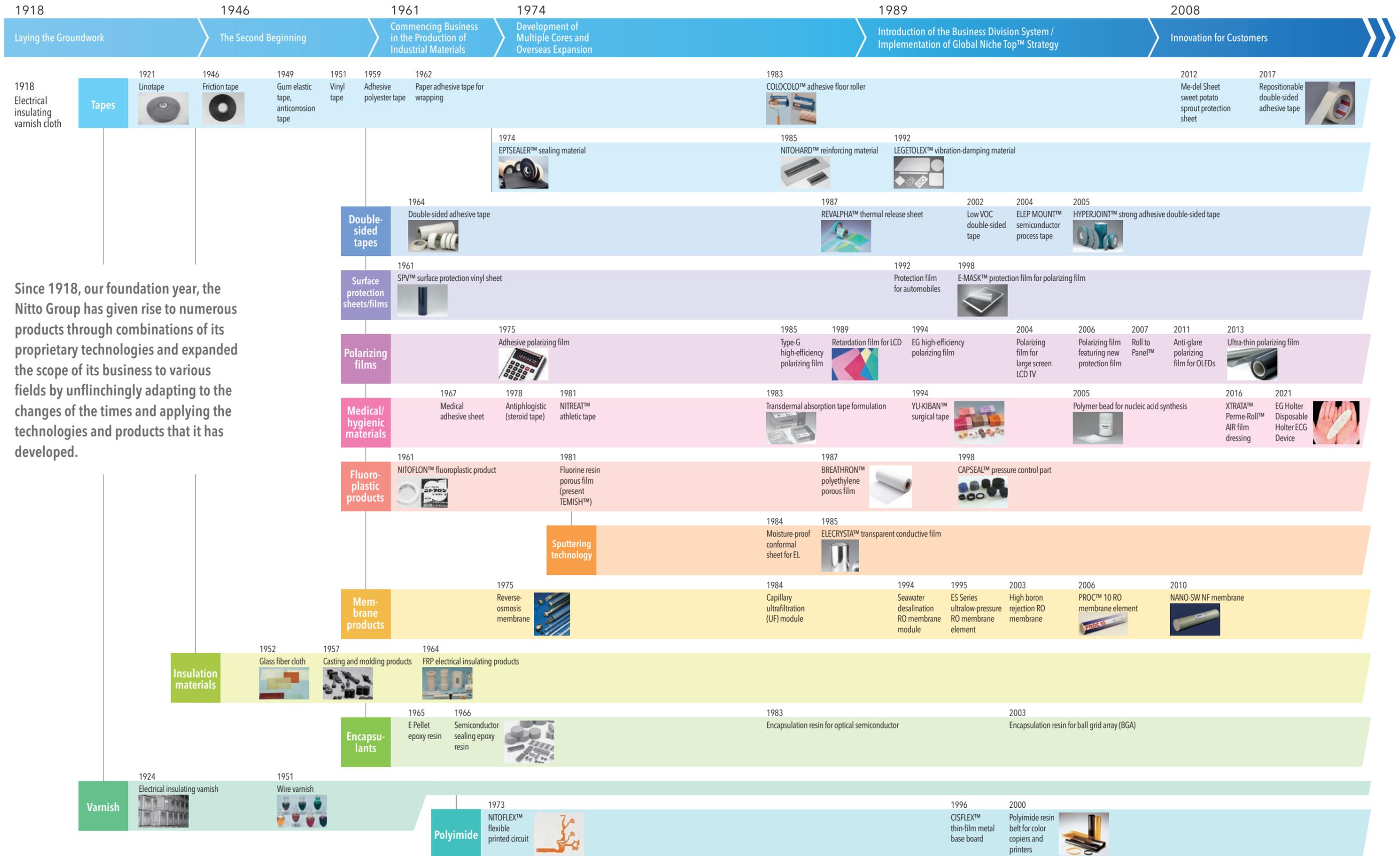
Ultra-Thin Polarizing Film Plastic Optical Fiber

Sales*3 Trends



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

History of Technology Innovation

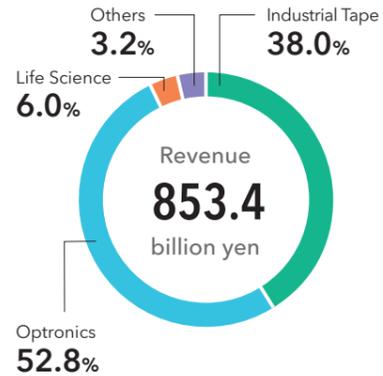


Since 1918, our foundation year, the Nitto Group has given rise to numerous products through combinations of its proprietary technologies and expanded the scope of its business to various fields by unflinchingly adapting to the changes of the times and applying the technologies and products that it has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

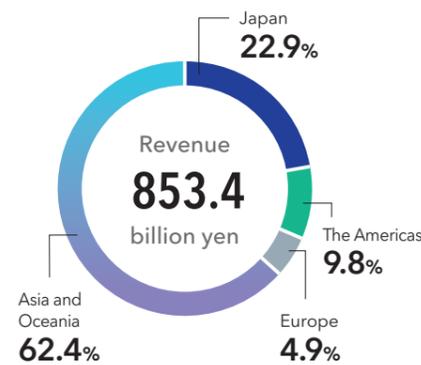
The Nitto Group Now

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

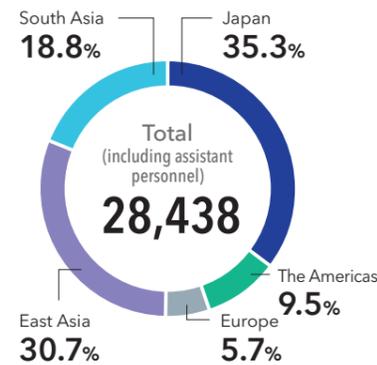
Segment Revenue



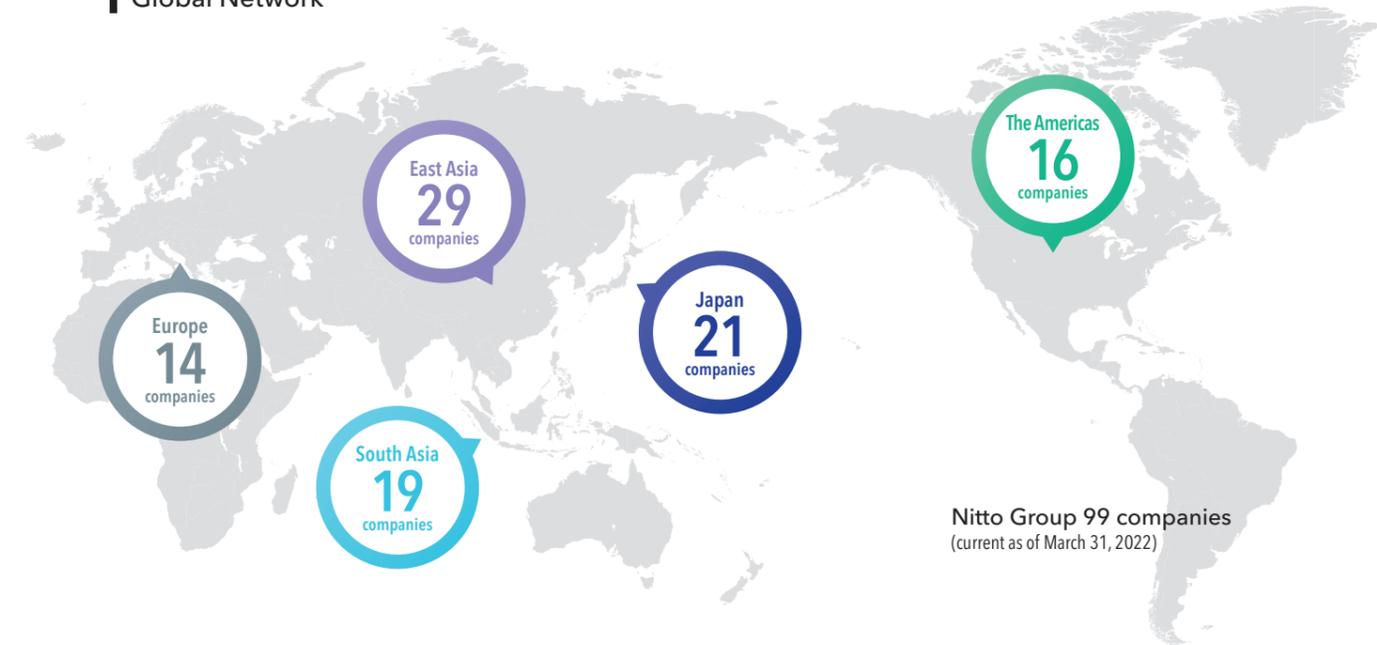
Regional Breakdown of Revenue



Regional Breakdown of Employees



Global Network



Our Markets



Infrastructure Industries

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



Consumer Products / Personal Care Products

The Nitto Group 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.



Packaging

The Nitto Group 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.



Medical

The Nitto Group has secured the global top share in the synthesis of oligonucleotide therapeutics. The Nitto Group'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

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



Displays

The Nitto Group offers valuable solutions that incorporate its unique technologies and products. The Nitto Group 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.



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. The Nitto Group is doing its best to meet these advanced requirements by providing the materials and parts needed for these applications.



Electronic Devices

The Nitto Group provides a wide range of products for manufacturing processes and parts, including semiconductor and electronic component manufacturing process materials, optical device sealing materials, and HDD peripheral materials.



Home Appliance and Electrical Equipment

The Nitto Group 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.

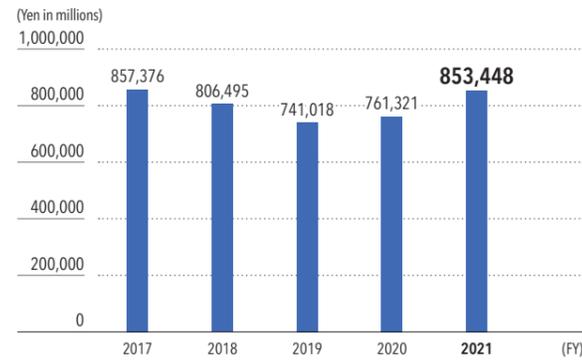


Materials

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

Highlights

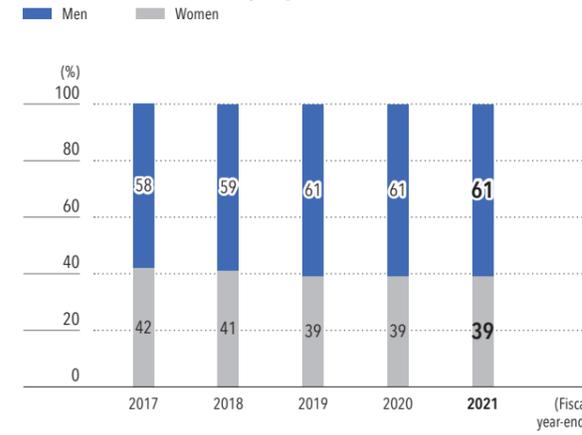
Revenue



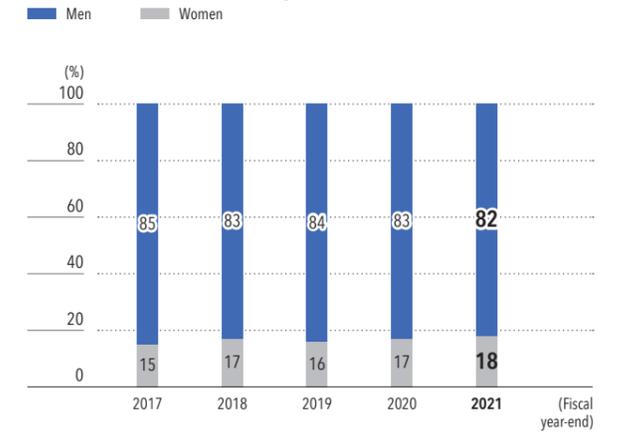
Operating Income



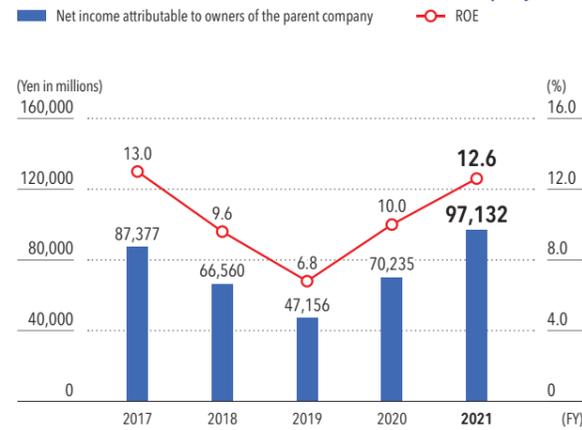
Gender Ratio of Employees



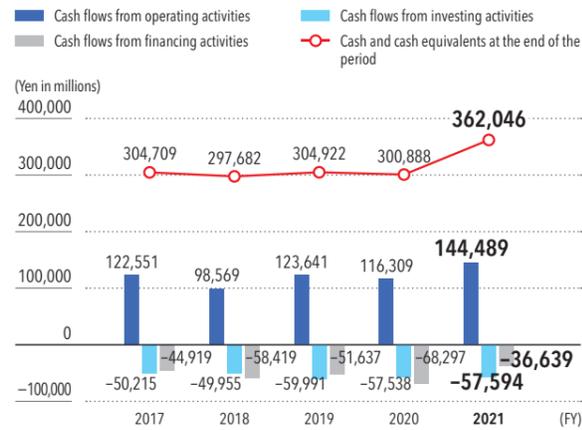
Gender Ratio of Management



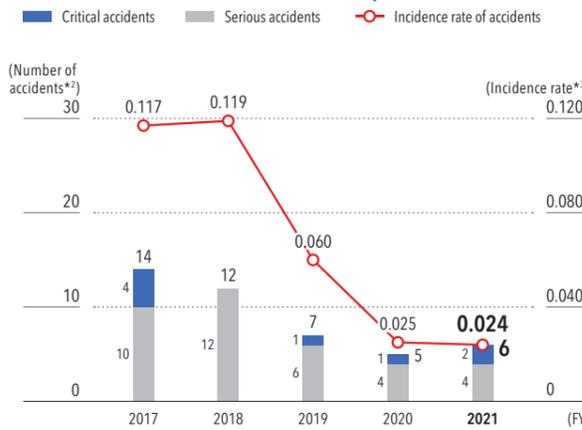
Net Income Attributable to Owners of the Parent Company, ROE



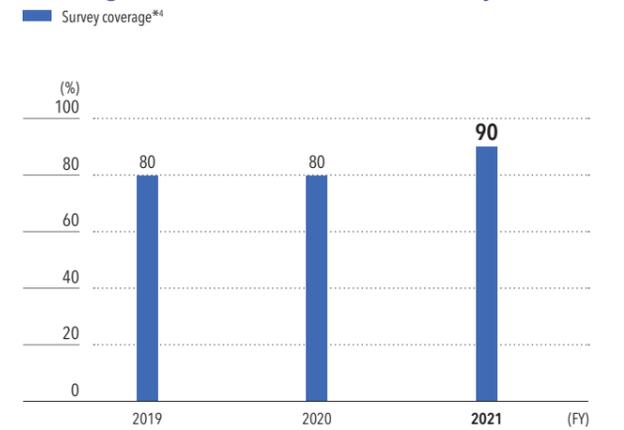
Cash Flows



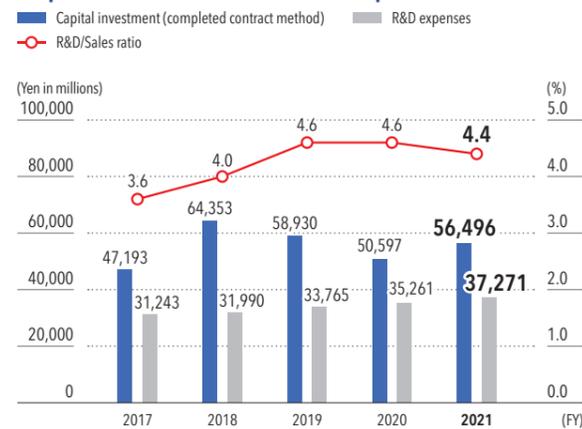
Number of Critical/Serious Occupational Accidents*1



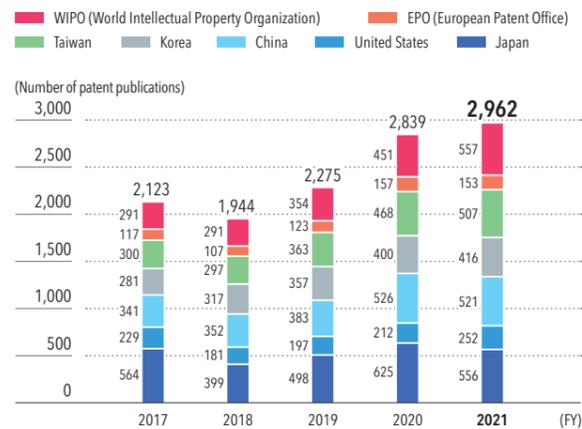
Coverage of the CSR Procurement Survey



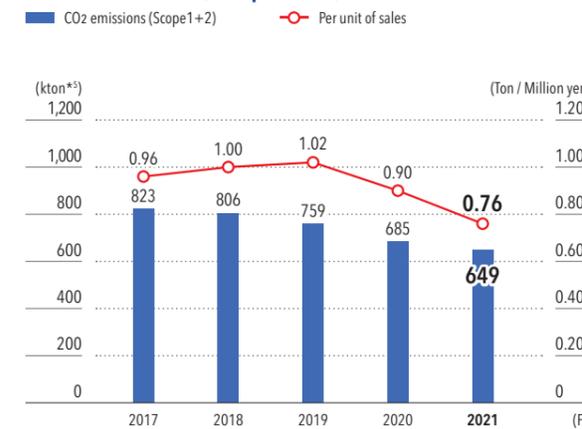
Capital Investment and R&D Expenses



Patent Publications



CO2 Emissions (Scope 1+2)



Total Waste, Etc.



*1 Critical accidents: Accidents resulting in death or permanent disability Serious accidents: Accidents that could develop into critical accidents *2 Including all the persons working on the Nitto Group's premises
*3 Including all the Nitto Group employees (excluding temp staff) The number of occupational accidents per million hours worked *4 Ratio of the amount of purchases from surveyed suppliers (respondents to the CSR Procurement Survey) to the total purchase amount. *5 kton: kiloton (1,000 ton)

Top Message



Placing ESG at the Core of our Management

Hideo Takasaki
 Representative Director, President
 CEO, COO

Determining Things that Will Grow, Recover, or Not Recover to Achieve Record-High Profits

Throughout fiscal 2021, the world remained at the mercy of COVID-19, which had broken out the year before. Ironically enough, the pandemic catalyzed fundamental changes in the way our society and economy are structured, the public mindset, and our values, while at the same time accelerating technological progress. As we found ourselves faced with these dizzying changes, we set about distinguishing among things that we believed will grow, recover, or not recover to simultaneously pursue growth strategies and restructuring.

We acted in accordance with the Niche Top Strategy—our proprietary marketing approach: We spared no expense on products whose performance we decided to boost, while at the same time suspending or downsizing other businesses. These were not easy decisions to make in ordinary times, but the management team stood firmly for this policy to do what should be done. Because we made our policy of determining what will “grow, recover, or not recover” crystal clear and sent the message throughout the Group, I believe that our employees were able to attend to their business without hesitation.

As it turned out, we were able to surpass our official financial forecasts by a large margin to report net sales of 853.4 billion yen and for our operating income we managed to achieve a record-high profit of 132.3 billion yen.

Placing ESG at the Core of our Management to Realize a Sustainable Environment and Society

The Nitto Group will continue to enhance corporate value with ESG (Environmental, Social, and Corporate Governance) at the core of our management. These days, it seems that the term “non-financial” has become a buzz word in the business circle, but we deliberately chose not to use this when we refer to “something that is not financial” and instead use “unfinanced,” as we believe that, although that “something” may not have any financial value now, it will develop into “something financial” and start yielding profits. ESG is all about a “unfinanced something” that will be a source of returns in the future. As such, we consider our ESG initiatives to be assets and forward-looking investments that will enhance our corporate value over the mid- and long-term.

The Nitto Group's brand slogan is “Innovation for

Customers.” Throughout the first 100 years of our existence, our primary approach has been to stay close to customers: we were always ready to work alongside them to develop innovations together, thus making life easier and more convenient for people. Going forward, we are led by the reinvented concept of “customers” to include not only “those whom we come in contact with directly” but also the global environment, humankind, and society in general. Of course, we will stick to the Niche Top Strategy to keep our valued customers satisfied with our products, but any and all products that we will deliver must have something that contributes to the global environment and humankind, on top of top-notch technology and quality. I believe that this will cement our position as a reliable, first choice partner for our customers.

In order to ensure that our attitude toward sustainability is reflected in everything that we do, the Nitto Group has identified Our Prospects for 2030 and material issues for sustainability. Furthermore, we've placed ESG management at the core of our new mid-term management plan “Nitto Beyond 2023,” which we mapped out to achieve these goals (ESG Management, p. 21)

It is safe to say that ESG initiatives will spread throughout the global community and that market needs will surely change as a result. With this in mind, we will hone our skills to anticipate change, be the first to accurately identify risks and opportunities, and let ESG initiatives guide us to business opportunities, in an effort to simultaneously solve social issues and create economic value.

