

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

Dedicated to Building a Robust Business Portfolio and ROIC Management to Further Enhance Corporate Value

We remain committed to improving ROIC and ROE by transforming our business portfolio through proactive growth investments and accelerating restructuring efforts, while also pursuing business opportunities with high profitability through the Niche Top Strategy and other means.

Yasuhiro Iseyama

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



Both Revenue and Operating Profit Hit Record-Highs in Fiscal 2024

In fiscal 2024, the second year of our mid-term management plan, "Nitto for Everyone 2025," revenue was 1,013.9 billion yen, a 10.8% increase from the previous fiscal year. Operating profit reached 185.7 billion yen, up 33.4% from the previous fiscal year, while net profit attributable to owners of the parent company was 137.2 billion yen, a 33.7% rise from the previous fiscal year. Revenue surpassed 1.0 trillion yen for the first time, and operating profit reached a record high. The operating margin, a key financial indicator for the Nitto Group, increased by 3.1 percentage points from the previous fiscal year to 18.4%, while ROE improved by 2.6 percentage points to 13.5%.

The key drivers behind the business performance, starting with the Optronics segment, include strong production in IT devices and growing demand for optical films and related products. Notably, automotive displays have seen both an expansion in size and increase in the number of installations. CISFLEX™ was another major contributor, as increased demand for storage used in data center and Hard Disk Drives (HDDs) with higher capacity positively impacted our performance. In the Industrial Tape segment, our new offering of battery bonding electrical release tape for high-end smartphones boosted overall growth.

In fiscal 2025, the business environment in which we find ourselves looks set to be increasingly uncertain, with the risk of final demand declining as product costs rise due to mutual tariff impositions by the U.S. government. This is further exacerbated by the appreciation of

the yen, following the narrowing of interest rate differentials between Japan and the U.S. Despite these challenges, we expect demand for our products and services to grow. Adoption of our battery bonding electrical release tape is expanding across more models, and large-scale projects within our oligonucleotide contract manufacturing business are progressing toward commercialization. Looking ahead to fiscal 2026 and beyond, for high-end smartphones, we anticipate the expansion of a new application for high-precision circuits, along with a phased rollout of new products for foldable devices. Also, in the domain of contribution to the environment, we plan to launch products such as CO₂ separation membranes. In response to these developments, we remain committed to making targeted investments in domains with strong growth potential.

Efforts to Enhance ROE

The Nitto Group prioritizes sustainable growth by focusing on improving margins and capital turnover rather than relying on financial leverage for short-term ROE gains. As part of our efforts, we are focusing on maintaining high margins and strengthening our business portfolio through strategies such as the Niche Top Strategy.

Maintaining High Margins

Guided mainly by the Niche Top Strategy, the Nitto Group has set clear targets for operating profit and operating margin in the mid-term management plan, maintaining a strong focus on achieving higher profitability. The Niche Top Strategy is a differentiation strategy that we aim for the No.1 market share based on our technological advantages and solid relationships with customers. This strategy helps us win a steady flow of orders at fair prices, which in turn maintains high margins.

As each market gradually matures, however, market prices and profit margins will inevitably begin to decline. With this in mind, we continuously monitor the market environment for each business segment, allowing us to make informed decisions based on each product's life cycle and to sustain profitability. For instance, while proactively allocating a wide range of Group resources to growth businesses, we intentionally restrain investments and fixed costs for businesses that have entered a mature phase with limited growth prospects. In such cases, we may opt to consolidate product lines or pursue structural reforms within the organization. For businesses that have become so commoditized that they no longer offer a competitive edge, on the other hand, we consider converting them

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into royalty-based ventures through outlicensing. Alternatively, we may choose to transfer or divest them, prioritizing profit margins.

Strengthening Business Portfolio

Buoyed by a strong market, the Optronics segment currently represents a significant share of Nitto's business portfolio. While this segment is expected to continue growing, it is easily influenced by external factors, making it highly volatile and underscoring the need to stabilize and diversify the overall portfolio. In more concrete terms, we are working to enhance the resilience of our business structure by strengthening the Human Life segment, with the aim of boosting operating profit over the mid- to long-term and achieving a more balanced contribution from each business segment. Within this segment, we are placing particular emphasis on expanding the oligonucleotide contract manufacturing business. In recent years, we have been ramping up production capacity at our plant in Massachusetts, United States, and we plan to further scale up output of oligonucleotide materials in fiscal 2025. Although the heavy burden of fixed costs continues to limit this segment's profitability at present, we are confident that, by capitalizing on market growth, we can develop it into a sustainable and robust source of earnings over time.

To drive business portfolio transformation, we are committed to aggressively pursuing opportunities for capital investments in growth markets. For capital investments, including investments in decarbonization, we have made significant progress, investing 83.4 billion yen in fiscal 2023 and 93.0 billion yen in fiscal 2024. We plan to invest 120.0 billion yen in fiscal 2025, bringing the three-year total to be around 300.0 billion yen, which is in line with the ongoing mid-term management plan. Going forward, we will remain committed to achieving sustainable growth by investing in growth businesses, enhancing productivity, reducing environmental impact, and strengthening BCP.

We do not use a Group-wide approach to measuring returns on investment. Instead, we assess returns on a case-by-case basis, reflecting the unique market characteristics of each segment. In the Optronics segment, where the business environment is highly volatile, we emphasize quick returns. By contrast, in the Industrial Tape and Human Life segments, we capitalize on their relatively stable market characteristics to ensure that investments are recouped steadily within a reasonable timeframe.

For M&A opportunities, we have set aside 150.0 billion yen under the current mid-term management plan. However, we remain flexible

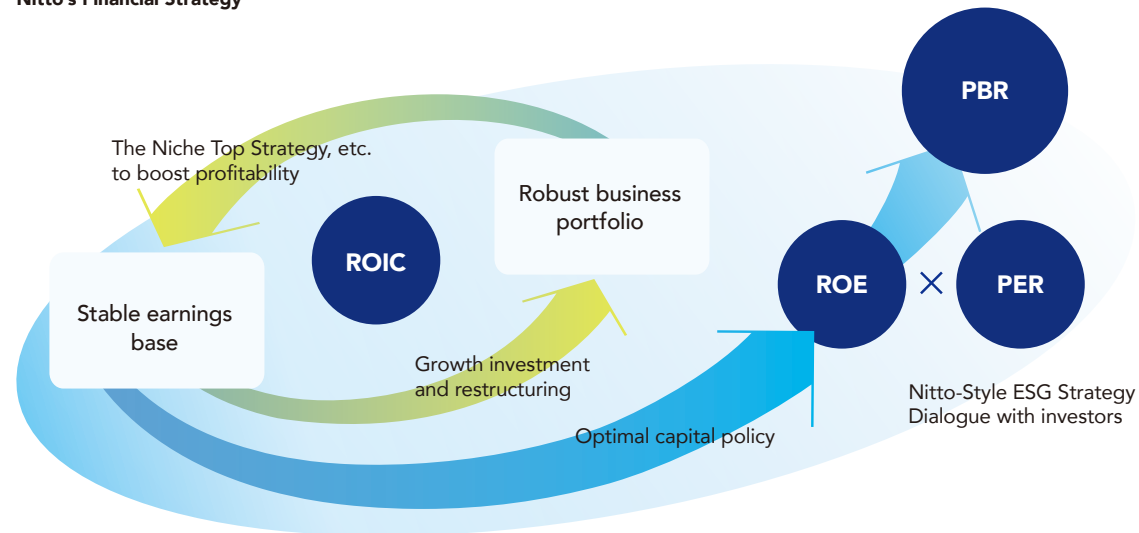
and will pursue additional opportunities that create synergies with Nitto's technologies or contribute to Nitto's growth, regardless of this quota.

Progress/Evolution of ROIC Management

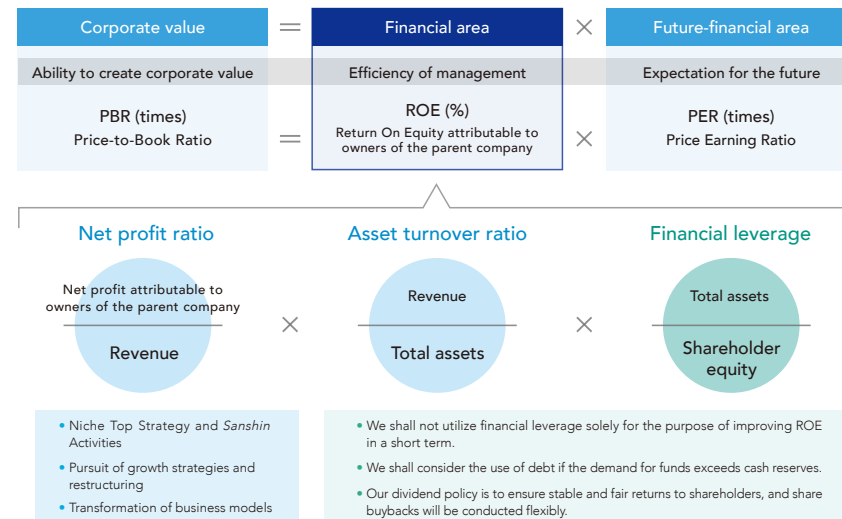
To enhance capital efficiency at each business division, we use ROIC as an internal KPI for business management. Each year during the annual budgeting process, we set a target ROIC and monitor its performance quarterly to identify areas for improvement, thus following the PDCA cycle. We also establish the weighted average cost of capital (WACC) for each business to set a hurdle rate for ROIC, enabling management by objectives aligned with stakeholder expectations.

To increase ROIC, it is vital for each senior executive to deepen their understanding, appropriately evaluate initiatives that contribute to higher ROIC, and help embed that awareness across frontline employees. To make this happen, I meet periodically with all senior executives to explain the importance of ROIC, share our latest analysis, and encourage deeper exploration of business-specific challenges. Furthermore, each business sector's accounting team

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Our Approach to Improve ROE



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takes the lead in promoting finance education aimed at raising ROIC awareness and embedding these initiatives into day-to-day operations.

It is also necessary for each business sector to conduct a detailed analysis of diverse data across the Group, formulate effective measures, and make timely decisions. With traditional means, however, accounting personnel were burdened with the heavy workload of collecting and processing data, which left them focused on number-crunching instead of identifying high-value-added issues or developing follow-up actions.

To address this challenge, in fiscal 2024, we launched a new initiative in the business management of Optronics segment: As part of our data-driven management approach, we introduced an enterprise resource planning (ERP) system to our Group companies outside of Japan to enable prompt collection and analysis of highly accurate data. After evaluating the results of this initiative, we plan to extend it to other business sectors, thereby advancing our ROIC management across the entire Group.