Our Commitment to ESG Earns Us Well-Deserved Evaluation from Stakeholders

We at the Nitto Group are aware of the importance of constructive dialogue with shareholders, investors, and other stakeholder groups if we wish to achieve sustainable growth and enhance corporate value over the mid- and long-term. We are keenly aware that an increasing number of investors and customers base their investment decisions and selection of partners on “unfinanced information,” that is, how much effort their investee companies put into addressing environmental and societal issues, in addition to traditional financial information. For us to boost corporate value and sustain growth over the mid- and long-term, it is essential to let the stakeholders know that we are geared toward achieving both financial and unfinanced targets and generating earnings from



We will make a financial commitment to ESG initiatives, as part of our effort to attain our “unfinanced targets” that we hope will bring a healthy return to our business.

our business.

In fiscal 2022, the Nitto Group announced its support to the Task Force on Climate-Related Financial Disclosures (TCFD) and disclosed its risks and opportunities associated with climate change, their financial impact, and its responses. By including climate change in the list of our managerial issues to increase the resilience of our business against changes in the external environment and adequately cope with the risks thus identified, we will build a resilient corporate structure immune to external environments. (Disclosure Based on the TCFD Recommendations, p. 51)

Our investors know that the Nitto Group may be careful and attentive but that we are a company that keeps its word. This trait is a part of our DNA and it is a source from which we can earn trust and credibility. For example, when we announce our support for the TCFD Recommendations and other ESG initiatives, all executives come together for discussions until we are certain that we can carry out the TCFD Recommendations and other ESG initiatives, and then we draw up a roadmap as we work toward a consensus.

Accelerating Innovation in the Three Focus Domains

The Nitto Group has established three focus domains of next-generation mobility, information interface, and human life.

In the next-generation mobility domain, we will be launching a series of new products that enhance the safety, efficiency, and comfort of mobility, which we believe will help to realize a secure and convenient lifestyle. More specifically, we will aggressively roll out electronic and functional materials

for the CASE (Connected, Autonomous, Shared, and Electric) market, such as radio wave absorbers for sensing units, which are essential for self-driving technology.

In the information interface domain, our optical films have long enjoyed a large market share. Going forward, we will shift our focus to applications for OLED devices, while seeking to establish technology for the metaverse market, where significant advancements in technological innovation are expected. Furthermore, we are taking the offensive in the market with high precision substrates for smartphones and electronic materials and semiconductor process materials for data centers serving as growth drivers. We are also working on a practical application for plastic optical fibers to realize a smart society.

The human life domain is a new domain evolved from life science, which was one of the three focus domains in the previous mid-term management plan. To accelerate our initiatives in this new domain, in April 2022 we established the Human Life Solutions Sector. Here, we provide pharmaceutical products and medical materials, including oligonucleotide therapeutics, which are expected to be our next primary sources of earnings, and develop products that help to realize a decarbonized society, which we hope will achieve harmony with the global environment and enrich the lifestyle and well-being of people the world over.

Looking back, our decision to ramp up efforts for nucleic acid medicine marked a turning point with respect to Nitto Group's ESG management and the stark realization that we can save human lives with our technology. While we are keenly aware of the weight of responsibility this carries, we have renewed our determination to pursue ESG management as we work on sustainable businesses that serve the global

environment and humankind.

Recently, we acquired a personal care component business from Mondi plc. This deal helps us to create innovation in the human life domain and provides us with an operating base in Germany, one of the most environmentally advanced countries in the world, which should allow us to bring our ESG management to the next level and increase resilience of our global management infrastructure through the enhancement of our regional functions in Europe. Expectations are running high for foreseeable synergies in the form of technology and products, as well as synergies that have yet to become visible.

Strategically Investing Management Resources in Growth Fields to Update Our Business Portfolio

At the Nitto Group, efforts are underway to advance its business portfolio into a more balanced one by implementing growth strategies and restructuring and creating new businesses. We will not hesitate to devote resources to growth fields. Our plan is to proactively allocate management resources to the contract manufacturing of bulk oligonucleotide therapeutics, the ramping-up of printed circuit board production, the launch of new businesses, and more M&A projects, leading up to the end of fiscal 2023.

Optronics is one business that generates a high level of cash flow. We will further increase its profitability by enhancing productivity and shifting the focus to high-value-added products. For industrial tape and human life businesses, on the other hand, we plan to further accelerate their growth, so that we can raise the percentage of sales from these two businesses to 42% by the end of fiscal 2023 and to continue adding to it in stages thereafter. The acquisition of Mondi's personal care component business is part of this strategy. (Business Strategies by Segment and their Progress, p. 33)

There has clearly been a good response regarding the product development concept, which gives us a reason to be confident in our new offerings. Let me give you some examples. Our polymer separation membrane business has been focusing solely on the treatment of water, but there has been a revolutionary idea to use this technology for gas separation to realize a decarbonized society. Another example concerns the recycling of plastics, which poses a major challenge for a high-polymer material manufacturer like Nitto. While making continued efforts to reduce the amount of industrial waste generated, we will seek to create a new

business model that achieves a circular economy by decarbonizing our society.

The Nitto Group will seek to make a further leap forward by responding promptly to emerging market needs and being the first in the industry to provide the world with products and solutions that benefit the global environment and society.

Creating Global Niche Top™ Products out of those that Contribute to the Environment and Human Life

As I have reiterated, we will place ESG at the core of our management at the Nitto Group. However, for each and every employee to think for themselves about how they can live up to this policy on a daily basis, we need an incentive program. Hence the product recognition scheme based on contributions made to the environment and human life. (PlanetFlags/HumanFlags, p. 27)

The Nitto Group's strengths are mostly derived from *Sanshin* Activities and the Niche Top Strategy. Literally “three new” activities, *Sanshin* Activities are geared toward exploring “new products,” “new applications,” and “new demand,” while the Niche Top Strategy encourages us to find niche markets with growth potential where Nitto is the first mover, thus allowing us to utilize our proprietary technology to aim at the leading share. While these sources of our strength will remain unchanged, we need to add “ESG” perspectives to them if we wish to further enhance our corporate value.

One of the management targets of the Nitto Beyond 2023 mid-term management plan is to sustain the ratio of new products at 35% or higher of total sales. We would also like to see two categories of products account for the majority of these new products. They are: products contributing to the environment (PlanetFlags), which help to reduce negative impact and ameliorate the global environment, and products contributing to human life (HumanFlags), which help to enhance our quality of life (QOL). We would be most delighted if these products were to become Global Niche Top™ products down the road.

With these two primary sources of our strength at the core of our undertakings, we will seize every opportunity available and act proactively to bring the fruits of these two unique approaches into a sustainable growth path as we work closely with players in the supply chain and value chain.

Facing Up to Climate Change—the Universal Challenge to All Humankind—to Declare the Nitto Group Carbon Neutral 2050

In May 2022, our strong determination to accelerate the realization of a decarbonized society led us to announce the Nitto Group Carbon Neutral 2050, which includes the Nitto Group's CO2 emission reduction targets of: carbon neutrality by fiscal 2050; decreasing CO2 emissions to 470,000 tons by fiscal 2030; and contributing to customer CO2 emission reduction through products and solutions. To achieve these targets, we have an investment plan to use a total of approximately 60.0 billion yen by the end of fiscal 2030. (Carbon Neutrality, p. 26)

With regard to our CO2 emissions target, our original target for fiscal 2030 was 600,000 tons, but we raised the bar higher to 470,000 tons, which represents a roughly 40% reduction from fiscal 2013. We should be able to clear the original target of 600,000 tons earlier, by fiscal 2025.

To set the new targets, executives and employees got together to discuss what challenges exist, which of them we should address and how Nitto's carbon neutrality declaration is clearly different from other similar declarations in that all operating entities commit themselves to the roadmap leading to carbon neutrality, rather than making specious promises.

Climate change is a universal challenge for all humankind. To maintain and better the global environment for future generations to enjoy, we the current generation must do something about it in earnest. We understand that we cannot possibly sustain growth of the Nitto Group and realize a sustainable environment and society without reducing CO2 emissions and that every business has a social responsibility to do so.

Empowering Diverse People in the Global Area Leads to Nitto Group's Sustainable Growth

For the Nitto Group to achieve sustainable growth, we need to ensure the recruitment of talented individuals from across the globe, a workplace culture that encourages its members to constantly challenge themselves, and the building of an organization where diverse individuals are motivated to demonstrate their exceptional abilities. In this respect, we believe it important to develop "Nitto Persons," who understand and practice "The Nitto Way," which indicates values, attitudes and mindset, and a code of conduct that all

members of the Nitto Group are expected to have.

In fiscal 2021, we conducted an engagement survey of all employees around the world. Depending on what region they are in or what business they are engaged in, different employees have different workplace cultures. The survey updated our perceptions of the present situation, and one of the most important takeaways is that our employees are highly conscious of occupational safety and the vision that Nitto Group has put forth.

The Nitto Group supports diversity, one of the key initiatives for Nitto Beyond 2023, with a special focus on the empowerment of women. In fiscal 2022, we will launch a new leadership training program to support women who want to challenge themselves. Meanwhile, at our sites in Japan, female managers are taking the lead in organizing small group activities to discuss and review what it takes to empower women, including awareness, corporate culture, and programs and systems at workplaces. We will proactively support such voluntary efforts by employees so that we can create a corporate culture that encompasses diversity.

Working Tenaciously with Safety Measures to Achieve Zero Accidents and Injuries

True to its slogan of "Placing safety before everything else," the Nitto Group strives to reduce the number of accidents and injuries to zero. Every site identifies their own risks to take actions for both tangibles and intangibles. For example, we rank each individual risk, say, associated with rotating bodies or chemicals on the shop floor, and try eliminating the occurrence of higher risk accidents first. We have been most tenacious in addressing such risks according to their level of danger with the entire Group uniting as one. One of the most serious risks thus identified is an injury inflicted when an operator mistakenly touches the moving parts of equipment. Putting priority on this imminent risk, I have taken the lead in visiting the shop floor to ensure that safety measures are budgeted for and safety training is given to everyone.

I think it is safe to say that a safety-oriented culture is ingrained within the organization, but it is important to further cultivate a culture of safety whereby we observe and have others observe self-set rules. In business, continuing concerted efforts to enhance safety means to build an open, vibrant organization, which in turn will lead to higher product quality and productivity. I expect each and every employee to think for themselves to start autonomously improving their safety

awareness and behavior, so that we can make our workplace safer and more secure.

For the Nitto Group to sustain its business growth, I believe that "human resources," including employees and their family members, are the single most important asset. I will take every opportunity available to tell employees that nothing is more important than their safety, and do whatever I can in this regard from both physical (tangible) and mental (intangible) aspects.

Updating the Mission-Critical System in Japan to Build an Integrated Management Infrastructure

Of the three elements of ESG, "G (Corporate Governance)" is the prerequisite for addressing issues concerning "E (Environmental)" and "S (Social)." As such, we consider "G" to be essential for enhancing corporate value over the mid- and long-term. Accordingly, as part of the move to shore up our management infrastructure, in fiscal 2021 we replaced our mission-critical system with a multi-platform linked to a number of cloud solutions. It is a global-standard ERP (Enterprise Resource Planning) that is slated for deployment at overseas sites, thus accelerating DX (digital transformation).

The new system can be seamlessly linked to business systems in any function, including sales, accounting, procurement, and human resources. By integrating necessary data thus gathered, our management team can make decisions even faster. In fiscal 2022, we will start installing this system globally, especially at our sites in Asian countries.

By making the production status and each indicator visible

across the globe by fiscal 2025 so that we can see what is happening anywhere in the world, we should be able to respond to changes in a timely manner.

Amid Drastically Changing Social Conditions, We Continue to Grow As We Build a Resilient Corporate Structure

The Nitto Group now operates in 28 countries, where nearly 100 Group companies employ almost 30,000 employees. Here's the challenge: how can we ensure our business continuity and growth while giving due regard to a major impact that geopolitical risks can potentially have on our supply chain. We will stay alert to all sorts of issues facing us, such as the COVID-19 pandemic, political conflicts, and environmental problems, and at the same time build a resilient corporate structure immune to external environments to accelerate our efforts towards addressing managerial issues.

In 2018, the Nitto Group celebrated the first centennial anniversary of its foundation. What will it take for us to keep growing robustly throughout the next 100 years? As a top manager who happened to be in that position at this major milestone of the company, I have since strongly felt the need to map out the next corporate vision. My answer is to simultaneously solve social issues and create economic value through business that contributes to the global environment, humankind, and society. In other words, our responsibility is to forge ahead with business administration with ESG at its core. These days, I have renewed my resolve in this regard.

We will redefine the concept of "customers" to include the global environment and humankind as beneficiaries of our offerings to further broaden the scope of business opportunities.



Value Creation Process

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

2030 Ideal State

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



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

Governance → P.55

Corporate Philosophy / Corporate Culture → P.01

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

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

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

1

Customer-Oriented Marketing to Identify Latent Issues

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

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

2

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

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

3

Providing Products that Solve Customers' Issues

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

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

4

Achieving Growth as the Market Expands

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

Nitto Group's Strengths

Sanshin Activities

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

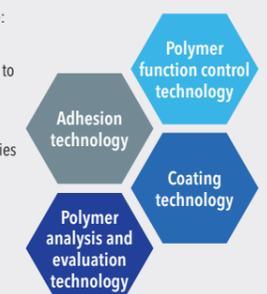
Finding "new" applications for existing products and then adding new technologies to them or using new technologies to develop "new" products and then expanding their applications, thereby creating "new" demand - Literally translated as "three new activities," *Sanshin* Activities is the Nitto Group's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

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

Core Technologies

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

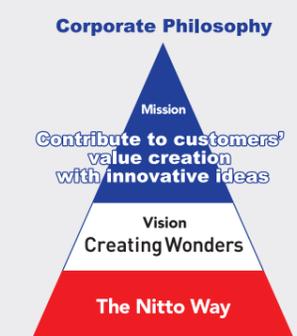
The Nitto Group's core technologies are: polymer synthesis/processing technologies (whose origin dates back to the founding days) and adhesion, coating, polymer function control, and polymer analysis/evaluation technologies that have been derived from the two founding technologies. Through their combination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



Corporate Culture

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

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



Niche Top Strategy

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

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

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



Nitto Group's ESG Management

Basing All Activities on the Basic Policy on Sustainability

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

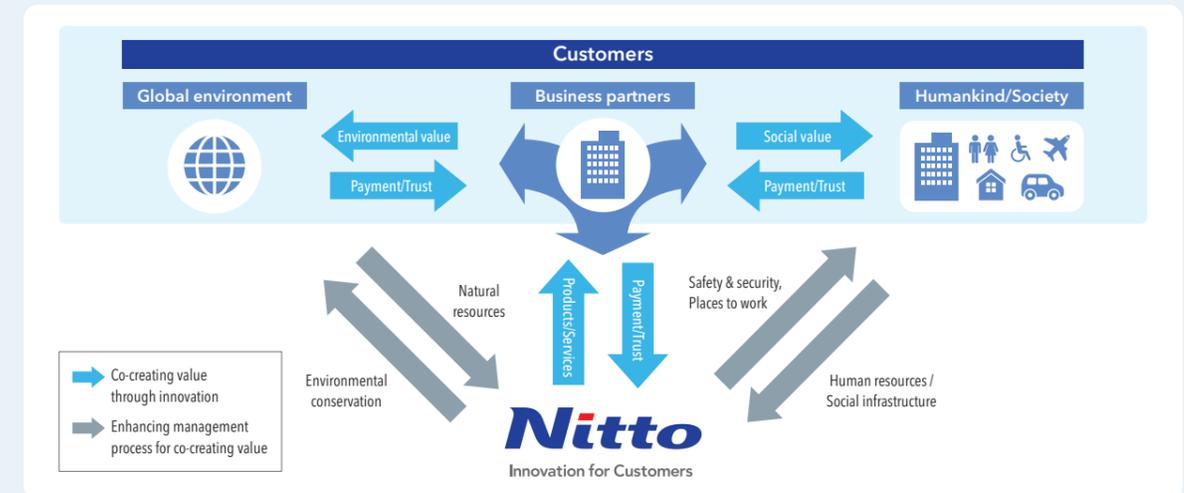
Now that we place ESG at the core of our management, we have drawn up the Basic Policy on Sustainability to live up to the declaration. By redefining the concept of "customers" to include not only "those whom we come in contact with directly" but also the global environment and humankind/society, we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

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

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

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

Nitto Group's Definition of "Customers"



Material Issues for Sustainability



Corporate Philosophy (Mission)

Contribute to customers' value creation with innovative ideas

Basic Policy on Sustainability

Simultaneously solving social issues and creating economic value

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

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

Material Issues for Sustainability

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

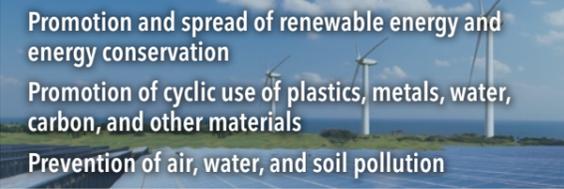
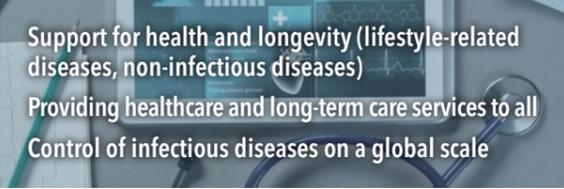
Nitto Beyond 2023

Building a Resilient Corporate Structure Immune to External Environments

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

Addressing Material Issues for Sustainability

Co-Creating Value through Innovation

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

Enhancing Management Process for Co-Creating Value

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

Mid-term Management Plan "Nitto Beyond 2023"

Concept of Nitto Beyond 2023

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

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

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

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

Nitto Beyond 2023

Building a Resilient Corporate Structure Immune to External Environments



Basic Policy on Sustainability

Simultaneously solving social issues and creating economic value

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

Management Targets

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

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

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

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

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

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

Nitto Group Carbon Neutral 2050

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

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

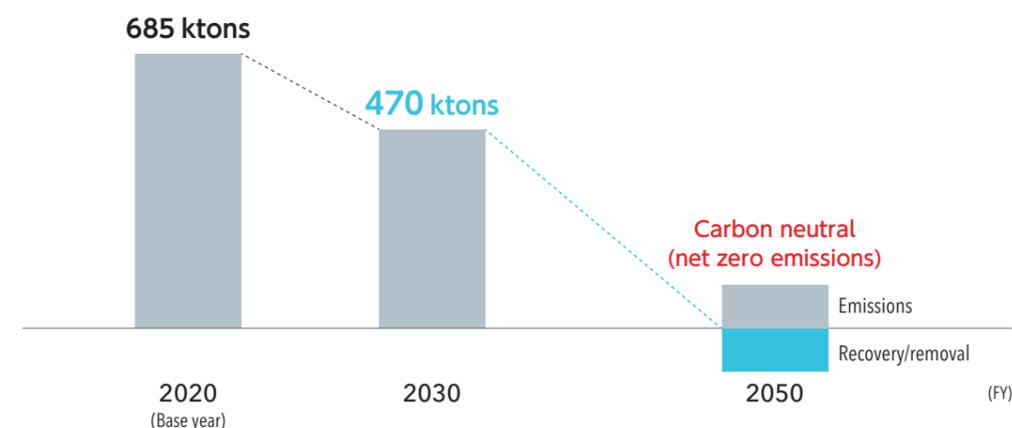
The Nitto Group Carbon Neutral 2050 targets are as follows:

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

* Scope1+2

What makes the Nitto Group Carbon Neutral 2050 declaration unique:

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



PlanetFlags/HumanFlags Recognition Scheme

–Products Contributing to the Environment and/or Human Life

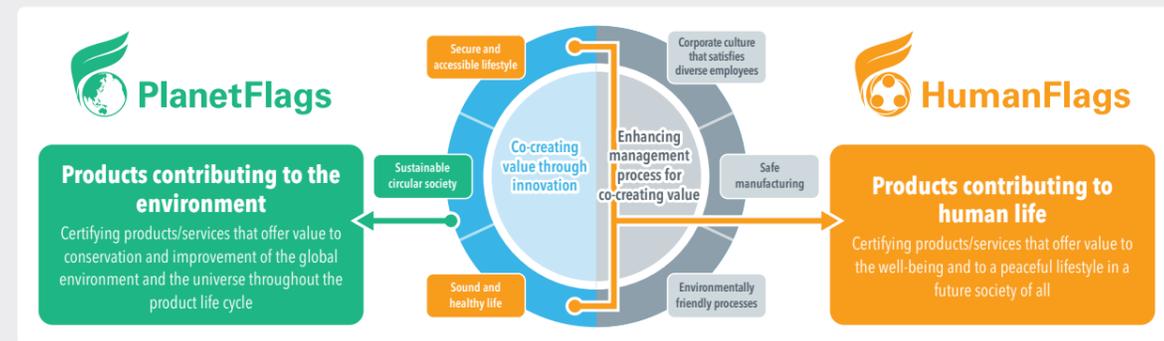
The Nitto Group has come up with a new recognition scheme for products that are friendly to the environment and human life. We showcase the positive contributions that our products and services make for planet Earth and human life and recognize those with a particularly high level of contributions by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

Background/Objectives

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

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

PlanetFlags/HumanFlags and Material Issues for Sustainability



Recognition Standards

PlanetFlags

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

HumanFlags

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

Screening and Recognition Process

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

(1) Call for applications	(2) Preliminary screening	(3) Deliberations	(4) Decision
The PlanetFlags/HumanFlags secretariat office puts out a call for applications from all departments of the Group and holds informational meetings.	Preliminary screening is performed by examining application documents and organizing one-on-one meetings with applicant departments. At the same time, materials for screening by the deliberative council are prepared.	A deliberative body with CTO supervision is established. With majority approval of the council members, candidate products will be recommended to the decision-making body. Prior to deliberations, advice will be sought from external individuals knowledgeable about the subject regarding the validity of certification.	With a resolution of the Corporate Strategy Meeting, PlanetFlags/HumanFlags will be certified.