Dividend Hike and Share Buybacks to Elevate Shareholder Returns

Our shareholder return policy emphasizes consistent and stable dividend payments, promoting long-term ownership. Believing it appropriate to indicate the dividend-to-capital ratio from a long-term perspective, we aim to maintain a DOE of 4% or higher. Should our profits decline, we strive to avoid reducing dividends, focusing instead on continued dividend growth. In line with this stance, we have increased dividend payments for the last four consecutive years.

Starting in fiscal 2025, we have set a target of achieving a “total payout ratio of 60% or higher over the mid- and long-term,” factoring in our cash and financial positions after allocating capital for growth investments. We also conduct share buybacks when we have excess financial capacity, determined by our year-end cash position and progress in our investment plans. In recent years, we have acquired our treasury shares for three consecutive years since fiscal 2022. With our enhanced ability to generate operating cash flow, we announced in January 2025 a new maximum share

repurchase amount of 80.0 billion yen, which is the highest ever for Nitto.

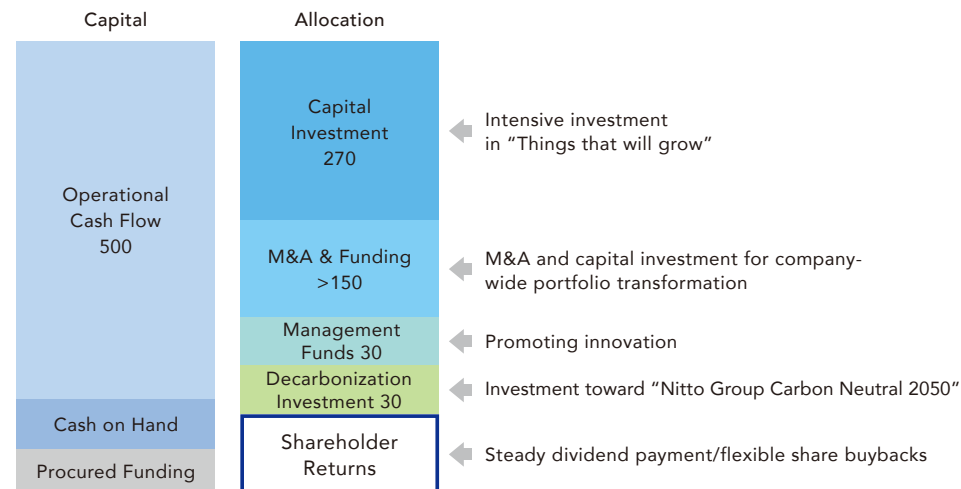
Pursuant to the basic polity on the possession and cancellation of treasury shares, which reads, “The Company’s treasury shares that have been repurchased will continue to be held on the condition that their specific uses have been clearly defined (e.g., remuneration for Directors), and cancellation will be considered for any shares exceeding the required amount,” we have canceled a portion of our treasury shares in July 2024.

Dedicated to Enhancing the Nitto Group’s Corporate Value

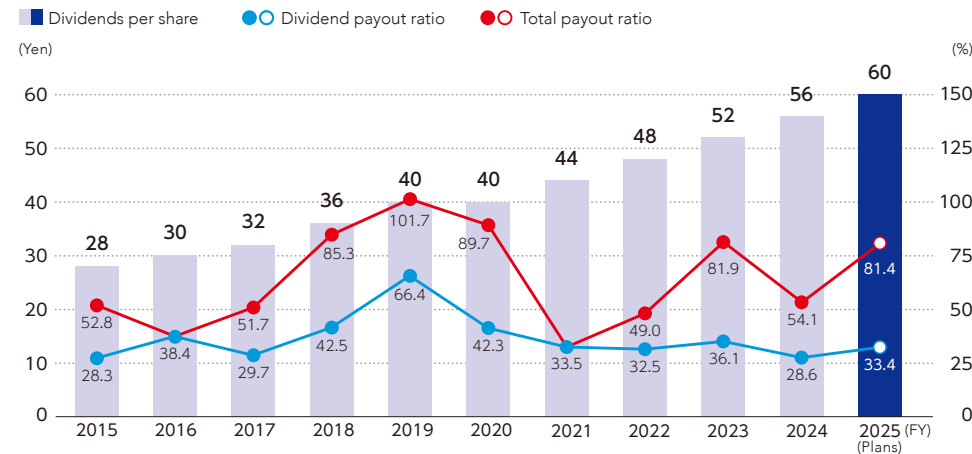
Through these initiatives that I have shared so far, we aim to further improve ROIC and ROE. Furthermore, under the Nitto-Style ESG Strategy, we aim to achieve sustainable corporate growth by simultaneously solving social issues and creating economic value.

We will remain focused on the enhancement of the corporate value of the Nitto Group through constant dialogue with shareholders, investors, and other stakeholders.

Cash Allocation (3-year cumulative total for 2023–2025) (billion yen)



Shareholder Returns



*The Company implemented a five-for-one common stock split, effective as of October 1, 2024. The information prior to the stock split is calculated based on the assumption that the stock split had already been implemented.

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Progress in the Mid-Term Management Plan

Nitto for Everyone 2025

Implementing Our Niche Top Strategy and ESG Strategy

In the mid-term management plan, Nitto for Everyone 2025, which kicked off in fiscal 2023, we are working on the four focus items below, under the slogan "Implementing our Niche Top Strategy and ESG Strategy." To attain the 2030 Ideal State, i.e., an "essential top ESG company," we are concentrating on the achievement of financial targets and future-financial targets as we carry out the mid-term management plan.