Certified Products in Fiscal 2021

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

* Volatile Organic Compounds

Sample applications

Impact on society

CO2 emissions throughout the life cycle: -41%

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

VOC emissions: -90%

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

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

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

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

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

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

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

Comments from Learned Individuals

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

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



Shunsuke Managi, Ph.D.
Distinguished Professor
Kyushu University

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



Yosuke Miki

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

ESG at the Core of R&D Activities

Involve Players throughout the Entire Supply Chain to Solve Social Issues

The past several years have seen drastic changes in the circumstances surrounding our R&D activities. Presumably because the Nitto Group has made it clear to place ESG at the core of our management, a number of customers and our partners in the supply chain are inviting us to "proactively address social issues together" or asking us to "lead them all as the leader of the supply chain." Needless to say, no one company can hope to accomplish this major task of resolving social issues on their own. Take our efforts to reduce CO₂ emissions as an example. Such an undertaking, taken unilaterally, does not yield a real solution. However, by working with our partners throughout the supply chain, we can share the additional burden of this important task and cooperate with each other to move forward. Nitto is expected to take the lead role in this joint effort and everyone in our R&D team is feeling a tremendous amount of responsibility for this expectation, which has been a strong

catalyst toward accelerating our activities in line with this brand new policy.

We at the Nitto Group consider initiatives for ESG not as a cost, but rather as an investment in unfinancial value. In other words, we are determined to convert this investment into financial value, that is to say, earnings, down the road. We also gave shape to social contributions that the Nitto Group should be pursuing in fiscal 2021 by putting "PlanetFlags/HumanFlags" on products contributing to the environment and/or human life. Going forward, we intend to disseminate this approach of ours widely across the world and share it throughout the supply chain. We hope to see many more players in the supply chain endorse our values, so that we can involve everyone in the supply chain in tackling social issues, thus enhancing our corporate value.

The Nitto Group has long been "customer-oriented" in its endeavors, excelling at building a close relationship with customers and different partners throughout the supply chain. Now is the time to tap into this intangible asset.

R&D Expected to Help Foster Corporate Culture and Develop Human Resources

Traditionally, R&D's primary role has been to build a technological platform and to give rise to new products and businesses. Now that we have announced our commitment to ESG management, however, we believe that enhancing unfinancial value in the realm of technology is also an important role for R&D. What this means is that R&D is expected to foster a corporate culture where ESG has been incorporated into everything that our company does and everything that our employees talk about with regards to Nitto Group's contributions to the environment and human life and to develop individuals who take ownership of ESG and undertake the initiative in leading viable projects. This being the case, the R&D team is focusing on the establishment of a scheme that converts investments from unfinancial value to financial value.

One good example of our endeavors in this regard is Technology *Kuruma-za*, which is an avenue for cross-sectional communications first convened in 2017 where several dozen people, including heads of R&D divisions and development managers of business execution bodies, meet once a month to discuss what technologies Nitto will need and how we should go about pursuing these development projects from the perspective of the entire Group. From fiscal 2020, its operation was improved in order to enhance effectiveness: several teams of 4-5 are invited to have a three-month-long intensive discussion. As if anticipating the direction that the Group would choose to pursue later, ESG was among the topics for their discussion by the middle of fiscal 2020. More specifically, they had in-depth discussions from two different approaches, namely, a "defensive" approach of identifying technological

issues that need to be addressed if Nitto is to achieve its CO₂ emissions reduction target in order to update existing businesses and an "offensive" approach of searching for project themes where we help customers to improve upon their environmental KPIs and receive profit in exchange for our services. Frankly, I had expected a change in awareness from a short-term perspective that focuses on earnings to a longer-term focus on ESG that envisages future returns would take longer. To my great delight, however, every technology executive began thinking seriously about ESG as their own business and offering many suggestions and comments much earlier than I had expected. Nitto is often hailed by others for its quick action once a decision is made, and I think this is also part of Nitto's unique corporate culture. In the case of ESG, too, we have had good responses earlier than expected, which is encouraging indeed.

This realization led us to devise a policy of "preferentially allocating resources on projects for candidates of products with either PlanetFlags or HumanFlags," which we hope will instill ESG awareness in all members of our R&D team. Some seemed puzzled with this new direction, but soon many projects underwent a sweeping review and now most of the projects, except those in their infancy and which therefore have yet to be classified, are geared toward developing one with PlanetFlags or HumanFlags.

With this new program, we hope to generate earnings out of the initiatives intended to enhance the unfinancial value of fostering corporate culture and developing individuals who would assume the job. Already, I have got a strong sense that we can convert unfinancial value into financial value sooner rather than later, if we act quickly just as we have done.

To Accelerate the Commercialization Process of "0→1→10→100"

Managing Development Projects with Different Criteria for Different Stages

To constantly create a business that contributes to earnings, it is important to clearly show which stage of commercialization the numerous development projects are in so that we can take action accordingly. To make things easy to understand, we came up with a development flow in four stages, namely, "0 (idea) → 1 (project launch) → 10 (productization) → 100 (commercialization)." In this process, R&D is primarily responsible for those in the stages from "0" to "10," and we

subdivide the process from "1" to "10" into the "early stage" and the "later stage," to which different criteria are applied to manage projects.

In the early stage, we determine if a project offers continuity and relevance with respect to Nitto's technological assets to see if it might help to expand our technology platform. The technology platforms thus created contain important unfinancial value for Nitto to maintain its competitive edge. As such, how we can boost a project's unfinancial value takes precedence over a project's profitability in this stage.

Conversely, in the later stage, we conduct trials for commercialization in order to convert unfinancial value into financial value. While quantitatively assessing cumulative investments for each project and the value that the project may create once it reaches the market, we make it a rule to make quick decisions. This approach is also true for projects geared toward social contributions. In order to balance how much we input and how much return we can expect, we take different actions for each project, though the timeline may differ from one project to another.

We also introduced a system for monitoring scores for products with PlanetFlags or HumanFlags halfway through each stage. By ensuring that we have a picture of how the project will evolve from the earliest steps in the process, we aim to maximize the social contributions it will make in the future.

Expediting Open Innovation As We Carefully Determine Synergy

We are actively engaging in open innovation in order to accelerate the "0→1→10→100" commercialization process.

In addition to its global R&D center, the Nitto Group has established bases to conduct research about the markets and technological trends in respective geographic regions. These bases are also given the task of gathering information on universities and other educational institutions and venture companies with unique technology in their respective regions. We make the most of such information to find partners for open innovation. For instance, in China, where the government's policies can affect the market significantly, we

conduct surveys on educational institutions that are closely related to such policies, whereas in the U.S., where one venture company after another pops up in the life science and advanced device fields, we sponsor incubators that support such venture companies to monitor the latest movements in real time. In fiscal 2022, we began preparations for establishing a new research base in Europe, the epicenter for environmental rule-making, with a view toward accelerating open innovation for ESG projects to keep us updated on the latest environmental regulations.

Before we sign a partnership, we carefully determine if the candidate partner's technology aligns with Nitto's technology platforms or if it might be a missing piece for Nitto's commercialization process. Even if the candidate passes this test, we do not try assimilating their technology on Day One. Rather, we invite them to conduct joint research for a certain period by excluding competitors as much as possible, to carefully verify the integrity of their technology and alignment with ours. Only when we have a really good sense of a fruitful partnership, will we participate in their management by investing in part of the business. As we forge ahead with the partnership and share management resources, we speed up the development process.

When you seek a partner for open innovation, it is crucial "not to miss an opportunity," because potential partners might change their mind. To seize an opportunity that presents itself without fail, we set up a scheme called "management fund," which uses a different set of criteria from those used for ordinary decisions to flexibly provide funds up to a certain amount with approval from the CTO. The combination of two

seemingly opposing approaches of the most careful determination and speedy decision-making, I believe, allows us to form a partnership in a way that only Nitto can.

One model case of open innovation using management funds is a CO2 separation membrane module currently under development. Technologies for separation membranes and spiral modules that use such membranes have borne fruit as commercial membranes for seawater desalination and form one of Nitto Group's technology platforms. We began by applying technology for our seawater desalination membranes to gas separation, but, in pursuit of greater speed, we decided

to opt for open innovation with educational institutions from around the world to achieve high CO2 separation performance in a short period. Currently, we are conducting various verification tests for productization of the technology. In relation to this, we are also pursuing open innovation for the technology of converting separated CO2 into valuables, as if to put a missing piece in the puzzle of commercialization.

Rapid movements after targets have been set represent the Nitto Group's real worth. By utilizing management funds to explore open innovation, we intend to further accelerate the unique commercialization process of "0→1→10→100."

Creating Value out of Intangible Assets

Along with R&D activities for products with PlanetFlags or HumanFlags, Nitto's R&D team has been intent on expanding earnings by utilizing intangible assets, for several years.

For patents, manufacturing know-how, and other forms of intellectual property, we are taking systematic and strategic approaches from two perspectives of the "patent application strategy" and the "owned patent utilization strategy."

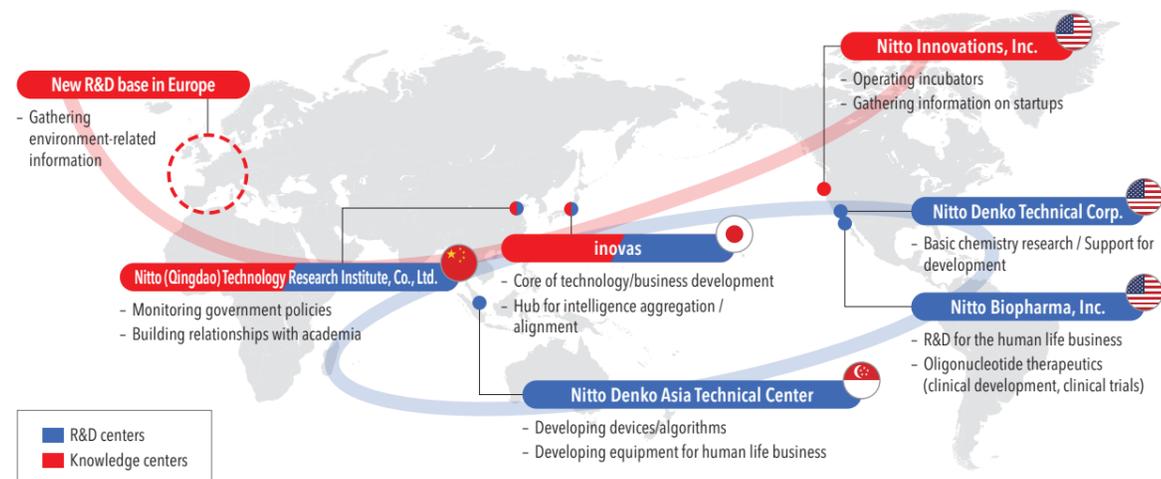
As for patent application, we've set our sights on three types of patents: those that create an entry barrier for competing technologies, which should give us an edge over competitors, after making detailed research and analysis of such technologies; those that protect Nitto's business by establishing rights to the core of Nitto's business administration; and those that are found to be of any use following an investigation of the market/customer needs and trends, although Nitto may not commercialize them in future.

The strategy of utilizing owned patents is about monetizing patents that we already own. While giving due regards to four possibilities of "utilizing patents for Nitto's operations to

generate earnings," "gaining license revenue through the exercising of rights," "receiving revenues by transferring patents," and "reducing costs by abandoning unnecessary patents," we are making the most of our intellectual property to increase the Group's earnings.

With the management's new policy of "placing ESG at the core of our management," the Nitto Group has come to a major crossroads. We are working hard to address the challenging mission of developing a series of products and businesses that we hope will contribute to the solution of social issues, while at the same time achieving economic rationality. As I have described thus far, I have received positive responses regarding several of our initiatives. I would be most delighted if we can achieve our goals and make Nitto an attractive company that makes those in younger generations yearn for an R&D position at the Nitto Group.

Network of R&D / Knowledge Centers Addressing Specific Needs in Each Region



Making Intellectual Property Rights Visible



Business Strategies by Segment and their Progress

Summary of overall business

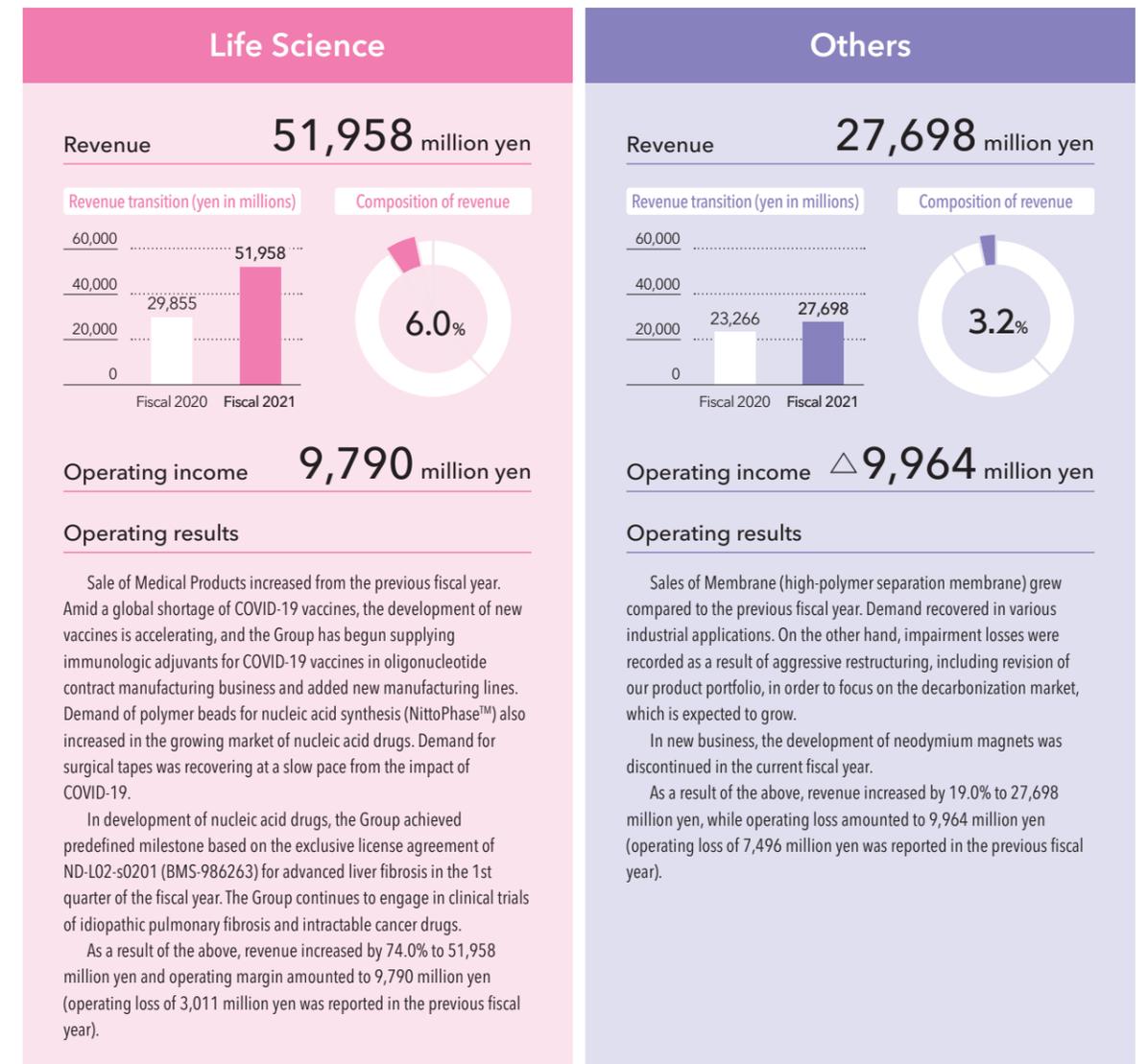
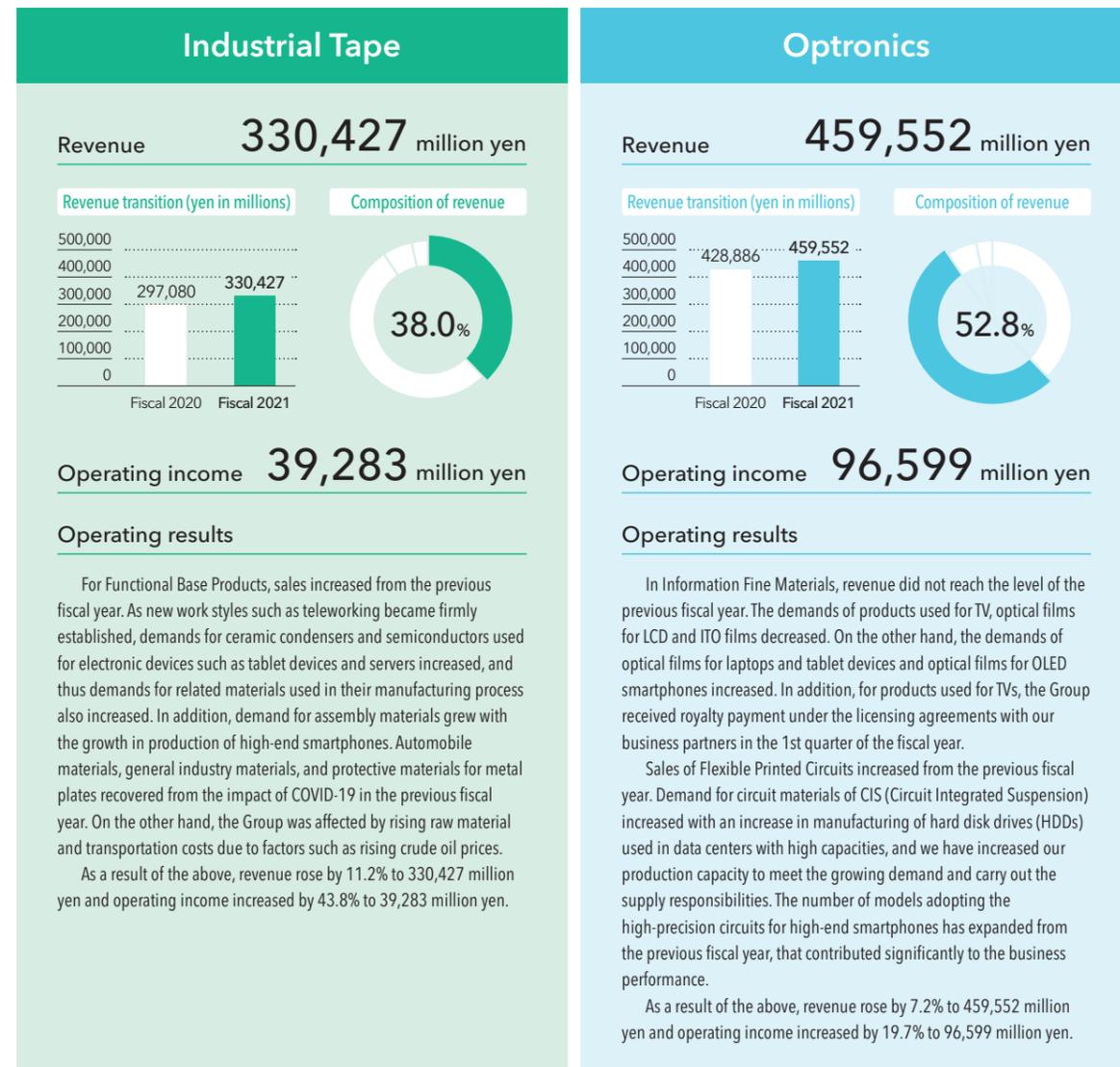
In the economic environment during this fiscal year, progress was made in balancing preventive measures and economic activities due to the proliferation of vaccines and economic support measures in various countries in response to the emergence of a series of mutant strains of novel coronavirus (COVID-19), and the economy continued to recover. Moreover, the trend toward electrification and digitalization has gained momentum in all fields, and new ways of working—such as teleworking—have taken root. On the other hand, uncertainty increasingly pervades the global economy, as evidenced by the recent surge in raw material prices and supply chain disruptions caused by Russia's invasion of Ukraine, as well as the rapid weakening of the yen.

Under these circumstances, in the Group's main markets, there was growth in sales of high-precision substrates for smartphones and optical films for OLED displays as well as assembly parts. Sales of semiconductor-related materials and optical films used in laptop computers and tablets remained strong, while automotive products and those related to general industry recovered from the impact of

COVID-19. In the nucleic acid drug market, the development of COVID-19 vaccines is progressing at a rapid pace, driving higher demand for contract manufacturing and related materials in the Nitto Group.

In responding to COVID-19, the Nitto Group prioritized the health and safety of every person and worked on preventing the spread of infections while endeavoring to ensure the continued supply to our customers. We will continue to do our utmost to ensure that there are no interruptions in the provision of products and services to our customers.

As a result of the above, revenue increased by 12.1% from the previous fiscal year (changes hereafter are given in comparison with the previous fiscal term) to 853,448 million yen. Operating income increased by 41.0% to 132,260 million yen, income before income taxes rose by 41.9% to 132,378 million yen, and net income grew by 38.3% to 97,234 million yen. Net income attributable to owners of the parent company rose by 38.3% to 97,132 million yen.



Notes: 1. The breakdown of composition of revenue stated above is calculated by excluding eliminations and corporate.
2. Reporting segments were partially changed due to the change made to the management structure during the fiscal year under review. The figures for the previous fiscal year are adjusted to reflect this change.

Industrial Tape

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



Low VOC double-sided tape

Our Goals for 2030

The functional base products business continues to tap into its core expertise based on "adhesion," "coating," and "polymer function control" technologies to help customers to reduce the environmental impact of the products they offer and the manufacturing processes those products undergo. For example, through the supply of insulating materials for use in the motors of electric vehicles (EVs), we can hasten the advent of a low-carbon society. Also, in a bid to accelerate our initiatives for the circular business, we will use bio-based materials for products used at the production process and recover such materials after use. Leading up to 2030, we will supply environmentally friendly products to our target markets of next-generation mobility, information interface, and human life, thus simultaneously solving social issues and maximizing the economic value that we create.

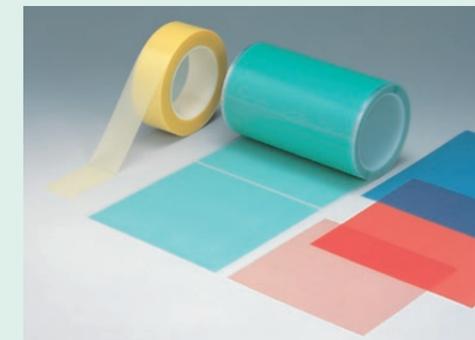
Mid- and Long-Term Strategies

Future Outlook

Many of our functional base products enjoy the leading share in their respective markets. In the next-generation mobility market, we will explore radio wave absorbing materials for radars, which look set to expand in the CASE market. At the same time, we aim to increase our market share for insulating materials for motors by introducing insulating paper that is superior in its resistance to heat, weather, and oil. We will also expand the product lines of our vent filters for electric/electronic components. Going forward, we will allocate more resources to the development of new products that enhance the performance of lithium-ion batteries (LIBs). In the information interface market, we provide manufacturing process materials for a variety of electronic components, making significant contributions to automation and labor saving initiatives. In the human life market, on the other hand, we help resolve social issues by, for example, diverting fluorine functional materials to the production of functional films for use in medical settings and hygiene products whose demand has expanded due to COVID-19. At the same time, we will focus on the development of eco-friendly products that will reduce fluorine industrial waste.

We will remain committed to the provision of new value to the market and the expansion of the list of products with a leading market share by leveraging our unique environment-responsive technologies, on top of *Sanshin* Activities, which are instrumental in our endeavors to create new businesses and products.

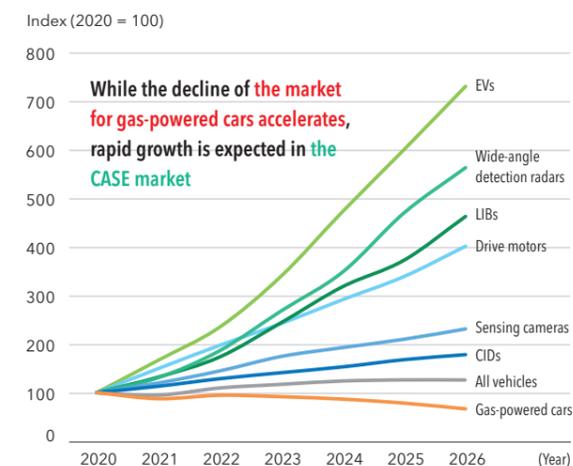
Example of a process material



REVALPHA™ thermal release sheet for electronic component production processes

A unique adhesive sheet that adheres tightly at room temperature but can easily be peeled off by applying heat. These eco-friendly process materials not only achieve automation/labor-saving of various electronic component production processes but also replace the wet method (using wax, etc.) with the dry method using tapes.

Market Growth of Key Applications



LIBs: Lithium-ion batteries CIDs: Center information displays

From fiscal 2021 and onwards, the EV market looks set to grow significantly, which should stimulate demand for other applications, including LIBs, related drive motors, and wide-angle detection radars.

Investment for Growth

We will intensively allocate our resources to the sales expansion of strategic products in our target markets, namely, next-generation mobility, information interface, and human life. At the same time, in order to reduce CO₂ emissions, we are making investment plans to raise the ratio of organic solvent-free, eco-friendly products to approximately 70% or greater (currently approximately 50%) by fiscal 2030. Our plan is that, by strengthening R&D personnel, we will further hone our core technologies to yield constant results. These core technologies will then encourage an increase of investment in mass production facilities, which we hope will lead to the creation of brand new environmentally-friendly products.

Topics

Keeping our products for consumers evolving The latest addition to the Nitoms COLOCOLO™ Series

Ever since it hit the market in 1983, the COLOCOLO™ Series has kept evolving to better cater to contemporary lifestyles and cleaning needs. The epitome of the Nitto Group's first-class technology and passion for quality, the COLOCOLO™5656 is the flagship model of this popular series. This eco-friendly product is made of carefully selected materials, for example, both its body and refills are made using recycled components. It also features enhanced ease of use to embrace users' needs. Coming in handy and easily blending into room design, this latest model for the next generation is a nice addition to all interiors.



Optronics

Supporting a secure and accessible lifestyle and a sustainable circular society

One-of-a-kind technology for enduring contributions to innovations around the world



Ultra-thin polarizing film



Thin-film metal base board (CISFLEX™)

Our Goals for 2030

We make the world a better place by facilitating the transition to a smart, data-driven society and realizing high-speed telecommunications to help enhance the quality and safety of living for the people. We also accelerate the recruitment of able human resources who underpin our endeavors in this regard and the conversion of our manufacturing processes into ones that are environmentally and socially viable.

To drive the information fine materials business, we will explore opportunities for new applications in a broad range of markets beyond the display market. We will also promote the use of recycled materials and biomass materials for product development. As a supplier of versatile optical films, Nitto remains committed to making living space and mobility space more comfortable and sustainable.

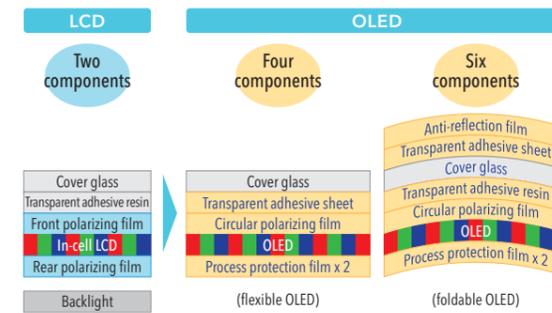
For flexible printed circuit boards, we have established a unique technique of combining element technologies that we have cultivated in the hard disk drive (HDD) market. Based on this proprietary technique, we will continue developing technology that will drastically expand the capacity of storage media, innovating technology for high-speed transmission and higher reliability, and ensuring stable supply, in an effort to meet demand for data centers that is expected to expand further. Furthermore, we will leverage our proprietary technology in developing new products and expand our product portfolio, creating new business domains.

Mid- and Long-Term Strategies

Future Outlook

Nitto's information fine materials are currently enjoying a high market share in displays for smartphones and automobiles. We will shift our resources to organic light emitting displays (OLEDs), whose applications look set to increase going forward, while at the same time establishing technologies for the metaverse market, where a number of innovations are expected to occur. By capitalizing on our unique capability of adding optical aspects to functional films, we will work closely with customers from as early as the product design stage, thus assisting many different players in the supply chain in innovating their products. In-house, we will initiate drastic improvements in a way that goes beyond what we can do with existing equipment and production processes.

Where Nitto's Products Are Used: By Panel Technology

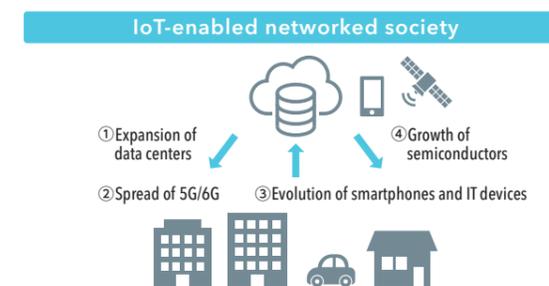


As the data-driven society / smart society expands, the need for flexible printed circuits (FPCs) is expected to grow further and become more sophisticated. In response, we will make constant improvement to and technical innovation for CISFLEX™ thin-film metal base board, for which Nitto has a lion's share, in an effort to further increase memory density of HDDs. With regard to high-precision substrates, we will add new functions in pace with the ever-evolving mobile market and develop/expand applications and markets, such as the semiconductor market, thus contributing to the realization of an ultra smart society.

Portfolio reform and growth strategies by way of Sanshin Activities



Market strategies supporting data-driven society



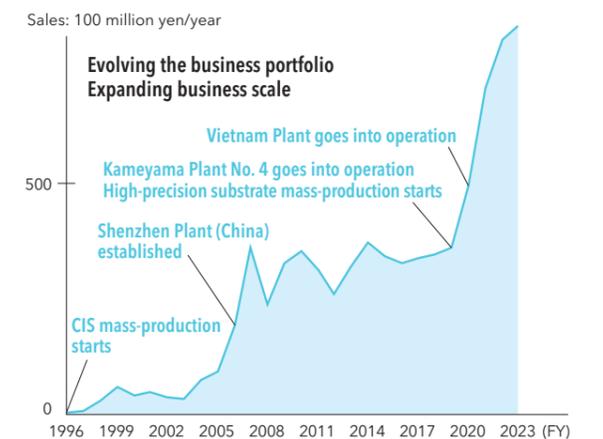
Investment for Growth

For information fine materials, we will thoroughly look at technological trends in the market and determine which technologies we should develop in-house by leveraging our technological prowess which we will acquire through alliances with external partners, and allocate resources accordingly. For in-house technological development, in fiscal 2022 we will double the size of our team for newer markets from last year in order to optimize our human resources for development. For the development of technologies for existing markets, we will continue making environmentally-responsive efforts by replacing production materials with sustainable ones and making our production process solvent-free and carbon-neutral.

Because many of our printed circuit products account for a large share in their market, our responsibilities for stable product supply to the market are growing. In response, we have been making capital expenditures proactively. In 2021, we established a new plant in Vietnam, which started its operation subsequently, as part of our ongoing efforts to ramp up and secure production capacity.

While expanding production capacity for existing products, we will also consider making investments and allocating resources to update and expand our product portfolio.

Sales of CIS and high-precision circuits



New plant in Vietnam

Human Life

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



Process materials for the manufacturing of oligonucleotide therapeutics



Polymer separation membranes

Our Goals for 2030

In April 2022, we established the Human Life Solutions Sector, which should accelerate our efforts to develop products that help to achieve harmonious coexistence with the global environment and enhance people's living in the broader sense, on top of our age-old services through the supply of medicines. With this, this segment has been renamed from "Life Science" to "Human Life."*

In more concrete terms, our approaches in this reportable segment are three-fold: accessible and user-friendly healthcare, a society where anyone can function, and a secure and safe future.

For "accessible and user-friendly healthcare," we will help to reduce the physical burden of treatment for patients, offer reliable and safe treatment, and reduce medical costs through the discovery and commissioned manufacturing of oligonucleotide therapeutics and the provision of transdermal absorption tape formulations and medical and hygiene materials, among others.

For "a society where anyone can function," we can contribute to the prevention and diagnosis of diseases through, for example, the development of new functional materials for wearable devices that are applied directly to the body, supporting personal mobility and monitoring health conditions.

For "a secure and safe future," we will utilize our proprietary separation technology that we have long cultivated in the polymer separation membrane business to put water resources into efficient use and prevent water pollution in a bid to create a sustainable lifestyle.

*This segment is comprised of the former "Life Science" segment, the membrane business under the "Others" segment, and the personal care component business, which was established in July 2022.

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

Accessible and user-friendly healthcare	A society where anyone can function	A secure and safe future
Eliminating the physical burden of treatment	Supporting human mobility	Reducing environmental impacts
Offering reliable and safe treatment	Monitoring health conditions to stay in shape	Providing safe food and drink
Reducing medical costs	Connecting people, communities and lives	Creating a sustainable lifestyle

Mid- and Long-Term Strategies

Future Outlook

We expect the oligonucleotide therapeutic market to maintain its growth momentum going forward, as development is well under way for a larger patient population, which includes those with lifestyle-related diseases, such as

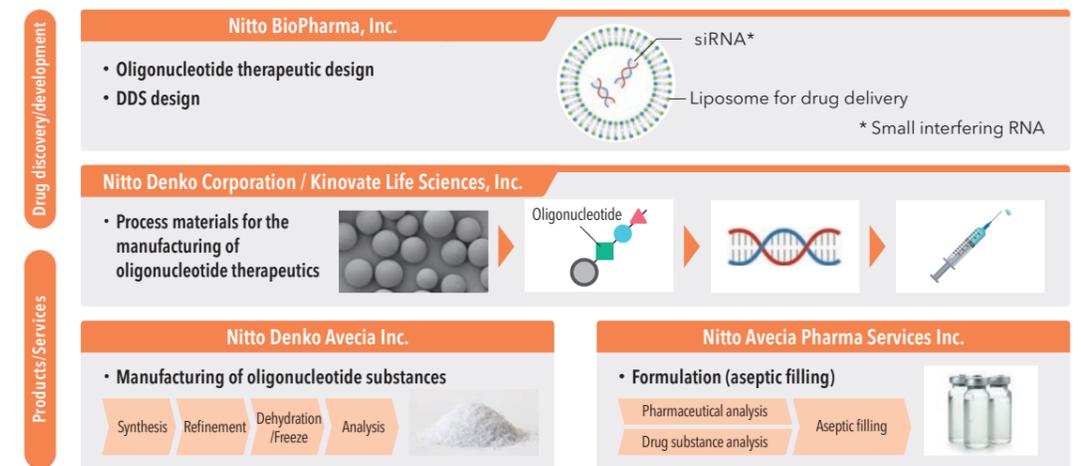
hypertension and dyslipidemia, and cancer, in addition to the ongoing projects for rare diseases.

Our contributions to customers' clinical development take the form of the provision of process materials used for the manufacturing of oligonucleotide therapeutics (NittoPhase™), as well as the rapid and accurate contract manufacturing service, for which we have a proven track record. Our plan is to develop this business in pace with the market by assisting customers' clinical development and commercial production.

For the development (discovery) of new oligonucleotide therapeutics, we are conducting clinical trials in patients with fibrosis and cancer. We will provide patients suffering from intractable diseases with new treatment options as we continue reinforcing our core expertise in the drug delivery system (DDS).

In the membrane product market, we provide water treatment membranes, which are used for the prevention of water pollution and efficient use of water resources. Their superior contamination resistance makes them perfect for advanced treatment at water purification plants, ensuring stable operation over a long term.

Meanwhile, in China and India, we are taking the ongoing moves toward tighter environmental regulations as an opportunity to increase our presence in those markets. We are working on "Zero Liquid Discharge" (ZLD) and other social issues that these two markets might have as we sustain our business growth. At the water treatment membrane manufacturing plant, we reduce environmental impact by recycling liquid waste in an attempt to make it a recycling-oriented green plant.



Investment for Growth

For the oligonucleotide business, in fiscal 2021 we launched one of the world's largest laboratories dedicated to the development of oligonucleotide manufacturing methods, which will be followed by the establishment of a facility for manufacturing substances for commercial medicines and their production line in fiscal 2022. We are also expecting a process material (NittoPhase™) manufacturing facility and the production line to become operational by fiscal 2024, thus boosting our capacity to meet growing demand. Outside of the oligonucleotide therapeutic market, we will also accelerate the drive to create new businesses in the fields of prevention and diagnosis by prioritizing investment for M&As and alliances with external organizations, if such an initiative is deemed necessary.



Commercial drug manufacturing facility

We will continue investing in ramping up production capacity and maintaining and replacing production equipment to keep abreast of market growth in the area of membranes' water treatment application. We will also consider investing in M&As and alliances with external organizations if necessary, in response to changes in the operating environment, such as the tightening of relevant regulations across the globe, and in preparation for the demand for separating CO₂, hydrogen, and other gases, whose market is expected to expand going forward.

To enhance the environmental friendliness of our own production processes, we plan to invest in such initiatives as decarbonization and non-use or recycling of solvents, thus reducing the impact that our operations have on the environment. Meanwhile, in order to accelerate environmental initiatives and new business creation, which may involve M&As and external alliances we will develop people who live up to The Nitto Way and who are capable of building a solid relationship of trust with customers.

Human Resources

Reasons for Materiality

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

Nitto Group's Approaches

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

Our Prospects for 2030 (Performance Targets)

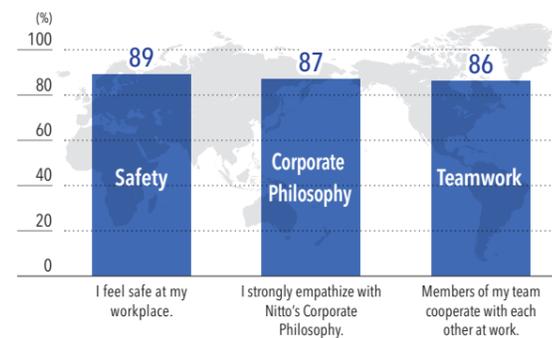
- Investment in Employee Training
Double the annual number of hours of employee training attended
- Continuous improvement of engagement surveys and measures against issues identified
- Ratio of women in management Global: 30%, Japan: 10%

Recruitment and Development of Employees

Administering Engagement Surveys for the Entire Group

Following the first engagement survey of Nitto Group employees in Japan in 2019, we conducted our first engagement survey of members of the Nitto Group across the globe in 2021 (14,193 of them responded). The average score of "sustainable engagement" was 74%, which was at a "healthy level." High scores were recorded for questions on "Safety," "Corporate Philosophy," and "Teamwork," reassuring us of the strengths of the Nitto Group.

Questions with a high percentage of affirmative responses



The survey also indicated that our efforts for "Talent Management" and "Operational Efficiency" leave something to be desired.

"Engagement" was also put forward for discussion at the Global Conference, where senior executives gather twice a year to discuss managerial issues. There, it was confirmed that we would work to "create a workplace environment and a corporate culture that allow each employee to feel satisfied with what they do and to excel as they make the most of what they have." In fiscal 2022, to follow up on the global survey, we have supported and will continue to support each entity, site, and regional headquarters with their initiatives in this regard.



General Manager Sam Strijckmans, who is responsible for sharing engagement enhancement programs in the EMEA region, at the venue

Nitto Group Award

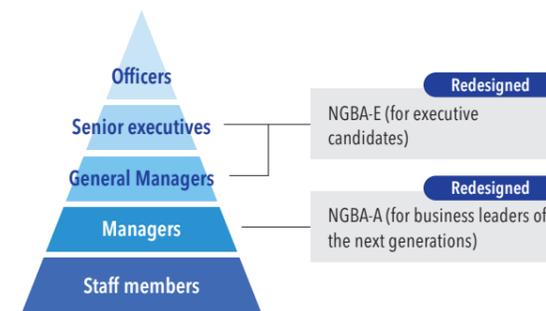
In fiscal 2020, a total of 117 applications were filed for the Nitto Group Award, nine of which were recognized, including two President's Awards, at the Nitto Group Awards 2021.



The recognition ceremony was streamed throughout the world, and the proud winners received a big round of applause from their colleagues. At the Nitto Group, we pride ourselves on our corporate culture, which encourages employees to take on challenges under various circumstances and praises their professional attitudes and accomplishments that result.

Talent Management on a Global Scale

The Nitto Global Business Academy (NGBA) is an avenue to provide leadership training to promising candidates for global leadership positions. With select members with diverse nationalities participating in English-only sessions, this program is designed to train core members of the global management team of the future.



Ten years after its inception, the training scheme for the entire Nitto Group around the world was redesigned in fiscal 2021 into the NGBA-E (Executive) Course for corporate executive candidates and the NGBA-A (Advanced) Course for future business leader candidates. Both courses are now offered to a small group of trainees and use a seamless curriculum that ranges from discovering high-potential talent from across the globe to developing the managers of tomorrow.