<p>Focus item 01 Transformation of Business Portfolio to Contribute to the Environment and Humanity</p>	<p>Invest in "things that will grow" as defined by both social and economic value, in a bid to transform our business portfolio into one that contributes to the environment and humanity</p> <ul style="list-style-type: none"> Completed new factories at the Nitto Denko Kameyama Plant and a Group company in Vietnam to support a capacity expansion for CISFLEX™ thin-film metal base boards (Global Niche Top™ product) and high-precision circuits (HumanFlags product) In addition to reduction of energy consumption through solvent-free manufacturing or otherwise, advanced the Negative Emission Factory Initiative, which aims to offer comprehensive CO₂ reduction solutions, by accelerating the development of negative emission technologies
<p>Focus item 02 Advancement of Innovation Model to Produce New Niche Top</p>	<p>Advance the Nitto-Style Innovation Model to create "essential Niche Top solutions"</p> <ul style="list-style-type: none"> Accelerated efforts to simultaneously solve social issues and create economic value, as more double recognized products as both PlanetFlags/HumanFlags and Global Niche Top™ or Area Niche Top™ products
<p>Focus item 03 Reformation of Organizational Culture to Accelerate Challenges</p>	<p>Promote human capital management to empower diverse talent and teams to take on innovation challenges</p> <ul style="list-style-type: none"> The number of entries to the Nitto Innovation Challenge (NIC), a new business creation initiative aimed at fostering a corporate culture that embraces challenges, surpassed 1,500 (a record-high) in 2024 Selected for Human Capital Leaders 2024 and received the Human Capital Management Gold Quality designation in the Human Capital Survey 2024 for the second consecutive year
<p>Focus item 04 Transformation of Management Infrastructure to Anticipate Change</p>	<p>Build a resilient management infrastructure immune to external influences, placing safety before everything else</p> <ul style="list-style-type: none"> In recognition of our promotion of ESG management, Nitto was selected as a Sustainability Yearbook Member in The Sustainability Yearbook 2025 issued by S&P Global for the first time. We were also honored with the distinction of Industry Mover status, awarded to companies demonstrating the most significant score improvement within their respective industries. Promoted the development of mission-critical systems and laid the groundwork for effective data utilization

Financial Targets			
	2024 (results)	2025	2030
Operating profit	185.7 billion yen	170.0 billion yen	240.0 billion yen
Operating margin	18.3%	17%	-
ROE	13.5%	15%	20%

Future-financial Targets				
		2024 (results)	2025	2030
Product related	Niche Top revenue ratio The indicator measuring the expansion of essential Nitto products	48%	50%	At least 50%
	PlanetFlags/HumanFlags category revenue ratio The indicator measuring the expansion of PlanetFlags/HumanFlags products	44%	40%	At least 50%
	New products ratio The indicator measuring the creation of new products	41%	At least 35%	At least 35%
Environment related	Waste plastics recycling ratio The indicator measuring the progress toward circular economy initiatives	50%	50%	60%
	Sustainable materials procurement ratio The indicator measuring the procurement of materials considering the environment	18% In Japan (non-consolidated)	20%	30%
	CO ₂ emissions (Scope 1+2) The indicator measuring the progress toward carbon neutral initiatives	472 ktons/year	470 ktons/year	400 ktons/year
HR related	Engagement scores The indicator measuring employees' "sense of belonging," "work environment," and "physical and mental well-being"	—*	78	85
	Challenge ratio The indicator measuring the percentage of employees who have taken on the challenge for value creation	41%	70%	85%
	Female leaders ratio The indicator measuring diversity initiatives	22%	24%	30%

* Fiscal 2024 was excluded from the survey.

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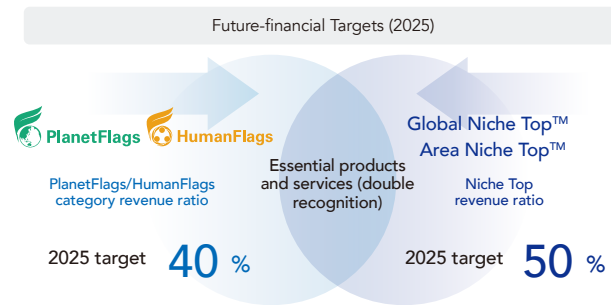
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How Nitto Implements Its Niche Top Strategy and ESG Strategy

The Nitto Group implements ESG management by developing products under the PlanetFlags/HumanFlags concept and growing them into Niche Top products through the Nitto-Style Innovation Model. Under the PlanetFlags/HumanFlags scheme, the Nitto Group's products are evaluated based on two key criteria: their contributions to the environment and to human life. Products deemed to make significant contributions are certified as either PlanetFlags or HumanFlags products. The Niche Top Strategy is Nitto's unique approach to creating essential products, functionalities, and business models in niche segments of growing markets. This is achieved through the convergence of our proprietary technologies and expertise, alongside co-creation with stakeholders, with the aim of capturing the leading share in each product category. By accelerating this strategy, we are working to simultaneously solve social issues while creating economic value.