	Enrollment limit	Duration	Curriculum highlights
NGBA-E	Around five trainees	Two years	<ul style="list-style-type: none"> Short-term study program at overseas business schools Making recommendations on solutions to managerial issues
NGBA-A	Around five trainees	One year	<ul style="list-style-type: none"> Making recommendations on solutions to management/business agenda Leadership coaching

Succession Planning

To train future members of the management team at local subsidiaries, we identified a pool of candidates for 70 key positions at our overseas Group companies. By selecting and training the candidates according to a mid- and long-term plan through cooperation with relevant Group companies and regional headquarters, we ensure that the programs bring out their latent abilities to the fullest.

Promotion of Employee-Driven Innovation Nitto Innovation Challenge

Inviting employees to contribute their ideas for new, innovative businesses, we launched the Nitto Innovation Challenge (NIC) in fiscal 2020. A total of 877 original entries were received in fiscal 2021.

All entries from Nitto Group employees across the globe undergo a series of screening sessions to determine the feasibility of their ideas and to narrow down choices. We then support entries that have demonstrated reliable market survey results and successfully passed the concept verification phase, and those on the shortlist will move on to the next stage where their ideas will be commercialized.

Future Challenges/Outlook

Going forward, we will accelerate the process of visualizing where our talents lie and proactively developing/assigning them on a global basis. At the same time, we will increase investment in training opportunities (in fiscal 2021, the number of hours spent on training sessions increased by roughly 20% compared to the previous fiscal year*).

In fiscal 2022, we are planning to introduce a 360-degree evaluation of manager level (equivalent to managers, on a non-consolidated basis) for the first time, as part of efforts to reform our organizational culture and increase employee engagement.

* Hours spent on training sessions organized by the Human Resources Management Division for the Nitto parent company

Diversity & Inclusion (D&I)

The Nitto Group employs diverse people from around the world, representing a wide range in terms of nationality, cultural background, gender, age, and employment type. We consider D&I to be one of the overriding managerial issues because, as we turn sharply toward ESG management, we need to take a renewed sense of perspective and flexibly accept diverse approaches to bear fruit. In fiscal 2021, we set up the D&I Promotion Department in a bid to share the direction that the Nitto Group will be taking in promoting D&I, raising awareness of this issue, and accelerating our initiatives in this regard.

Our Prospects for 2030



Empowerment of Women

Empowerment of women is among the top priorities at the Nitto Group. As such, we have set for ourselves targets to raise the ratio of women in management to 30% globally and 10% in Japan by 2030 (17.5% and 5.8%, respectively, as of March 31, 2022). We do not think that having more women in managerial positions is the end of the story. Rather, our goal is to develop as many leaders as possible who can propel the company forward, as that should lead us to achieve our goals for the entire Nitto Group. To this end, General Managers of each region delivered a message on International Woman's Day. In Japan, we supported their career development by organizing the FLOWER Program*, which aims at developing women leaders, and a lecture session by Wong Lai Yong, one of our Outside Directors, which was viewed by over 1,000 employees.

* FLOWER stands for "Female Leaders OWnership EmpoweRment." The program is named as such out of our wish to see everyone bloom like a large flower, regardless of gender.



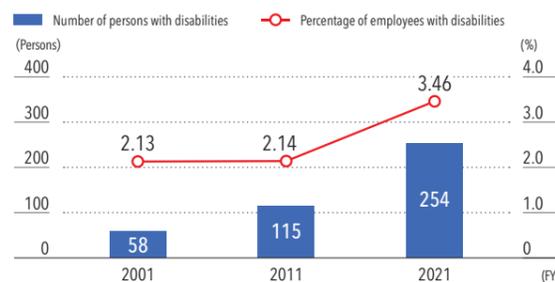
Lecture session | Members of a Kuruma-za discuss the empowerment of women

D&I logo promotion
At Nitto in Japan, we appoint 30 women empowerment promotion managers, who are responsible for the assignment, promotion, and development of women employees. They wear the badge with the logo on the left at all times.

Employment of Persons with Disabilities

Founded as special subsidiary companies of Nitto Denko Corporation, the four Nitto Himawari Group companies aim to create a workplace environment where persons with disabilities and healthy individuals work with vigor and enthusiasm. Currently, a total of 254 persons with disabilities are on the payroll of the Nitto Group, each playing an integral part of operations at their workplaces.

Numbers and Percentages of Persons with Disabilities Employed (Over the Past 20 Years)



* The number of persons with disabilities and the percentage of employees with disabilities are the sum of the figures for Nitto Denko Corporation, and its four special subsidiary companies and six Group companies in Japan specially certified as related companies.

The Nitto Himawari Group's business has since been expanded to include such services as the inter-office mailing service (collection and delivery of dossiers, etc.), support for manufacturing departments, and services that lead to a reduction in environmental impact.

Future Challenges/Outlook

In Japan, we will make steady efforts to implement programs designed to develop women leaders, while at the same time developing a motivating workplace environment where diverse employees feel welcome and satisfied, and where accommodations are made for job transfers and working hours. Through collaboration with each regional headquarters, we will also develop and promote programs on D&I.

Product Safety/Quality

Reasons for Materiality

The Nitto Group operates in 28 countries and regions around the world. As such, we are aware of the magnitude of impact that our business activities have on local communities and economies. As a responsible manufacturer, we deem it imperative to ensure product safety, a secure workplace environment, and respect for human rights throughout the supply chain, in addition to offering the best quality, cost, and timely delivery. 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.

Our Prospects for 2030 (Performance Targets)

- Advanced quality assurance and safety management
- Zero critical/serious occupational accidents
- Sustainability appraisal and improvement of suppliers who account for 90%+ of total purchases
- Digitalized logistics for greater efficiency

Enhancement of Safety and Quality of Products

We at the Nitto Group are constantly working to improve the product safety and quality in a bid to provide products and services that meet the demands of society and satisfy customers. To achieve one of our Prospects for 2030, "Advanced quality assurance and safety management," we act with changes in both society and the market in mind.

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 product quality managers to the corporate quality division and each business execution departments and Group company, to build a structure for proper quality management, and we have obtained certifications of external international standards for our management systems.

To create a safe and secure workplace environment, in addition to constant improvement on the factory floor, the Corporate Strategy Meeting gathers to discuss programs and any challenges in integrating such activities with management objectives.

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

Anticipating Changes in Society

The Nitto Group uses upwards of 4,000 varieties of chemical substances, and we deem it our essential responsibility to manage them properly. In order to constantly monitor trends in the revision of relevant laws, we are working closely with our overseas sites to bolster an information gathering system, whose coverage was expanded to the China region in fiscal 2021, in addition to Europe and North America. In order to ensure quick access to information and reduce the use of prohibited substances that cause health problems, we have made it a rule to act proactively before each country's regulations regarding such substances are changed. We will remain committed to the proper management of chemical substances by voluntarily setting stricter standards for ourselves. Furthermore, by centralizing the management of data regarding the chemical substances contained in raw materials and products, we can respond to inquiries from customers promptly and appropriately.

Anticipating Changes in the Market

We strive to differentiate ourselves by working closely with customers, creating an environment in which they can consult with us early on about new issues. This allows us to develop and provide products and technologies that meet their needs.

Our manufacturing sites are certified for the international

quality management system ISO 9001 and, by following the PDCA cycle that it dictates, are making the utmost efforts to prevent critical complaints and product recalls from occurring.

We are also expediting the process of having our manufacturing sites certified for IATF 16949, an international automobile standard related to "next-generation mobility products". By the end of fiscal 2021, 92% of our sites that needed to obtain prior certification in order to develop their business had completed IATF 16949 certification.

Future Challenges/Outlook

Out of the need to guarantee the safety of raw materials, we will strengthen frameworks for supplier management and incoming inspection of raw materials. While we aim to obtain IATF certification in fiscal 2022 we are continuously working hard to improve. This is to continue providing to the world products whose safety and quality are assured and offering the highest quality products to our customers through product proposals that incorporate novel ideas.

Improvement of the Workplace Environment

True to its basic policy of "We place safety before everything else," the Nitto Group strives to create workplace environments where everyone—employees and members from partner businesses and construction services—can work in good health without anxiety on our premises. Toward the self-set goal of achieving "zero accidents and injuries," we invite everyone to participate in our efforts to prevent such accidents and injuries.

In fiscal 2021, we had six critical/serious accidents and so we have yet to achieve our ultimate target of zero critical/serious accidents. (Highlights, p. 9)

We are thus introducing greater automation in hopes of eliminating the risk of occupational accidents and injuries and enhancing captaincy to foster a safety culture, while striving to reduce foreseeable risks. Should an unfortunate event or accident occur, we will lose no time thoroughly investigating its causes in order to prevent its recurrence.

Eliminating the Risk of Occupational Accidents and Injuries

Because accidents that fall under the categories of "caught/entangled in" continue to occur (although different plants use different sets of production equipment), we decided

to address this as a priority and are working to eliminate these types of accidents entirely from the Nitto Group.

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

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

Fostering a Safety Culture

The Nitto Group considers the fostering of a safety culture to involve three stages: "Reactive: response to accidents after the fact," "Independent with the aid of leaders: safety behaviors may be taken under leadership," and "Independent: safety behaviors may be taken independently." Our goal is to establish an "independent" safety culture.

In fiscal 2021 we began introducing a safety officer program* to those in managerial positions in the hopes of enhancing safety captaincy among managers. All managers in Japan will have taken this training program by the end of fiscal 2022. Furthermore, we will rate each plant and site according to which stage they are at from among the three stages. Based on the four rating factors we chose, namely, awareness, systems, past results, and realities, plants and sites will be subject to a quantitative rating, in a bid to complete a system that helps to further raise the level of safety culture and accelerate information exchange among different plants. This assessment program has been administered at our plants in Japan and will be introduced to our international sites in a phased manner.

* A personnel training/certification system designed to verify knowledge and understanding of safety among the top executive and other members of the management team, those in managerial positions, and staff members.

Future Challenges/Outlook

To place safety before everything else underlies everything we do at the Nitto Group.

In cases where we find it difficult to reduce risk, we seek "collaborative safety," i.e., ensuring safety through collaboration between AI, robotics, and other novel technologies and humans and organizations. At the same time, we continue with behavioral reform to raise safety awareness across the organization.

Respecting Human Rights throughout the Supply Chain

CSR-Based Procurement

Endorsing the Universal Declaration of Human Rights, the Nitto Group has established its own Basic Policy on Human Rights. To prevent human rights infringements throughout the supply chain, we ensure that thorough action is taken in accordance with this Basic Policy.

More specifically, we published the CSR-Based Procurement Guidelines which we expect our suppliers to follow. We ask for their cooperation in implementing sustainability initiatives, including respect for the human rights of workers, fair trade, compliance with corporate ethics, health and safety, and environmental considerations. We then have them share the Guidelines with other players in the supply chain.

Pursuant to these Guidelines, we conduct an annual CSR Procurement Survey with key suppliers. By definition, "key suppliers" refer to business partners with whom we have a large volume of transactions, who are irreplaceable or who supply raw materials that are critical for Nitto, and whose combined volume of business with the Nitto Group accounts for 90% or more of the total purchases of the Group (based on fiscal 2021 results). In fiscal 2021, approximately 3% of those surveyed were suppliers located outside of Japan. Based on the survey findings, we assess their risk, suggest improvements to those whose risk is deemed high, and follow up on their improvement efforts. It has been reported that approximately 70% of the "high-risk" suppliers have completed their improvement programs. Meanwhile, in fiscal 2022 we will implement the plan to visit suppliers for a follow-up survey, which was slated in fiscal 2021 based on our CSR Procurement Survey.

Before going into business with new suppliers, we make it a rule to use the CSR Procurement Supplier's Evaluation Checklist to determine their qualifications.

Through these activities, we constantly assess the business sustainability of the selected suppliers and help them with the improvement process, thus guaranteeing the integrity of our supply chain.

Human Rights Due Diligence

Some of the raw materials that the Nitto Group purchases involve human rights-related risks such as conflict minerals, whose risk has been under management. On top of this, we will start a human rights due diligence program, in which we

continuously assess risk of all materials, take preventive/mitigation measures, evaluate the contents of such measures, and disclose the series of action thus taken. In fiscal 2021, we worked to enhance the level of internal control to prepare for human rights due diligence.

Increasing Logistics Efficiency

Improvement of logistics in our supply chain is one of the key managerial issues for the Nitto Group as it concerns our sustainable growth, compliance, and ESG. We are also working on the promotion of "white logistics" and "green logistics" movements.

Under the government's lead, the "White Logistics Movement" was launched in 2019 with a view toward stabilizing logistics and sustaining economic growth in response to the serious shortage of truck drivers in Japan, and Nitto expressed its support for this movement in 2020. At the Onomichi Plant, we set for ourselves a target of reducing trucks' standby time to an average of 30 minutes or shorter. We analyzed data on the occurrence of standby time to determine which cases were attributable to customers, production at the plant, logistics, or otherwise. In fiscal 2021, we were able to meet the target for five months. In fiscal 2022, we are extending this initiative to other locations in Japan.

As for "green logistics," we are working to shorten the distance for land transportation by promoting modal shift, as well as changing loading locations and raising the loading ratio, and we were thus able to reduce CO2 emissions in Japan by approximately 152 tons (-2.35% from the previous year) in fiscal 2021.

To increase efficiency in logistics, it is vital that we have a full understanding of all employees from relevant departments, including logistics, production, and sales. Therefore, in fiscal 2021, we organized e-learning on logistics for employees from departments outside of back-office operations, such as accounting and personnel affairs at Group companies in Japan. Over 80% of eligible employees took this voluntary course.

Future Challenges/Outlook

To ensure that human rights are respected throughout the supply chain, we are planning to improve the skills of the staff for on-site surveys with suppliers so that we can identify and mitigate risk by conducting human rights due diligence. Meanwhile, we will make continued efforts to optimize and increase efficiency in logistics (via cooperative distribution or otherwise) and improve the working environment to reduce the labor load by developing and introducing a system that digitalizes and visualizes data.

Environment

Reasons for Materiality

Faced with climate change resulting from CO2 emissions, the depletion of resources, and marine pollution by plastic, the global environment is in a state of crisis. For the Nitto Group, it is essential to make eco-friendly efforts as we emit CO2 due to consuming electric power and fossil fuels, and produce waste and harmful pollutants through using plastics, organic solvents, water, and other resources for manufacturing.

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

Nitto Group's Approaches

In order to fulfill our corporate social responsibility through manufacturing, the Nitto Group discusses environmental challenges and programs at the Corporate Strategy Meeting, in an effort to integrate our environmental activities with our management objectives. To promote environmental programs, in fiscal 2021 we set up the Green Committee, which has three working subcommittees, each responsible for decarbonization, the 3Rs (Reduce, Reuse, Recycle), and the prevention of pollution.

Remaining committed to achieving our "Prospects for 2030" and carbon neutrality by 2050, we will both expand and strengthen relevant functions and link such goals with our business plans, thus rolling out our environmental initiatives globally along the three management axes of "business execution," "special function," and "regional management."

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

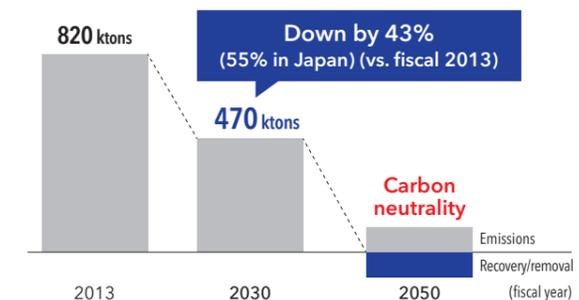
Our Prospects for 2030 (Performance Targets)

- Reduction in CO2 emissions**
 - CO2 emissions: 470,000 tons/year*1
 - Reduction in CO2 emissions in supply chains*2
- More efficient use of resources**
 - Reduction in total waste disposed
 - Recycling ratio of generated waste-plastics: 60% or over
 - Promotion of usage of recycled resources
- Emissions-reduction of pollutants and hazardous substances**
 - Reduction in VOC emissions

*1 scope1+2 *2 scope3

Reduction in CO2 Emissions

As climate change heightens the risk of natural disasters globally, every company must act to mitigate these conditions. It was against this backdrop that in February 2022 the Nitto Group made the Carbon Neutrality Declaration to accelerate its drive to reduce CO2 emissions. Toward the self-set goal of achieving carbon neutrality by 2050, we have updated our 2030 target to 470,000 tons/year, which represents a 43% reduction from fiscal 2013 for the entire Group (down by 55% in Japan). Working toward this ambitious target, we will take a more strategic approach to making a decarbonized society a reality.



For example, we are implementing a variety of programs, including the promotion of energy conservation in various manufacturing processes, the elimination of CO2 emitted while combusting solvent gases by making such processes solvent-free, and the introduction of solar power generation systems. Besides saving and recycling energy, we will proactively use innovative decarbonization technologies, such as one for recovering CO2 whose development and practical application is on our roadmap, while at the same time helping customers to reduce their CO2 emissions through the supply of superior products and solutions.

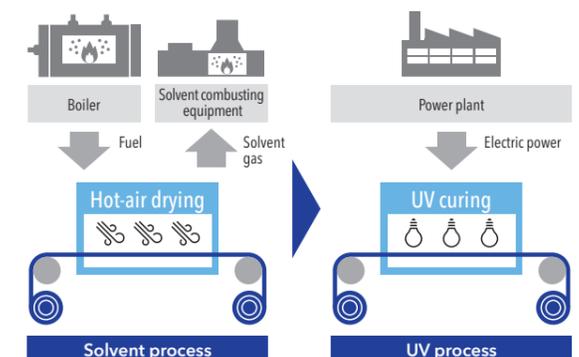
In fiscal 2021, we spent 2.8 billion yen on decarbonizing our production processes, which included capital expenditures for cleanroom facilities. Through a series of such proactive environmental investments, we were able to reduce our CO2 emissions to 649 kt tons/year in fiscal 2021. We have earmarked an investment totaling 7.5 billion yen for fiscal 2022.

Development of Technology for Solvent-Free Processes

Organic solvents that we use for manufacturing processes do not remain in final products but are recovered and treated during the manufacturing process, with the result that CO2 is emitted along the way.

For some time now, the Nitto Group has been working to reduce the volume of solvents used at manufacturing processes ultimately to zero. In fiscal 2021, we focused on the establishment of relevant key technologies for UV curing and emulsification at manufacturing processes.

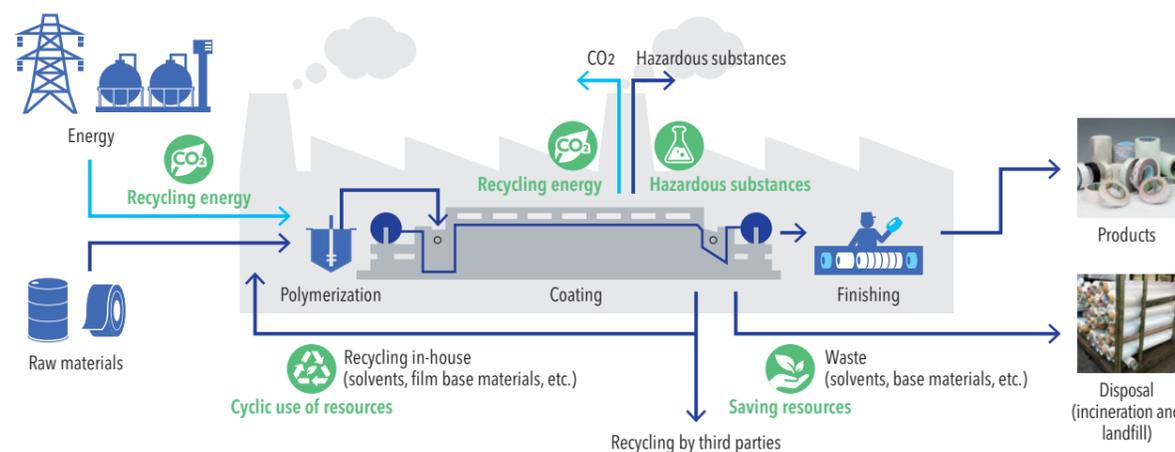
Improving production processes (UV curing technology)



Green Committee Organizational Chart



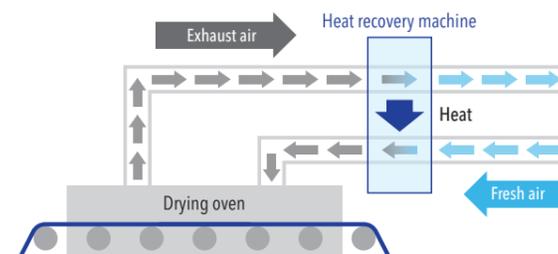
The Nitto Group's environmental initiatives in its manufacturing process



Recovering Waste Heat from Coaters

Coaters require a large amount of electric power and steam and release a lot of heat as a result. At our manufacturing sites in and outside of Japan, we are working to curb CO2 emissions by installing co-generation systems. In fiscal 2021, our Toyohashi Plant began recovering waste heat from the coating machine room and the machine's drying oven. They can then use the resulting thermal energy generated to preheat the air supply, which is expected to reduce CO2 emissions by roughly 400 tons per year.