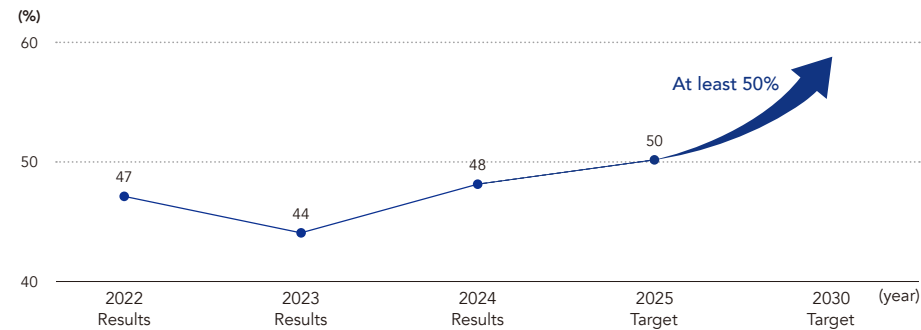
Progress and Future Outlook

In fiscal 2024, 11 products were newly recognized as either PlanetFlags or HumanFlags products, bringing the total number of recognized products to 35. As a result, the PlanetFlags & HumanFlags category revenue ratio reached 44%, up by eight percentage points from the previous year, already surpassing the fiscal 2025 target of 40%. Meanwhile, the Niche Top revenue ratio rose to 48%, an increase of four percentage points from the previous year, showing steady growth.

One of the newly recognized HumanFlags products in fiscal 2024 is LUCIACS™ for automotive displays, a highly durable transparent adhesive sheet used for bonding flat panel displays to optical films. By enhancing the durability and viewability of automotive displays, LUCIACS™ improves vehicle safety and has also been recognized as a Global Niche Top™ product.

The total number of products recognized as both PlanetFlags/HumanFlags products and Global Niche Top™/Area Niche Top™ products (double recognized products) has now reached 17. We will continue working to increase such products, as we seek to solve social issues and create economic value simultaneously.

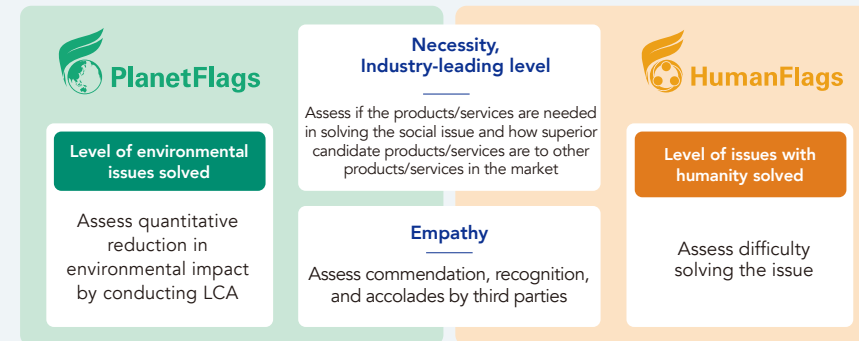
Niche Top revenue ratio



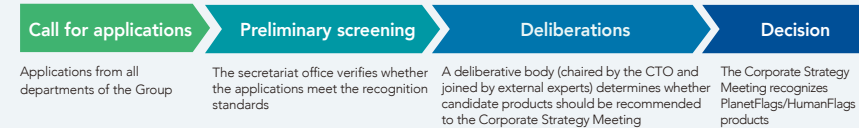
PlanetFlags/HumanFlags Recognition Scheme

The Nitto Group recognizes products that make significant contributions to the environment as PlanetFlags products and those that benefit human life as HumanFlags products.

Recognition Standards



Screening and Recognition Process



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A Strong Determination to Maintain Leadership in Market Share Is the Cornerstone of Our Niche Top Strategy and the Driving Force Behind Sustainable Growth

1989-2007

第五期
事業部制の導入から
GNT戦略へ

Global
Niche Top

1989-2007
From Adoption of Divisional Structure
through Implementation of
Global Niche Top Strategy



Kazuma Mitsui
Manager,
Development Section 3,
Development Department 4,
Research and Development
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Information Fine Materials
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Ryosuke Suzuki
General Manager,
Sales Division
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Tatsuya Akagi
Director,
Executive Vice President
General Manager
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Materials Sector

Hiroyuki Mutsumine
Manager, Manufacturing Section 3,
Manufacturing Department 5,
Manufacturing Process Division,
Manufacturing Bureau, Information
Fine Materials Sector

Shooting for the Leading Market Share by Preemptively Satisfying Customer Needs with R&D, Production, Sales, and Administration United as One

Akagi: Since its launch in the mid-1990s, the Global Niche Top™ Strategy has underpinned the Nitto Group's growth. The success of this distinctive strategy hinges on establishing a solid track record as the market leader. Holding the largest market share means being the first to receive the latest information from customers, enabling us to offer original proposals that align with their processes. The depth and breadth of information exchanged with customers are on an entirely

different level; what we see is a completely different landscape from that of the second- or third-largest player. Since its founding, Nitto has placed customer satisfaction at the forefront, consistently responding quickly to requests for prototype development. This also holds true in the information fine materials business, where our agile responsiveness is highly regarded. Being the market leader also commands higher expectations from suppliers and adds weight to our position in the supply chain. Under the Niche Top Strategy, we have pursued deep market penetration in niche market segments rather than in commoditized areas, which has resulted in strong profitability and growth. LUCIACS™ stands as a representative product embodying the very essence of the Niche Top Strategy.

Mitsui: LUCIACS™ is an adhesive tape developed to enhance display visibility. While it was originally created for the smartphone market, we explored its automotive application after identifying potential demand growth for automotive displays, such as those used in car navigation systems.

Akagi: That is another great example of our *Sanshin* Activities in action! At the time, Nitto also offered polarizing films for automotive displays and held a high market share. This leading position enabled us to be the first to detect emerging technological trends.

Suzuki: LUCIACS™ for automotive displays was first adopted by a Japanese customer. They came up with the idea of adding touch panel functionality to automotive displays, which created demand for a product that could attach a plastic front sheet to them. Since Nitto products already performed well with plastics, we leveraged their characteristics and reliability to make a compelling proposal. Japanese companies are known for their strict quality standards, so building a solid track record with them made it easier for us to pitch the product to overseas clients. That is how LUCIACS™ for automotive displays began to gain traction.