Waste heat recovery system of the coating machine's drying oven



Initiatives for Green Electric Power

At a total of eight production sites—six in Europe and one each in China and Japan—we have achieved 100% green power, an important step in realizing carbon neutrality by 2050. At other sites where a large volume of energy is needed, we have begun setting up solar panels and procuring green electric power to make up for any shortage.



Reducing CO2 Emissions throughout the Supply Chain

The Nitto Group's business activities are dependent on the supply chain, from the procurement of raw materials to the disposal of end products. This makes it mandatory for us to reduce indirect CO2 emissions (Scope 3), as well as direct emissions (Scope 1 and Scope 2), from our operations, and so we are gathering information on Scope 3 emissions from abroad. Recognizing the significance of LCA (life cycle assessment) of individual products and services, we are also working to standardize the carbon footprint calculation formula.

Future Challenges/Outlook

We are planning to develop technologies for solvent-free and decarbonization as we shoot for our 2030 goals and carbon neutrality by 2050 by reducing CO2 emitted directly

from our business activities. For us to transform in order to achieve decarbonization, it is vital that we hone our technological prowess to add more value to our products. We will proceed with this initiative as we gain the understanding of our customers about the shift to solvent-free products.

More Efficient Use of Resources



We at the Nitto Group believe that it is a critical mandate for companies to put the limited resources of the Earth into efficient use.

The Nitto Group has set itself three goals for fiscal 2030: waste-plastics recycling ratio of 60% or over; reduction in total waste disposed; and promotion of usage of recycled resources as raw materials.

To recycle more waste-plastics, we recycle plastic waste in three ways: plastic waste to film (horizontal recycling), to high-value-added plastic products (upcycling), and to products in general (upcycling).

In fiscal 2021, the percentage of recycled plastic waste was 40% (estimate) and the total waste disposed amounted to 144 ktons. We will continue enhancing production efficiency by incorporating digital transformation (DX) technologies, among other things.

Resource-Saving Activities

At Nitto's Kanto Plant, members from their Engineering, Production, Sales, and Administration teams set up a working group to carry out an industrial waste reduction campaign. Using Material Flow Cost Accounting (MFCA) and other tools to analyze the production data of all product models, they visualized materials loss for the purpose of reducing industrial waste. This initiative led to a successful material loss reduction of 10 tons by reducing feed and edge loss.

Visualization of Material Flow



Promoting Reuse of Wastewater and ZLD

To achieve more efficient use of water resources and to minimize the impact that abnormal weather patterns and other events have on our business activities (restricted water supply, etc.), we are making the utmost efforts to reuse wastewater and achieve ZLD.

Completed in October 2020, the water recycling facility currently in service at the Onomichi Plant has achieved "zero" discharge into the river, thus setting a model for other plants to emulate. As a result, the Nitto Group achieved a 4.6% reduction in total water discharge.

Making use of the expertise that the model facility gained, the Shiga Plant achieved a high recovery ratio of 83% in fiscal 2021. They are looking for a 90% recovery ratio in fiscal 2022 and ultimately "zero wastewater generated from processes" by combining these achievements with technologies for evaporative concentration and volume reduction.



Water recycling facility at the Shiga Plant

Promoting Recycling of Solvents

The Nitto Group's manufacturing sites are developing organic solvent-free processes and recycling solvents recovered from processes after use.

In fiscal 2021, the Shiga Plant began a project to recycle and reuse solvents used in their manufacturing processes. Overall, we were able to reduce the volume of waste solvents by 440 tons/year in fiscal 2021. At the Toyohashi Plant, on the other hand, they established a new recycling technology for liquid adhesive waste, which had yet to be recycled, to reduce overall industrial waste further.

Development of Mono-Material Technology

Because one of the mainstay products of the Nitto Group is adhesive tape, it is essential to separate it into mono-materials to promote recycling.

In fiscal 2021, we established technologies for the separation process for recycling and confirmed the quality of recycled films. Going forward, we will work on their practical applications and the expansion of their production on a commercial scale, with the aim of applying the technologies to film base materials for tape and other products.

Future Challenges/Outlook

It is important and necessary to keep abreast of the latest information regarding industrial waste outside of Japan, and so we are gathering detailed data about such waste abroad (by treatment method, form, etc.). To export our resource conservation practices in Japan to foreign subsidiaries, we are visualizing the process as we develop the relevant infrastructure. For the recycling of resources, we are planning on building a relevant system in each region by carefully selecting local alliance partners and introducing their technologies.

Emissions-Reduction of Pollutants and Hazardous Substances



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

Beginning in fiscal 2020, we expanded the scope of this initiative to include volatile organic compounds (VOCs) on a global basis, thus accelerating our reduction drive.

Recovering Solvents with Greater Efficiency

Nitto Bento Bantçılık San. ve Tic. A.Ş. of Turkey managed to reduce the VOC emissions by 370 tons, to 820 tons annually, in fiscal 2021 by increasing the efficiency of recovering exhaust gases from solvents. This correspond to 20% of the Group's VOC emissions.

Future Challenges/Outlook

To make VOC emissions-reduction doubly sure, we are discussing reduction targets and action plans for 2030. By expediting the introduction of solvent-free processes, identifying hazardous substances and regulating their use in accordance with self-imposed standards that are more rigorous than applicable laws and regulations, we are making steady progress towards reducing the impact of our operations on the environment.

Disclosure Pursuant to TCFD Recommendations



In response to the recommendations announced in 2017 by the Task Force on Climate-related Financial Disclosures (TCFD) of the Financial Stability Board (FSB), the Nitto Group announced its support in May 2022. We thus assessed risks and opportunities that climate change may pose to society and our business and the resilience of relevant strategies. We will continue reviewing the impact that climate change may have on our business in accordance with the TCFD framework, thus raising the levels of our initiatives and disclosures in this regard.

Governance

Each year, the Nitto Group sets unfinanced targets, including reduction in GHG emissions, as part of the annual overall budget and we continually monitor how close we are to those targets. Meanwhile, we have passed a resolution on the Nitto Group Carbon Neutral 2050, which declares our long-term commitment in this regard (Carbon Neutrality, p. 26). To reduce GHG emissions, we have established the Green Committee (chaired by CSO), which, under the lead of the Corporate Sustainability Division, serves as a framework for business execution departments and

relevant special function departments to work closely together to achieve the targets. Progress of these initiatives and major environment-related capital expenditure plans are deliberated on by the Board of Directors. (Environment, p. 47)

Furthermore, 30% of the evaluation index for medium-term performance-linked compensation is based off of ESG, connecting ESG promotion with Director compensation. (Corporate Governance, p. 61)

Major Impact Anticipated and Our Responses

Risks/Opportunities: Events	Risks/Opportunities: Impact	Nitto Group's responses		
		Common responses	4°C scenario	1.5°C scenario
Tighter government regulations <ul style="list-style-type: none"> Transition risks Rising prices of GHG emissions credits Regulations on the percentage of renewable energy usage Regulations on recycling 	<ul style="list-style-type: none"> Imposition on GHG emissions Disclosure of the amount of imposition and company names (on the negative list) 	<ul style="list-style-type: none"> Promotion of energy conservation, development of renewable energy Investment in low-carbon technology (total 60.0 billion yen by fiscal 2030) 	<ul style="list-style-type: none"> Anticipated amount of carbon price (1.1 billion yen, emissions prices: 30\$/CO2t) Additional cost due to use of recycled materials (800 million yen, if replacing 20% of the total with recycled materials) 	<ul style="list-style-type: none"> Anticipated amount of carbon price (3.6 billion yen, 100\$/CO2t) Development of products that use recycled materials Additional cost due to use of recycled materials (2.0 billion yen, if replacing 50% of the total with recycled materials)
Rising awareness among customers <ul style="list-style-type: none"> Discontinuation of raw materials production (suppliers) Requirement for GHG emissions reduction Requirement for use of bio-based materials 	<ul style="list-style-type: none"> Abolishment of the use of raw materials with high GHG emissions Submission of LCA results, preference based on performance data 	<ul style="list-style-type: none"> LCA of products Launch of low-carbon products Participation in customers' programs 		<ul style="list-style-type: none"> Switch to alternative materials Additional cost due to use of bio-based materials (1.0 billion yen, if replacing 30% of the total with bio-based materials)
Rising crude oil prices* <ul style="list-style-type: none"> Rising raw materials prices in tandem with crude oil prices 	<ul style="list-style-type: none"> Rising raw materials prices 		<ul style="list-style-type: none"> Higher yields, improved productivity 	---
Flood damage rising in severity <ul style="list-style-type: none"> Physical risks 	<ul style="list-style-type: none"> Plants and suppliers damaged by extremely severe floods 	<ul style="list-style-type: none"> Formulation/implementation of BCP 	<ul style="list-style-type: none"> Risk of flood damage (probability over a year: 0.1%) to increase by 1.6-3 times 	
Products with low negative environmental impact <ul style="list-style-type: none"> Transition opportunities Rising demand for water recycling Low-carbon products for mobile devices 	<ul style="list-style-type: none"> Increase in demands for water recycling products Increase in demands for low-carbon products 	<ul style="list-style-type: none"> Expansion of the water recycling product line and low-carbon products for mobile devices 		

Strategy

To analyze the impact that climate change may have on the Nitto Group's business, we took a broad view of the value chain, from suppliers to customers. We applied two scenarios*, the 1.5°C scenario and the 4°C scenario, to our analysis of transition risks and opportunities.

As it turned out, we found that there was not much difference between the two scenarios, when it came to analyzing the extent of the impact on the Nitto Group's business, partly because some customers are taking cutting-edge action toward the 1.5°C scenario, although differences do exist with regards to how fast the prices of carbon and crude oil increase, the intensity of customer needs for prices of carbon, and the supply of special raw materials. Accordingly, we do not see any need to fundamentally alter our stance with regards to the two scenarios.

In more concrete terms, in line with the 1.5°C scenario, we have earmarked specific funds for environmental initiatives,

which includes support for customers' environmental programs and responses to the need for carbon neutrality, in the amount of 60.0 billion yen by fiscal 2030. We do not believe that our responses will be very different if we are to follow the 4°C scenario.

To assess physical risks, we referred to the Aqueduct Floods to simulate floods with a 0.1% probability of occurring within a year for the Nitto Group's plants and key suppliers, to find that three out of 54 of our Group's sites and 14 out of 27 sites of key suppliers run the risk of suspended operations. We believe that we can cope with this risk by drawing up a Business Continuity Plan (BCP) or similar plan.

Please see the table below for analysis results.

* Scenarios employed to determine risks and opportunities
 1.5°C scenario: IEA (International Energy Agency) / SDS (Sustainable Development Scenario)
 4°C scenario: IEA/STEPS (Stated Policies Scenario)

In red : Major impact in the event of a 1.5°C scenario / strengthening response
In blue : Major impact in the event of a 4°C scenario / strengthening response

Risk Management

To increase the effectiveness of the monitoring of management risks, we have established key risk indicators (KRIs), which include principal quantitative information on climate change and other types of risks that affect the Group as a whole, our risk management department gathers information on KRIs. Directors and Vice Presidents meet at the monthly Corporate Strategy Meeting to share and deliberate on such information and present a report to the Board of Directors at least once a year. Based on the results of these discussions, instructions are issued and incorporated into relevant initiatives by business execution departments and special function departments responsible for quality, the environment, safety, etc. (Risk Management, p. 65)

Indicators and Targets

In May 2022, the Nitto Group announced its target of achieving virtually zero CO2 emissions (Scope 1 and 2) by fiscal 2050. As a milestone toward this long-term target, we aim to reduce our CO2 emissions to 470,000 tons/year by fiscal 2030. (Carbon Neutrality, p. 26)

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

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



Fiscal 2021 in Review

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

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

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

Promoting ESG Management

Pursuing Both Financial and Unfinanced Targets

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

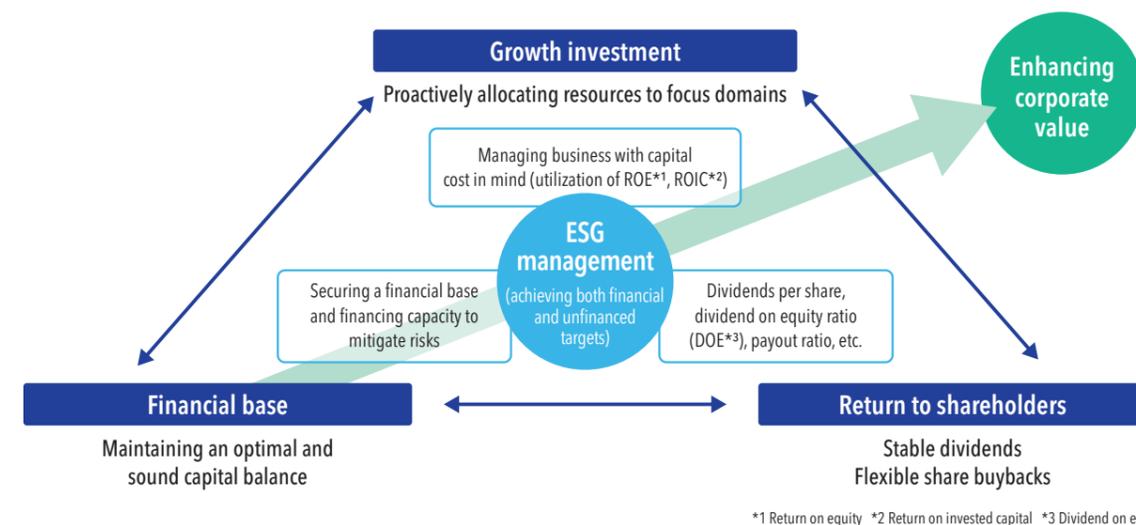
Simultaneously Solving Social Issues and Creating Economic Value

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

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

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

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



*1 Return on equity *2 Return on invested capital *3 Dividend on equity

Basic Ideas behind the Financial Strategy

In allocating cash flow generated and cash and deposits in hand, the Nitto Group will remain committed to balancing stable and continuous shareholder return and maintaining a healthy financial base while continuing to place a high priority on investing in growth. To this end, we prioritize our application of cash in the order of: 1. Capital investment, 2. Cash dividends, 3. M&As, and 4. Share buybacks, according to which we conduct our business over the mid-/long-term.

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

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

In order for us to seize growth opportunities and flexibly

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

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

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

Directors and Auditors (As of July 1, 2022)



Outside Corporate Auditor
Masashi Teranishi

Corporate Auditor
Masami Kanzaki

Outside Director
Yoichiro Furuse

Director,
Senior Executive Vice President
Yosuke Miki

Director, Executive Vice President
Yasuhiro Iseyama

Outside Director
Takashi Hatchoji

Outside Corporate Auditor
Mitsuhide Shiraki

Outside Corporate Auditor
Masakazu Toyoda

Outside Director
Tamio Fukuda

Outside Director
Yasuhiro Yamada

Representative Director, President
Hideo Takasaki

Representative Director,
Senior Executive Vice President
Nobuhiro Todokoro

Outside Director
Michitaka Sawada

Outside Director
Wong Lai Yong

Corporate Auditor
Shin Tokuyasu

Director

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, concurrently COO (present)

Yosuke Miki

Director, Senior Executive Vice President

April 1993	Joined Nitto Denko Corporation
June 2016	Vice President, General Manager of Information and Communication Technology Sector
April 2017	Vice President, Deputy CTO General Manager of Information and Communication Technology Sector, concurrently Deputy General Manager of Corporate Technology Sector and General Manager of New Business Development Division
June 2017	Director, Vice President
June 2019	Director, Senior Vice President
April 2020	Director, Senior Vice President, Deputy CTO General Manager of Information and Communication Technology Sector, Deputy General Manager of Corporate Technology Sector
June 2020	Director, Executive Vice President, CTO General Manager of Corporate Technology Sector, General Manager of Information and Communication Technology Sector
April 2021	Director, Executive Vice President, CTO
June 2022	Director, Senior Executive Vice President, CTO (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 (retired in December 2020)
October 2015	Director, Sushiro Global Holdings Ltd. (retired in December 2016)
March 2016	Outside Director, Nasta Co., Ltd. (present)
January 2018	Consultant of GLP Pte. Ltd. (present)
January 2021	Consultant of Japan, Permira Advisers KK (present)

Wong Lai Yong

Outside Director (Independent Director)

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

Nobuhiro Todokoro

Representative Director, Senior Executive Vice President

April 1989	Joined Nitto Denko Corporation
June 2015	Vice President, General Manager of Information Fine Materials Unit, Information Fine Materials Sector
April 2017	Vice President, General Manager of Information Fine Materials Sector
June 2017	Director, Senior Vice President, General Manager of Information Fine Materials Sector
June 2019	Director, Executive Vice President
June 2021	Director, Senior Executive Vice President
June 2022	Representative Director, Senior Executive Vice President (present)

Yasuhiro Iseyama

Director, Executive 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	Director, Senior Vice President, CFO
June 2021	Director, Executive Vice President, CFO (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	Outside Audit & Supervisory Board Member, Marubeni Corporation (retired in June 2020)
June 2017	Outside Director, Konica Minolta, Inc. (retired in June 2021)
June 2020	Outside Director, Marubeni Corporation (present)

Michitaka Sawada

Outside Director (Independent Director)

April 1981	Joined Kao Soap Co., Ltd.
June 2008	Director, Executive Officer, Kao Corporation
June 2012	Representative Director, President and CEO, Kao Corporation
June 2020	Outside Director, Panasonic Corporation (present)
January 2021	Director and Chair of the Board of Directors, Kao Corporation (present)
June 2021	Outside Director, Nitto Denko Corporation (present)
June 2022	Outside Director, Komatsu Ltd. (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)

Yasuhiro Yamada

Outside Director (Independent Director)

April 1987	Joined Bank of Japan
June 2018	Executive Director, Bank of Japan (retired in May 2022)
June 2022	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)

Masashi Teranishi

Outside Corporate Auditor (Independent Corporate Auditor)

April 1969	Joined The Sanwa Bank, Ltd.
January 2002	President and Representative Director of UFJ Bank Limited
June 2002	Director of UFJ Holdings, Inc. (retired in June 2004)
May 2004	Representative Director of UFJ Bank Limited (retired in May 2004)
July 2004	Honorary Adviser of UFJ Bank Limited
January 2006	Honorary 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)

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)

Masakazu Toyoda

Outside Corporate Auditor (Independent Corporate Auditor)

April 1973	Joined the Ministry of International Trade and Industry (Currently the Ministry of Economy, Trade and Industry (METI))
August 2003	Director-General, Commerce and Information Policy Bureau, METI
July 2006	Director-General, Trade Policy Bureau, METI
July 2007	Vice-Minister for International Affairs, METI (retired in July 2008)
August 2008	Secretary General of the Cabinet Secretariat's Strategic Headquarters for Space Policy (retired in August 2010)
November 2008	Special Advisor to the Cabinet Secretariat (retired in August 2010)
June 2010	Outside Statutory Auditor of Murata Manufacturing Co., Ltd. (retired in June 2016)
July 2010	Chairman & CEO of The Institute of Energy Economics, Japan (retired in June 2021)
June 2011	Outside Corporate Auditor of Nitto Denko Corporation (present)
March 2015	Outside Director of Canon Electronics Inc. (retired in March 2022)
June 2016	Outside Director of Murata Manufacturing Co., Ltd. (retired in June 2018)
June 2018	Outside Director of Nissan Motor Co., Ltd. (present)
July 2021	Chairman and CEO, Japan Economic Foundation (present)
March 2022	Representative Director, SPACE ONE CO., LTD. (present)

Mitsuhide Shiraki

Outside Corporate Auditor (Independent Corporate Auditor)

April 1990	Professor, Faculty of Political Science and Economics, Kokushikan University
April 1999	Professor, School of Political Science and Economics, Waseda University
April 2005	Professor, Faculty of Political Science and Economics, Waseda University
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
October 2021	Permanent Director of Japan Academy of International Business Studies (present)
April 2022	Professor Emeritus, Waseda University (present)
April 2022	Visiting Professor, Kokushikan University (present)

Skills matrix

Name	Title	Length of service	Gender	Leadership	Technology	Finance	Governance	Sustainability
Hideo Takasaki	Representative Director, President	14	Male	●				
Nobuhiro Todokoro	Representative Director	5	Male	●			●	
Yosuke Miki	Director	5	Male	●	●			
Yasuhiro Iseyama	Director	2	Male			●	●	
Yoichiro Furuse	Outside Director	15	Male	●		●	●	
Takashi Hatchoji	Outside Director	7	Male	●			●	●
Tamio Fukuda	Outside Director	4	Male	●	●			●
Wong Lai Yong	Outside Director	2	Female				●	●
Michitaka Sawada	Outside Director	1	Male	●	●			●
Yasuhiro Yamada	Outside Director	-	Male		●	●	●	
Masami Kanzaki	Corporate Auditor (full-time service)	7	Male				●	●
Shin Tokuyasu	Corporate Auditor (full-time service)	3	Male			●		●
Masashi Teranishi	Outside Corporate Auditor	14	Male	●		●	●	
Masakazu Toyoda	Outside Corporate Auditor	11	Male	●			●	●
Mitsuhide Shiraki	Outside Corporate Auditor	10	Male				●	●

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

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

Policies and Procedures for Electing and Dismissing Directors and Corporate Auditors

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

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

Five skills identified by the Company

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

Appointment and Dismissing of Directors and Corporate Auditors

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

< Officer Appointment Standards >

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

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

< Officer Dismissal Standards >

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

Vice Presidents (as of July 1, 2022)

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

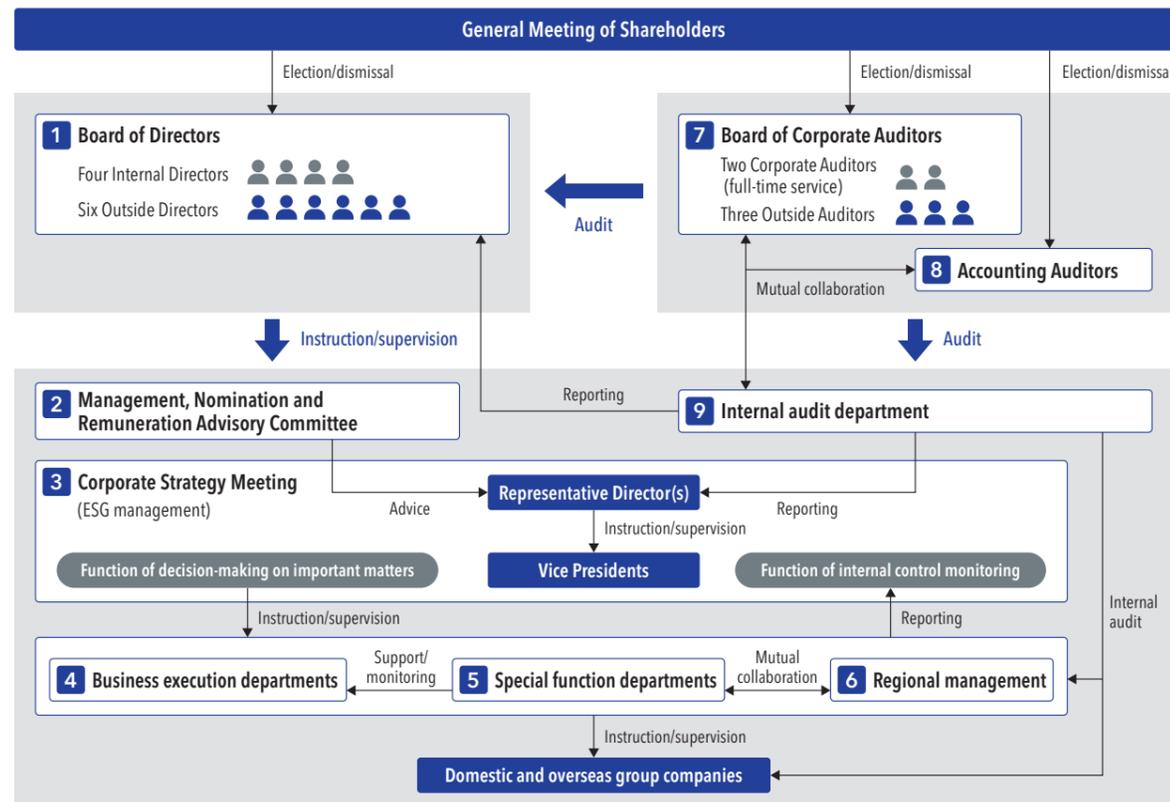
* CEO: Chief Executive Officer, COO: Chief Operating Officer, CTO: Chief Technology Officer, CFO: Chief Financial Officer, CIO: Chief Information Officer, CSO: Chief Sustainability Officer, CPO: Chief Procurement Officer

Corporate Governance System

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

corporate governance to realize a better management system. As part of this initiative, we revised the Basic Policy of Internal Control to start a new corporate governance structure on April 1, 2021.

Corporate Governance System*



*The corporate governance structure has remained unchanged since April 1, 2021, but the diagram has been updated for greater ease of viewing.

Institution	Roles, etc.
1 Board of Directors [Chairperson] Hideo Takasaki, President-Director	[Composition] Four (4) Internal Directors and six (6) Outside Directors (ten (10) in total) · Decision-making on important matters such as basic policies and strategic management decisions, including management policy, mid-term management plan, and ESG management · Supervision of business execution by Representative Directors, Vice Presidents, etc. · Establishment of internal controls and supervision of its operational status · Decision-making on other legal resolutions
2 Management, Nomination and Remuneration Advisory Committee [Chairperson] Hideo Takasaki, President-Director	[Composition] Two (2) Representative Directors, six (6) Outside Directors, three (3) Outside Corporate Auditors (eleven (11) in total) · Voluntary advisory committee · A structure where Representative Director receives appropriate engagement and advice from Outside Directors and Outside Corporate Auditors in advance and important matters are deliberated at the Board of Directors thereafter · Advice on important issues including important management themes, nomination of Directors, and executive remuneration
3 Corporate Strategy Meeting [Chairperson] Hideo Takasaki, President-Director	[Composition] Twenty-six (26) Directors and Vice Presidents (including those concurrently serving as Directors; twenty-seven (27) in total) · Decision-making on important management matters · Discussion and decision-making on measures to promote ESG management · Internal control monitoring and decision-making on corrective measures
4 Business execution departments	· Execution of business delegated by the Representative Director(s) · Decision-making on important business operations through meetings hosted by the business execution departments (chaired by the Head of said department).
5 Special function departments	· Support for business execution departments from a professional perspective by special function departments organized by function, such as management strategy, human resources, accounting and finance, etc. · Control and monitor compliance of business execution departments through the formulation of rules and regulations, etc.
6 Regional management	· Established in major overseas regions (Americas, EMEA, China, Korea, Taiwan, South Asia/India/Oceania) · Support, control and monitoring based on the characteristics of each region, implemented in cooperation with special function departments
7 Board of Corporate Auditors [Chairperson] Masami Kanzaki, Corporate Auditor (full-time service)	[Composition] Two (2) Corporate Auditors (full-time service) and three (3) Outside Auditors (five (5) Auditors in total) · Monitoring of directors' execution of duties through attendance at Board of Directors meetings · Attendance at important meetings, interviews with Directors and employees on the status of their activities, inspection of approved documents and other important documents, inspection of the head office, technology and business divisions and offices, and domestic and overseas group companies, as well as interviews with the Accounting Auditors on their audit reports and exchanges of opinions.
8 Accounting Auditors	KPMG AZSA LLC · Audit of appropriateness and legality of accounting and internal control over accounting
9 Internal audit department	· Internal audits of the accuracy, legitimacy, and reasonableness of management activities at each Group company for the purpose of contributing to the improvement of operations and business performance, independent of the execution of those activities. · Internal audits include QES audits for quality, environment, and safety, and external evaluations on a regular basis.

System for Ensuring the Effectiveness of Internal Control Monitoring

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

System for Ensuring the Effectiveness of ESG Management Promotion

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

Findings on the Nitto Board Effectiveness Evaluation

Please find below an executive summary of the findings of the fiscal 2021 effectiveness analysis/evaluation of Board of Directors of Nitto Denko Corporation. The analysis/evaluation was conducted based on Japan's Corporate Governance Code stipulated by Tokyo Stock Exchange, Inc.

1. Analysis/evaluation method

As was in the last year, Nitto's Board of Directors analyzed and evaluated the effectiveness of the Board based on the results of a survey conducted by a third-party organization, which were discussed at the Board.

2. Categories of the survey questions

• Board composition	3 questions
• Operation of the Board	8 questions
• Risk management	3 questions
• Discussions at the Board of Directors meetings	9 questions
• Monitoring function of the Board	3 questions
• Training for Directors and Corporate Auditors	2 questions
• Dialogues with shareholders	2 questions
• Efforts by individual Directors and Corporate Auditors	7 questions
• Overview	3 questions
Total of 40 questions	

3. Overview of the analysis/evaluation results

1) Conclusions

It has been 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 that used a five-point scale for each question. The respondents chose "Appropriate" or "Largely appropriate" for many of the questions (93% of the entire survey). In particular, as in the last year, the survey confirmed that open discussions took place at the Board of Directors meetings among the Board members including Outside Directors and Outside Corporate Auditors and that the agenda items and deliberation times were generally appropriate.

With respect to the creation of a Group-wide internal control system and the supervision of its operational status, which had been recognized as a challenge in the last year, the Basic Policy on Internal Control has been revised and a structure has been put in place, which enables special function departments and regional headquarters to collaborate with each other to compile risk information and the Board and the Corporate Strategy Meeting to receive regular reports. In addition, robust discussions also took place on human resource development, resulting in the establishment of a new Basic Policy on Human Resource Management.

As its challenges in the current fiscal year, the Board recognizes that it needs to have more in-depth discussions on human resource strategy and take actions on the skill matrix. In addition, opinions were expressed on the promotion of ESG management as in the last year.

4. Future action

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

Topics discussed at Board of Directors meetings in fiscal 2021

Management	<ul style="list-style-type: none"> - Formulation of the Mid-term Management Plan - Formulation of the policy on compensation for Directors and Corporate Auditors - Revision in the Basic Policy on Internal Control - Formulation of and revision in the Basic Policy on Sustainability and other basic policies - Measures against climate change - Visualization of products contributing to the environment/human life
Monitoring	<ul style="list-style-type: none"> - Verification of the implementation status of internal control
Other	<ul style="list-style-type: none"> - Cross-shareholdings - Dialogue with investors

Major consultations and deliberations discussed in the Management, Nomination and Remuneration Advisory Committee during fiscal 2021

Management	<ul style="list-style-type: none"> - Operation and DX of the General Meeting of Shareholders - How to achieve dialogue with shareholders by Outside Directors/Corporate Auditors
Nomination	<ul style="list-style-type: none"> - Candidates for Board members - Efforts to increase the number of female managers
Remuneration	<ul style="list-style-type: none"> - Confirmation of executive compensation structure - Addition of ESG items to executive compensation

Compensation for Directors and Corporate Auditors

Compensation for Directors consists of "compensation in cash" (fixed compensation), "bonus for Directors in cash" (short-term performance-linked compensation), "performance-linked share-based remuneration" (medium-term performance-linked compensation), and "restricted share remuneration" (medium- and long-term performance-linked compensation). For the purpose of standard evaluation, the target component ratio of remuneration is: Compensation in cash: Bonus for Directors : Restricted share remuneration = 40% : 40% : 20%. Performance-linked share-based remuneration is provided as additional remuneration when medium-term targets are achieved, but not provided for a standard evaluation.

Outside Directors and Outside Corporate Auditors receive "compensation in cash" (fixed compensation) only on a monthly basis.

The policy related to the standard amount, calculation method, component ratio among different types of compensations, timing or conditions of payment, etc. for the remuneration of each Director shall be decided by the Board of Directors, by comprehensively taking into account such factors as the Company's business conditions, management environment, the levels of remuneration to officers at major companies of a similar scale in the same industry as the Company, after receiving a report on the results of deliberations by the Management, Nomination and Remuneration Advisory Committee. The details are as follows:

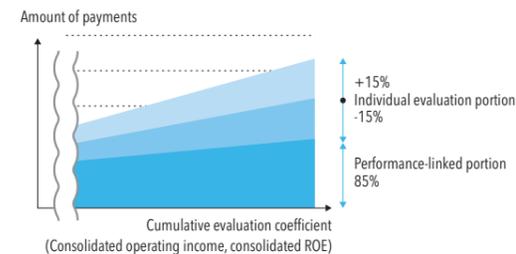
Compensation in cash

Monthly compensation as determined by position, etc.

Bonus for Directors in cash

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

Breakdown of Bonus for Directors



Performance-linked share-based remuneration

This additional compensation is designed to incentivize Directors to improve business performance over the mid-term, and share-based remuneration is granted once every three consecutive business terms. The number of shares to be granted ranges from 50% to 150% and depends on the progress made toward achieving the key performance indicators of consolidated operating income, consolidated ROE, and ESG-related items (CO2 emissions reduction, status of efforts to increase the proportion of women employees in management positions, etc.)

* ESG-related items have been added to the list of key performance indicators since the beginning of fiscal 2022. Performance evaluation period: April 1, 2022-March 31, 2025

Table of shares issued

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

Restricted share remuneration

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

Position	Total amount of compensation, etc.	Compensation by type				Number of eligible Directors and Corporate Auditors
		Fixed compensation	Performance-linked compensation			
			Compensation in cash (cash)	Bonus paid to Directors (cash)	Bonus paid to Directors (cash)	
Directors (excluding Outside Directors)	609	198	330	-	80	4
Outside Directors	79	79	-	-	-	5
Corporate Auditors (excluding Outside Corporate Auditors)	67	67	-	-	-	2
Outside Corporate Auditors	44	44	-	-	-	3

Notes:

- The maximum amount of base remuneration and bonuses for directors was resolved at the 156th Ordinary General Meeting of Shareholders held on June 18, 2021 to be no more than 1 billion yen per year (including no more than 100 million yen for Outside Directors). As of the close of this Ordinary General Meeting of Shareholders, the number of Directors is nine (of which, five are Outside Directors). The maximum amount of basic remuneration for Corporate Auditors was resolved at the 156th Ordinary General Meeting of Shareholders held on June 18, 2021 to be no more than 144 million yen per year. The number of Corporate Auditors at the close of said Ordinary General Meeting of Shareholders is five.
- The above bonuses to Directors, excluding Outside Directors, are the amounts scheduled to be paid by resolution of the Board of Directors based on the resolution of the General Meeting of Shareholders as described in Note 1.
- The upper limits of the total value and the number of shares to be granted to Directors (excluding Outside Directors) in the form of performance-linked share-based remuneration were set at 364 million yen and 48,400 shares a year at the 153rd Ordinary General Meeting of Shareholders. The number of Directors at the close of the said Ordinary General Meeting of Shareholders was nine (of which, three were Outside Directors).
- The upper limit of the total value and the number of shares to be granted to Directors (excluding Outside Directors) in the form of restricted share remuneration were set at 243 million yen and 32,000 shares a year at the 153rd Ordinary General Meeting of Shareholders held on June 22, 2018. The number of Directors at the close of the said Ordinary General Meeting of Shareholders was nine (of which, three were Outside Directors).
- In accordance with the determination process, the Board of Directors has delegated the determination of the specific details of compensation in cash and bonuses for directors to Hideo Takasaki, President-Director based on a resolution of the Board of Directors.
- Consolidated operating income and consolidated ROE are adopted as indicators based on which bonuses for Directors and performance-linked share-based remuneration are calculated. For the fiscal year under review, the Company's consolidated operating income was 132,260 million yen and consolidated ROE 12.6%. There will be no payment of performance-linked share-based remuneration as the Company did not achieve its targets. Restricted share remuneration is linked to the market price of the Company's shares. There is nothing that needs to be disclosed in relation to its performance.
- Individual remuneration and so on granted to Directors and others for the fiscal year under review are (or will be) paid in accordance with the determination process. The Board of Directors considers that their details are in line with the Company's compensation policy.
- Salaries (including bonuses) of Directors concurrently serving as employees are separate from the above compensation, etc., but no employee salaries were paid in the fiscal year under review.

(1) Delivery standard stock

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

(2) Payment rate

		Consolidated ROE			
		Up to 12%	12%-less than 13%	13%-less than 14%	14% and above
Consolidated Operating Income	Up to 140 billion yen	0%			
	Above 140 billion yen-less than 175 billion yen	50%	80%	100%	
	175 billion yen and above	70%	100%	120%	
ESG-related items	After seeking opinions from the Management, Nomination and Remuneration Advisory Committee, the Board of Directors determines the payment rate, which ranges from 0% to 30%. If the payment rate in light of the standards on operating income and consolidated ROE is 0%, no payment will be made for ESG-related items.				

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

Risk Management

Basic Policy

At the Nitto Group, we gather information from business execution departments, regional management, and special function departments and analyze risk factors so that the management team may determine major risks for business activities. The list of such major risks undergoes periodic reviews.

Major risks are roughly classified in one of two categories: "Business Risks," which concerns risks associated with business, and "Operational Risks," which concerns other risks that can affect the Nitto Group overall.

Departments responsible for managing each class of major risk do so by establishing a system for managing and monitoring key risk indicators (KRIs) at all Group companies. Such initiatives are brought up for discussion at the monthly Corporate Strategy Meeting, which reports to the Board of Directors periodically as part of the Group-wide risk management.

→See details on Nitto's website
<https://www.nitto.com/jp/en/sustainability/governance/management/risk/>

Risk Management System

At the Nitto Group, we ensure that all sorts of risks are under proper management. In fiscal 2021, we appointed a vice president in charge of risk management and put the new risk management system into operation.

Previously, the Internal Control Committee, which is

managed by a group of limited members, was the Nitto Group's primary vehicle for risk management. Given the recognition that risk management is one of the overriding managerial issues for the Group, however, the Corporate Strategy Meeting, whose members include Directors and Vice Presidents, now serves as a vehicle to share information and deliberate on major risks on a monthly basis, thus increasing the effectiveness of internal control. (Please see the Diagram of Nitto's Corporate Governance System on page 61.)

Each relevant business execution department continues to be responsible for monitoring Business Risks. With regard to Operational Risks, under the new management system, special function departments that are responsible for managing such risks are specified, and the list of risk events to be managed and KRIs are selected (1. Plan), while our sites and Group companies around the world prepare documents on the control of said risks and perform their duties accordingly (2. Do). Special function departments responsible for managing such risks monitor the state of control of each risk at sites and Group companies and report/share risk information thus compiled at the monthly Corporate Strategy Meeting. Regional management, on the other hand, organizes risk information in their own region and assumes the responsibility for monitoring such risks (3. Check). The state of control of risks shared at the Corporate Strategy Meeting, details of deliberations, directions for improvement, opinions, or otherwise will be fed back from regional management or other parties to sites or other organizations across the globe, and each recipient of feedback voluntarily takes action for improvement (4. Action). By keeping this cycle going, we ensure that internal control is strengthened.

Compliance

Ensuring Strict Compliance / Compliance Promotion System

At the Nitto Group, the Nitto Group Business Conduct Guidelines have been the foundation, as well as the cornerstone, of compliance ever since they were established in 2006. Now available in 16 different languages, every member of the Group has a copy of these Guidelines and learns about them at training courses and other opportunities. The Guidelines are also uploaded on the corporate website to provide stakeholders with easy access to the document. Another document that is made available to the public in multiple languages is the Nitto Group Basic Policy on Human Rights, which was revised in 2018.

To promote compliance, we established the Compliance Promotion Department under the vice president for compliance, which is engaged in a variety of activities such as respect for human rights, as well as legal compliance, through cooperation with responsible persons at business sites and Group companies across the globe. Also, originally formed in 2004, the Human Rights Enlightenment Committee has been reorganized into the Human Rights, Labor Relations, and Corporate Ethics Council to give renewed emphasis to this cause.

Awareness and Educational Activities for Compliance

In fiscal 2021, we administered training on human rights, labor relations, and corporate ethics at Group companies in Japan with the following details. Starting from fiscal 2022, we will include foreign vice presidents in the candidate list for the global training program for newly-appointed vice presidents at Group companies.

No	Candidates	Periods	Times	Participant count
1	New hires*	From April 2021 (monthly)	12	Approximately 300
2	Those newly promoted to Associate Manager	November 2021	1	65
3	Those newly promoted to managerial positions	July 2021	1	90
4	New vice presidents at Group companies	May and August 2021 February 2022	3	14

* Any employment status. Including mid-career employees

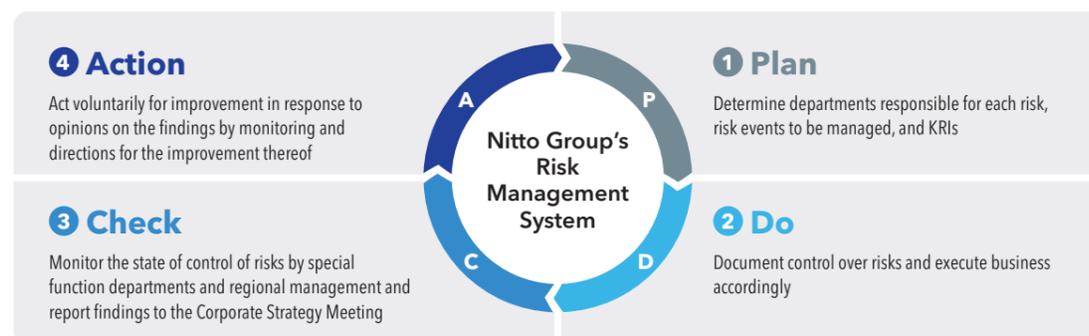
Activities to Ensure Transparency

The Nitto Group has established a system for monitoring the spread of compliance awareness in a transparent manner. We have introduced and operated a whistle-blowing system for employees of any employment status that allows them to file reports to both internal and external contacts. The Partner Hotline, as it is called, is also available for business partners, including those from subcontracting businesses and construction services. In fiscal 2021, a third-party whistle-blowing system was introduced in South Korea and European countries, which completed a global network of internal and external contacts for whistle-blowing across all countries and regions, including Japan, East Asia, South Asia, Europe, and the Americas.