Mutsumine: When it comes to automotive displays, we have to apply adhesive in significantly thicker layers, which was an uncharted process for us. Although we had a technique from other products that allowed for thick adhesive application—a significant advantage—meeting the specific conditions for this use case proved quite challenging.

Mitsui: Nitto is uniquely capable of applying adhesive in thicknesses of several hundred microns. Customer requests kept becoming more sophisticated, but we were able to meet them all thanks to our wide array of technologies. Also, the close collaboration among Development, Production, and Sales significantly accelerated the process from development to prototyping, which I believe played a key role in bringing the product to market.

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Mutsumine: At Nitto, I feel that the Production team has numerous opportunities to interact directly with members from Sales, Development, and other teams. I have built strong relationships with some of them, and during tough times, I often tell myself, “I have to keep doing my best for their sake.”

Suzuki: The Sales team regularly communicates with the Production team, especially about delivery and prototype study. We also frequently invite customers to visit our plants for direct discussions with production staff. This reinforces my sense that R&D, Production, Sales, and Administration truly operate as one team. Because we all share the same goals, we are able to come together quickly when needed. It is a great environment for those of us in Sales.

Fostering Good Relations with Customers Is Key to the Seamless Flow of Niche Top Products

Mitsui: Automotive displays are exposed to ultraviolet rays (UV), and temperatures inside cars can get extremely high. Our tape needs to perform without peeling off under such conditions. Because LUCIACS™ for automotive displays meets the requirements which are much stricter than those for smartphones, it has earned high recognition from customers. The product was recognized as a Global Niche Top™ product (“GNT recognition”) for establishing a new genre within automotive applications as well. An added benefit is its environmental friendliness; our proprietary ultraviolet ray polymerization technology enables solvent-free production.

Mutsumine: Using solvents generates gases that negatively impact the environment. Solvent-based adhesives are also difficult to apply in ultra-thick layers, so we turned to Nitto’s proprietary technology. Initially, our challenge was figuring out how to apply a thick adhesive layer meticulously at the production process, which prompted us to utilize the technology. As global environmental regulations became stricter, our production process aligned well with this global trend. Among the various polymerization methods, we chose UV, and we are

glad it allowed us to contribute to environmental sustainability as well.

Suzuki: To keep delivering GNT-recognized products, it is essential to listen attentively to what the market has to say. I speak with over ten customers on a daily basis, but what matters is also hearing from their customers, not just our direct clients. That is why maintaining strong relationships with all customers is so important.

Mitsui: When we first started developing this product, I visited customers almost every day, even though I am part of the Development team. Over time, I built such strong relationships that customers began reaching out to me directly, saying things like, “Do you have a moment to talk?” bypassing the Sales team entirely. Meeting their needs was often tough, but the experience helped me grow personally.

Mutsumine: The Production team receives updates on market trends from the Sales and R&D teams. For the past several years, demand has consistently exceeded our production capacity. Managing production has been a challenge, but compared to the aftermath of the 2008 financial crisis, this is a “positive” kind of difficulty. Back then, we had no products to make, just cleaning the lines. That tough period made me realize the importance of identifying promising needs early on—even for members of the Production team. Now, we stay prepared to respond quickly to sample requests from R&D and Sales. Through these samples, we hope to help them earn higher evaluations from customers and expand their market shares.

Akagi: Generally speaking, mass-produced products should take precedence for the Production team. At Nitto, however, the shared belief across Sales, R&D, and Production is that we must fulfill 100% of customer requests. This mindset has become part of our corporate culture. We are deeply rooted in the motto, “No matter how daunting it seems, just get started and think as you go.” Because this attitude has yielded real results, it has created a positive cycle. Even if the personnel on the frontlines were to change, I believe this unique Nitto mindset would remain intact.

Accumulation of Small Improvements and a Strong Commitment to High Profitability Keep Honing the Niche Top Strategy

Mutsumine: To improve productivity, quality, and safety and reduce costs, the Nitto Group actively promotes Group Activity Toward Excellence (GATE). This initiative encourages bottom-up planning and execution to address these challenges. By focusing on minimizing loss and streamlining operations, these small group activities have provided valuable success experiences for frontline employees. Our business sector has also been promoting new productivity improvement activities for the past three years to raise the level of such initiatives. I believe that consistent, incremental improvements like these also play a meaningful role in driving business growth under the Niche Top Strategy.

Akagi: Similar efforts are underway in other business sectors as well, and I believe that the mindset of contributing wholeheartedly to profitable operations on the shop floor is one of Nitto’s strengths. Designed to drive profitability, the Niche Top Strategy has been passed down as part of Nitto’s “DNA” and is now one of the Group’s key differentiators. By maintaining and expanding our position as a leading player in niche markets, we create opportunities not only for many of our businesses but also for greater market penetration of Nitto products recognized under this strategy. In order to increase the number of Niche Top products, we plan to expand applications of information fine materials to promising devices while also pursuing business opportunities that integrate OCA* with other components. We are committed to investing all necessary technologies and resources to achieve this. As a Group, it is crucial for us to seize every opportunity to deliver total solutions that benefit our customers. With unwavering dedication to securing top positions in niche markets, we remain resolved to expand our business globally.

*Optical Clear Adhesive. LUCIACS™ is a variety of OCA.

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

Reengineering R&D to Simultaneously Solve Social Issues and Create Economic Value

Taking an "R&D + M (Marketing)" Approach to Accelerate the Conversion of "Future-Financial" to "Financial" Value

With a renewed recognition that marketing holds the key to bringing about innovation, we are working to increase the success rate of development projects by accurately understanding market trends and customer needs, while also revitalizing our marketing techniques through the effective use of digital technologies.

Yosuke Miki

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



Reengineering R&D in Line with the Management Policy of "Placing ESG at the Core of Management"

In fiscal 2021, the Nitto Group made a clear commitment in its management policy to "place ESG at the core of our management," marking a decisive shift toward simultaneously solving social issues and creating economic value. This commitment extends to R&D as well, where we have made a series of major reforms in an attempt to align our technology strategy with this policy.

The first initiative we undertook was the establishment of the

PlanetFlags/HumanFlags (products contributing to the environment and/or human life) recognition scheme. True to the overriding policy of ESG being at the core of management, we clearly defined the products and services that our R&D team should focus on delivering.

The next thing we did was to announce that no resources would be allocated to any new R&D project unless it aimed to develop PlanetFlags/HumanFlags products. When I asked members of our technology development team how they felt about this new R&D policy, they candidly replied, "It was so shocking that I lost my words!" Although they had understood that Nitto's R&D needed to take a different direction, many likely assumed it was a distant goal for the future until they heard this announcement. My intention,

however, was different. I wanted every member of the technology development team to fully grasp our message of placing ESG at the core of management and to act on it immediately. I made a point of sharing this message with them whenever possible, and I remember those moments clearly. To spread this policy throughout the Group, I utilized the Technology *Kuruma-za*, a forum for senior executives in charge of development from the Corporate Technology Sector and business sectors, to hold in-depth discussions on project themes that I believed would lead to products that contribute to the environment and/or human life and are worth pursuing as a Group. I then asked the participating senior executives to repeatedly explain the policy to all Nitto engineers to ensure full understanding.

This strategy is paying off. Now, whenever we embark on a new development project, it is standard practice to confirm whether the project has the potential to become a PlanetFlags/HumanFlags product. Once the project is underway, we conduct periodic reviews to assess how close it is to earning that recognition. It has become common to see our engineers actively discussing what adjustments are needed to ensure qualification. I am delighted to know that my message has been clearly received by all members of the technology development team.

As we seek to "simultaneously solve social issues and create economic value," we are poised for action to focus on the social front, but the real challenge lies in achieving both objectives "simultaneously." It is essential that our efforts to address social issues also make sound business sense and translate into tangible financial value, rather than remaining isolated as standalone initiatives.

Let me now share how we have reshaped our R&D approach to generate economic value through development projects aimed at PlanetFlags/HumanFlags products, along with emerging success stories and our future initiatives.

R&D's Approach to "Future-Financial" Activities and How We Make a "Financial" Case for Them

At the Nitto Group, we view R&D activities as investments in "future-financial" value. By "future-financial," we refer to intangible assets that are unique to the Nitto Group. While many companies

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use the term “non-financial,” we deliberately chose “future-financial” to reflect our strong commitment to ultimately converting these assets into tangible financial value. This includes our determination to achieve PlanetFlags/HumanFlags recognition, our emphasis on ESG, including respect for DE&I, Nitto’s core technologies cultivated through years of R&D efforts, the intellectual property and customer relations assets acquired through those efforts, and our corporate culture that encourages bold challenges and fosters open innovation. The role of the R&D team is to continuously invest in and grow the value of these “future-financial” assets and convert them into financial value through innovation. The key point here is that we clearly define that it is the R&D team’s role to accumulate and expand “future-

financial” assets. In line with this policy, by steadily quantifying both “future-financial” assets and their conversion into financial value wherever possible, we aim to make the outcomes of R&D, which are often difficult to measure, more visible and concrete.

To facilitate this conversion process, we use a unique model to align employee awareness and accelerate progress. This model conceptualizes the process from generation of ideas to commercialization as “0→1→10→100.” It begins with the generation of ideas (“0”), which are developed into themes (“1”), then into products (“10”), and ultimately into profitable businesses (“100”). To ensure smooth transitions at each stage, we have a variety of programs in place. For example, we hold the Nitto Innovation Challenge (NIC), an in-house convention where

employees are encouraged to submit their ideas for new businesses and products. We also provide a “technology fund” to financially support initiatives for new businesses. As I have explained in previous integrated reports, these programs are widely applied at each stage of the “0→1→10→100” model.