Furthermore, these contacts keep whistle-blowers' privacy strictly confidential, and anonymous reports are allowed. Respondents handle the reports thus made in line with confidentiality obligations, and the operational rules of the system stipulate that whistle-blowers should never be treated unfairly and that no form of threat or reprisal against them should be tolerated. We are making aggressive efforts to make this system known to everyone in the Group by posting it on the Nitto Group intranet, and placing posters on company premises for those employees who do not have access to the Group intranet.

At the Human Rights, Labor Relations, and Corporate Ethics Council and elsewhere, we determine challenges and goals based on employee survey results and input from stakeholders, and, according to an annual action plan, are working to prevent, mitigate, and improve cases of non-compliance and human rights infringements. Towards the end of each fiscal year, we monitor and self-evaluate the efforts we have made over the course of the year to offer input on an action plan for the following fiscal year. In fiscal 2021, we followed this procedure at 14 sites (non-consolidated) and 18 Group companies in Japan. Going forward, we plan to expand the scope of this initiative to our Group companies outside of Japan.

PDCA for the risk management system



Messages from Outside Directors



Impressed by the High Effectiveness and Prompt Decisions/Actions Cultivated from Ample Experience in B2B and Customer-Oriented Approaches

Wong Lai Yong
Outside Director

**Presenting Concrete Designs of Focus Areas and Technology Innovation That Makes Them a Reality
Incubating New Businesses from All Types of "Connections" with People at the Core**

Michitaka Sawada
Outside Director



High effectiveness demonstrated by speed and performance

In a nutshell, I have been most impressed by how effective Nitto's Board of Directors and business are. Almost two years have passed since I took the office of outside director and what surprised me most was that discussions at Board meetings are instantly fed back on-site. In particular, once the management announced its commitment to "place ESG at the core of our management," a series of decisions and actions were taken at an astonishing speed. I can say that management leadership and great teamwork have led us to great performance.

The abilities to flexibly respond to and act in any situation—something that Nitto has fostered through its customer-oriented approaches in the B2B market—manifest themselves in the discussions at Board meetings and the implementation of the outcome of such discussions in business. I feel that this is what makes Nitto unique and competitive.

Making Climate Change Our Own Business, to Achieve Our Targets

Nitto's initiatives are unique in two respects: target setting and the discussion process.

To achieve carbon neutrality by fiscal 2050, Nitto has raised the bar and set a higher target for CO2 emissions reduction. To ensure that the target will be met, Nitto also made it clear to allocate 60.0 billion yen for environmental investment by fiscal

2030. This I believe shows Nitto's resolve and commitment to do its utmost in combating climate change through its business.

Its discussion process is also very unique. In setting the targets, we had discussions at the Green Committee, which is comprised of members from across the globe. They treated advice from me and other external specialists with respect and reached a conclusion after the most down-to-earth discussion process, which I appreciate very much. The fact that many "Nitto Persons" are directly involved in the process makes it natural for them to consider climate change as "their own business." As a result, we see initiatives on climate change in business strategies at different entities within the Nitto Group.

In Pursuit of Cognitive Diversity of the Entire Workforce

Besides attending monthly Board meetings, I take every opportunity available to have dialogue with employees. Because human resources is one area where I can leverage my expertise, I host lectures for employees, join *Kuruma-za* group discussions, and speak with employees in casual settings whenever possible.

If we are to harness the collective strength of our 28,000-strong workforce, we must include each and every Nitto Person. As a KPI for this cause, we have set the ratio of women in management, but this is a transitional period. I believe that our ultimate goal is to pursue "cognitive diversity" where every single employee is included.

Board of Directors Resolutely Backs ESG Initiatives Unique to Nitto

After I assumed the position of Outside Director at Nitto about a year ago, the Board of Directors has spent much time discussing ESG, which I think prompts employees at each department and on each shop floor to practice and internalize ESG initiatives. My understanding is that this is the case for individual initiatives that come from the bottom up and suddenly take on a concrete shape, stimulated by the discussions at the Board of Directors. In my opinion, the Board of Directors is similar to our parents. When an operating entity is hesitant, they give it a push or put the brakes on it if they think it goes too far. As far as ESG is concerned, a strong push was applied.

Every company needs something that makes it unique. And I think Nitto has two traits that set it apart from the rest. These are: an abundance of creative ideas inspired by curiosity and the will to take up a challenge induced by enthusiastic desire. With the addition of a multiplier coefficient of "speed," Nitto is made to be resilient.

With this understanding of Nitto's unique disposition, I intend to fulfill my duties as Director and get involved in Nitto's management in a responsible manner.

How We Perceive the Concept of Human Life Will Be Key

At one Board meeting, I had an opportunity to share my idea that the concept of "human life" is a very broad one and

that how we perceive and define the concept will be the key. In other words, in what domains can we leverage our technology and strengths the most, how can we lead technology to an exit, how can we create new business models, etc. It's so important to redesign all of this. If we can design a new "human life" business with technological innovation that is conceived from connections among people, between people and society, and between people and planet Earth, I would imagine that we can give rise to new businesses that benefit ESG and that we will eventually see the "entrance" and "exit points" open wider.

Ensuring Mid-/Long-Term Business Growth with PlanetFlags/HumanFlags

"Placing ESG at the core of our management" is crucially important for any business to ensure their sustainability. To make that happen, it takes a good understanding of and practice by management, as well as employees and those in the field. In other words, we need to incorporate ESG into our work and put it in our own agenda.

In this sense, I cannot praise enough Nitto's PlanetFlags/HumanFlags (products contributing to the environment/human life), as they urge employees to deepen their understanding of ESG management and to own it. At the same time, I believe that it is important for Nitto to remain consistent in this regard, that is, all offerings from Nitto, whether or not they are certified as such in light of the most stringent criteria, are equally ESG-conscious.

Business Results: 10-Year Summary

	Japanese GAAP					IFRS					IFRS	
	2012	2013	2013	2014	2015	2016	2017	2018	2019	2020	2021	2021
Statement of income (Yen in Millions)												
Revenue	671,253	749,835	749,504	825,243	793,054	767,710	857,376	806,495	741,018	761,321	853,448	7,635,069
Operating income (ratio to revenue)	68,482(10.2%)	72,254(9.6%)	72,503(9.7%)	106,734(12.9%)	102,397(12.9%)	92,589(12.1%)	125,722(14.7%)	92,777(11.5%)	69,733(9.4%)	93,809(12.3%)	132,260(15.5%)	1,183,217(-)
Income before income taxes	63,265	69,641	70,642	105,947	101,996	91,791	126,168	91,910	69,013	93,320	132,378	1,184,273
Net income	44,198	51,306	52,188	78,028	81,989	63,690	87,463	66,616	47,224	70,308	97,234	869,869
Net income attributable to owners of the parent company (ratio to revenue)	43,696(6.5%)	51,018(6.8%)	51,892(6.9%)	77,876(9.4%)	81,683(10.3%)	63,453(8.3%)	87,377(10.2%)	66,560(8.3%)	47,156(6.4%)	70,235(9.2%)	97,132(11.4%)	868,957(-)
Total comprehensive income	70,945	72,415	72,518	108,098	44,552	63,344	83,907	62,060	35,359	89,796	136,323	1,219,565
Cash flows from operating activities	68,152	78,286	78,444	119,481	140,658	119,939	122,551	98,569	123,641	116,309	144,489	1,292,619
Cash flows from investing activities	-56,269	-15,735	-15,893	-53,857	-57,085	-49,739	-50,215	-49,955	-59,991	-57,538	-57,594	-515,244
Cash flows from financing activities	-14,822	-18,131	-18,131	-68,966	-44,902	-28,884	-44,919	-58,419	-51,637	-68,297	-36,639	-327,778
Cash and cash equivalents at the end of period	152,275	203,446	203,446	214,559	240,891	280,343	304,709	297,682	304,922	300,888	362,046	3,238,916
Segment information by geographic area (Yen in Millions)												
Japan	Revenue	192,600	186,320	185,990	189,779	186,979	200,556	194,087	166,419	173,918	195,642	1,750,242
	Operating income	44,338	43,263	44,112	70,322	51,979	75,982	53,545	51,149	54,526	75,205	672,795
Americas	Revenue	40,014	52,085	52,085	59,451	80,123	82,568	75,967	66,659	58,425	83,334	745,518
	Operating income	1,768	1,198	1,373	-1,725	16,570	12,225	7,928	2,429	2,162	9,897	88,540
Europe	Revenue	31,057	38,834	38,834	43,041	40,521	45,578	45,683	40,402	38,806	42,127	376,874
	Operating income	898	3,104	3,025	2,729	3,727	4,218	3,071	-1,460	3,580	3,064	27,411
Asia & Oceania	Revenue	411,942	472,594	472,594	532,971	460,085	528,672	490,757	467,536	490,172	532,344	4,762,426
	Operating income	20,258	22,158	23,874	36,573	22,905	32,793	26,065	21,419	34,659	47,586	425,711
Per share information (Yen)												
Equity attributable to owners of the parent company per share	2,961.9	3,172.0	3,159.9	3,706.0	3,785.9	4,027.6	4,328.5	4,465.7	4,479.3	4,838.1	5,548.1	49.63
Basic earnings per share	265.5	309.3	314.6	471.8	495.2	390.9	539.0	423.5	301.3	472.7	656.3	5.87
Diluted earnings per share	264.9	308.6	313.9	470.9	494.6	390.5	538.4	423.1	301.1	472.4	656.0	5.87
Price earnings ratio	20.9	16.0	15.7	17.0	12.6	22.0	14.8	13.7	16.0	20.0	13.4	-
Dividends per share (Dividend payout ratio (Consolidated))	100(37.7)	100(32.3)	100(31.8)	120(25.4)	140(28.3)	150(38.4)	160(29.7)	180(42.5)	200(66.4)	200(42.3)	220.0(33.5)	1.97(-)
Shares outstanding (thousands)	173,758	173,758	173,758	173,758	173,758	173,758	173,758	158,758	158,758	149,758	149,758	-
Number of treasury stock at the end of the period (thousands)	8,938	8,756	8,756	8,614	11,465	11,434	13,592	1,908	4,839	1,792	1,744	-
Average number of outstanding shares during the period (cumulative from the beginning of the period) (thousands)	164,595	164,950	164,950	165,079	164,940	162,311	162,112	157,165	156,501	148,580	147,996	-
Number of shareholders	49,234	55,009	55,009	35,014	37,694	29,742	35,847	37,684	36,871	28,456	28,802	-
(Yen in Millions)												
Total assets	740,949	781,352	783,583	855,433	825,905	879,899	937,796	913,418	921,900	965,901	1,094,469	9,791,278
Equity attributable to owners of the parent company	488,179	523,391	521,385	612,016	614,425	653,772	693,278	700,443	689,446	715,868	821,192	7,346,502
Ratio of profit attributable to owners of the parent company to total assets (ROA)	6.3%	6.7%	6.8%	9.5%	9.7%	7.4%	9.6%	7.2%	5.1%	7.4%	9.4%	-
Return on equity attributable to owners of the parent company (ROE)	9.5%	10.1%	10.5%	13.7%	13.3%	10.0%	13.0%	9.6%	6.8%	10.0%	12.6%	-
Ratio of equity attributable to owners of the parent company to total assets	65.9%	67.0%	66.5%	71.5%	74.4%	74.3%	73.9%	76.7%	74.8%	74.1%	75.0%	-
Capital investment	49,807	75,814	75,814	56,721	60,420	36,538	47,193	64,353	58,930	50,597	56,496	505,421
Depreciation cost	36,467	43,188	43,223	45,662	48,537	48,556	49,283	45,904	49,390	47,950	50,211	449,195
R&D expenses	27,573	28,573	28,444	28,240	32,120	30,366	31,243	31,990	33,765	35,261	37,271	333,432
Number of employees (Note 1)	30,382	31,504	31,504	31,997	30,007	29,617	29,704	29,019	28,751	28,289	28,438	-

<Note>

1. Part-time employees are included.

2. The exchange rate used was JPY111.78 to USD1.00, which was the rate as at March 31, 2022.

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

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

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

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

Consolidated Financial Statements

Consolidated Statements of Financial Position (Yen in Millions)

	Amount			Amount	
	March 31, 2022	March 31, 2021		March 31, 2022	March 31, 2021
(Assets)			(Liabilities)		
Current assets	722,738	610,017	Current liabilities	208,489	182,783
Cash and cash equivalents	362,046	300,888	Trade and other payables	102,798	100,790
Trade and other receivables	206,084	182,939	Bonds and borrowings	241	545
Inventories	128,318	107,668	Income tax payables	18,138	11,225
Other financial assets	4,939	1,399	Other financial liabilities	19,979	22,834
Other current assets	21,349	17,121	Other current liabilities	67,330	47,387
Non-current assets	371,730	355,884	Non-current liabilities	63,873	66,431
Property, plant and equipment	286,949	270,813	Other financial liabilities	16,941	17,161
Right-of-use assets	13,681	14,979	Defined benefit liabilities	44,125	46,754
Goodwill	4,809	4,593	Deferred tax liabilities	326	347
Intangible assets	13,707	13,620	Other non-current liabilities	2,480	2,167
Investments accounted for using equity method	547	392	Total liabilities	272,363	249,214
Financial assets	12,131	10,856	(Equity)		
Deferred tax assets	24,131	25,951	Equity attributable to owners of the parent company	821,192	715,868
Other non-current assets	15,772	14,676	Share capital	26,783	26,783
Total assets	1,094,469	965,901	Capital surplus	49,992	50,070
			Retained earnings	705,910	635,916
			Treasury stock	-9,771	-10,039
			Other components of equity	48,276	13,136
			Non-controlling interests	913	817
			Total equity	822,105	716,686
			Total liabilities and equity	1,094,469	965,901

Consolidated Statements of Changes in Equity (Yen in Millions)

	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total	Non-controlling interests	Total equity
Balance as of April 1, 2021	26,783	50,070	635,916	-10,039	13,136	715,868	817	716,686
Net income			97,132			97,132	102	97,234
Other comprehensive income					39,075	39,075	12	39,088
Total comprehensive income	-	-	97,132	-	39,075	136,207	115	136,323
Share-based payment transactions		-132			3	-128		-128
Dividends			-31,076			-31,076	-20	-31,097
Changes in treasury stock		54		267		322		322
Transfer from other components of equity to retained earnings			3,937		-3,937	-		-
Total transactions with owners	-	-77	-27,138	267	-3,934	-30,883	-20	-30,903
Balance as of March 31, 2022	26,783	49,992	705,910	-9,771	48,276	821,192	913	822,105

Consolidated Statements of Income (Yen in Millions)

	Amount	
	Fiscal 2021 (April 1, 2021 through March 31, 2022)	Fiscal 2020 (April 1, 2020 through March 31, 2021)
Revenue	853,448	761,321
Cost of sales	551,059	517,872
Gross profit	302,388	243,449
Selling, general and administrative expenses	129,625	107,722
Research and development expenses	37,271	35,261
Other income	6,707	4,466
Other expenses	9,938	11,122
Operating income	132,260	93,809
Financial income	1,459	559
Financial expenses	1,384	1,073
Equity in profits (losses) of affiliates	42	25
Income before income taxes	132,378	93,320
Income tax expenses	35,143	23,012
Net income	97,234	70,308
Net income attributable to:		
Owners of the parent company	97,132	70,235
Non-controlling interests Total	102	72

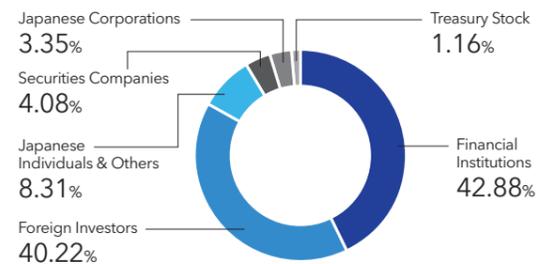
Consolidated Statements of Cash Flows (Yen in Millions)

	Amount	
	Fiscal 2021 (April 1, 2021 through March 31, 2022)	Fiscal 2020 (April 1, 2020 through March 31, 2021)
I Cash flows from operating activities		
Income before income taxes	132,378	93,320
Depreciation and amortization	50,211	47,950
Impairment losses	5,986	6,011
Increase (decrease) in defined benefit liabilities	691	1,878
Decrease (increase) in trade and other receivables	-10,118	-21,058
Decrease (increase) in inventories	-14,000	-7,607
Increase (decrease) in trade and other payables	440	9,234
Increase (decrease) in advances received	13,897	3,560
Interest and dividend income	569	587
Interest expenses paid	-535	-617
Income taxes (paid) refunded	-30,445	-24,560
Others	-4,587	7,610
Net cash provided by (used in) operating activities	144,489	116,309
II Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-58,958	-57,724
Proceeds from sale of property, plant and equipment and intangible assets	881	341
Decrease (increase) in time deposits	-398	769
Purchase of investment securities	-596	-507
Proceeds from sale of investment securities	764	292
Purchase of shares of subsidiaries and associates	-269	-880
Others	982	170
Net cash provided by (used in) investing activities	-57,594	-57,538
III Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-315	428
Repayment of finance lease obligations	-5,228	-5,199
Decrease (increase) in treasury stock	-0	-33,312
Cash dividends paid	-31,076	-30,188
Others	-18	-25
Net cash provided by (used in) financing activities	-36,639	-68,297
IV Effect of exchange rate changes on cash and cash equivalents	10,901	5,492
V Net increase (decrease) in cash and cash equivalents	61,157	-4,034
VI Cash and cash equivalents at the beginning of the period	300,888	304,922
VII Cash and cash equivalents at the end of the period	362,046	300,888

Shareholder/Stock Information (as of March 31, 2022)

Number of shares authorized to be issued	400,000,000 shares
Number of shares issued	149,758,428 shares <small>(Amount of treasury stock held 1,744,778 shares)</small>
Number of shareholders	28,802
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)	39,429	26.64
CUSTODY BANK OF JAPAN (TRUST ACCOUNT)	12,572	8.49
STATE STREET BANK AND TRUST COMPANY 505223	4,225	2.85
CUSTODY BANK OF JAPAN (SECURITIES INVESTMENT TRUST ACCOUNT)	2,860	1.93
STATE STREET BANK WEST CLIENT - TREATY 505234	2,527	1.71
STATE STREET BANK AND TRUST COMPANY 505025	2,199	1.49
NIPPON LIFE INSURANCE COMPANY	2,082	1.41
JP MORGAN CHASE BANK 385781	1,904	1.29
STATE STREET BANK AND TRUST COMPANY 505103	1,844	1.25
SSBTC CLIENT OMNIBUS ACCOUNT	1,829	1.24

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

IR Activities

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

	The 154th meeting (held on June 21, 2019)	The 155th meeting (held on June 19, 2020)	The 156th meeting (held on June 18, 2021)	The 157th meeting (held on June 17, 2022)
Number of attendees at the Ordinary General Meeting of Shareholders	467	40	27	75

* The 157th Ordinary General Meeting of Shareholders was held with due cautions given to COVID-19.



The 157th Ordinary General Meeting of Shareholders

Events	Target Audiences	Frequency (per year)
Company information meetings	Japanese/overseas institutional investors	2
Financial results information meetings	Japanese institutional investors / analysts	4
Overseas roadshows	Institutional investors in North America, Europe, and Asia	2
Conferences, etc. sponsored by securities houses	Japanese/overseas institutional investors	8
Information meetings for private investors	Private investors	1

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

Report on Nitto's Global Community Services

As part of Nitto's activities in sponsoring the Nitto ATP Finals, the season finale of the ATP Tour, which were held from Sunday, November 14 to Sunday, November 21, 2021, in Torino, Italy, we organized a social contribution program.

In cooperation with U.G.I., a Torino-based group supporting childhood cancer patients, we invited the children and families they support to watch world-class tennis players compete for the championship.



Children invited to see the games

Disclaimer

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

Business Performance and Financial Information

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

Trademarks

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

Environmental Data

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

ESG Indexes

In 2022, Nitto was selected as a constituent of the MSCI ESG Leaders Indexes, the MSCI Japan ESG Select Leaders Index and the MSCI Japan Empowering Women Index (WIN).



The inclusion of NITTO DENKO CORPORATION in any MSCI index, and the use of MSCI logos, trademarks, service marks or index names herein, do not constitute a sponsorship, endorsement or promotion of NITTO DENKO CORPORATION by MSCI or any of its affiliates. The MSCI indexes are the exclusive property of MSCI. MSCI and the MSCI index names and logos are trademarks or service marks of MSCI or its affiliates.

Nitto Group Integrated Report 2022

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

Date of Issue: July 29, 2022

Publishing Office:

ESG Department, Nitto Denko Corporation
1-1-2, Shimohozumi, Ibaraki, Osaka, 567-8680, Japan
Tel: +81-72-622-2981
Fax: +81-72-621-0567

Person in Charge of Issue:

Norikane Nabata
Vice President, CSO
General Manager of the Corporate Sustainability Division

Printing and Binding:

Nitto Denko Himawari Co., Ltd.

Nitto

Innovation for Customers

Nitto Denko Corporation

33rd Floor, Tower A, Grand Front Osaka 4-20, Ofuka-cho, Kita-ku, Osaka, 530-0011 Japan

TEL +81-6-7632-2101 FAX +81-6-7632-2102 <https://www.nitto.com/jp/en/>

CATALOG CODE:01500 Issued in July 2022