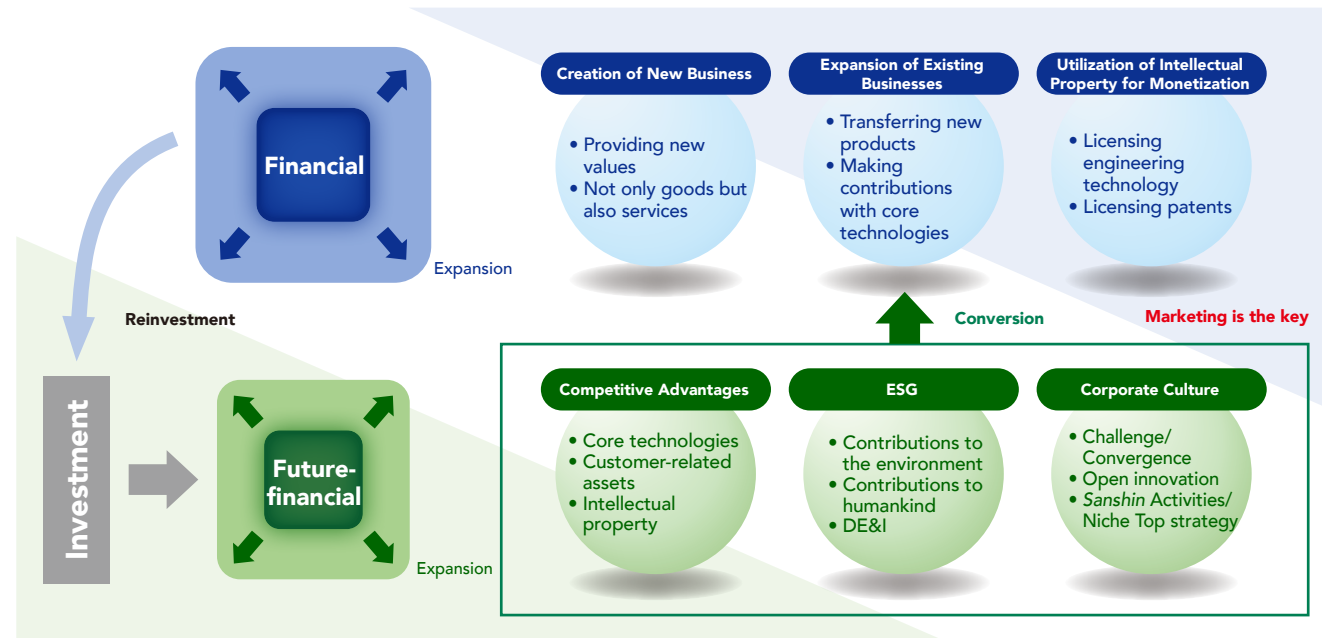
“R&D + M (Marketing)” to Convert “Future-Financial” Value to “Financial” Value

We believe marketing is the most crucial element in converting “future-financial” value into “financial” value. No matter how advanced a technology may be, it holds no value unless it aligns with customer needs, resulting in no financial outcomes. For us to “simultaneously solve social issues and create economic value,” having an accurate grasp of customer needs alone is not enough. We must also grasp the broader context, including major changes in the market and regulatory trends, so that we can deliver value on a societal level. In some cases, this may mean partnering with entirely new stakeholders, beyond those in our traditional supply chain. When aiming to solve social issues while enhancing economic value, marketing is just as important as technology. It is in this spirit that “R&D + M (Marketing)” has become a guiding concept within the Nitto Group.

When engineers conduct market surveys or assess customer needs, there is a significant risk of leaning too heavily toward a technology-driven perspective. Believing that a strong link between technology and market needs is essential to turning innovation into financial value, we recognized the importance of viewing technology objectively and through the lens of business. In 2019, we set up a marketing organization within the Corporate Technology Sector to serve this purpose. At that time, management carefully selected top talent from across the Group, including individuals from sales and corporate planning departments in business sectors and other organizations, and transferred them to the Corporate Technology Sector. To date, around 50 individuals, including those outside Japan, have taken on this role.

While members of the technology team work on development based on what customers need, marketing team members conduct

Concept of Converting from the Expansion of “Future-financial” to “Financial” Value



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surveys and gather information on markets, regulations, and patents from a business perspective. The two teams frequently meet to discuss what kind of product they aim to create, how the business should be structured, and what attributes to seek in potential partners to maximize the resulting value. At first, they faced conflicts due to the differences in positions, and there were times when opinions were difficult to come to a consensus. After a few successes, however, mutual respect developed, and both sides are now able to collaboratively steer their efforts toward a common goal.

Looking Ahead of Social Trends, Customer Needs, and Regulation to Realize Electrical Release Tape

A prime example of the “R&D + M (Marketing)” approach is “electrical release tape,” Nitto’s new product that debuted in 2024. Let me talk about how it came to be. Essentially a double-sided adhesive tape, it features a unique property: while it adheres strongly when applied, it can be easily released with the application of a small voltage for a few tens of seconds. Generally speaking, tapes that can be easily peeled, such as masking tape or protective films, have low adhesive strength and are unsuitable for fixing objects. With this project, our goal was to develop the ultimate bonding technology that “adheres firmly but releases smoothly when needed.” The project dates back to 2014, when we had only a vague sense of its environmental friendliness or potential applications. Its alignment with recycling and sustainability goals was not yet clear.

Then, in the following year, 2015, we presented the project at Nitto’s R&D Innovation Networking Conference (RINC), which generated significant interest. So much so that we transferred the authority of the project and its members to a relevant business sector, with an eye toward sales expansion. However, contrary to our expectations, customer response was slow. As a result, the project authority was returned to the Corporate Technology Sector three years later.

Despite the initial setback, the engineers refused to give up hope and continued searching for unmet needs. Coincidentally, this was around the time we launched our open innovation center, inovas. At inovas, we conduct technology demonstrations for visiting customers to uncover latent needs. In preparing for these

demonstrations, we make it a point to do our homework, say, researching what products individual customers are working on, forming hypotheses about their potential challenges, and crafting compelling suggestions full of thoughtful ideas. After each visit, we conduct a review to see what resonated with the customer and what did not, then refine our approach and start again to deliver an even better proposal next time.

Through continued engagement with customers and repeated trial and error, we eventually realized that the tape could be used to fix smartphone batteries. Most smartphones use double-sided adhesive tape to secure batteries, and we identified a clear need for tape that can be easily released, either during battery installation in the manufacturing process or when replacing batteries after several years of use.

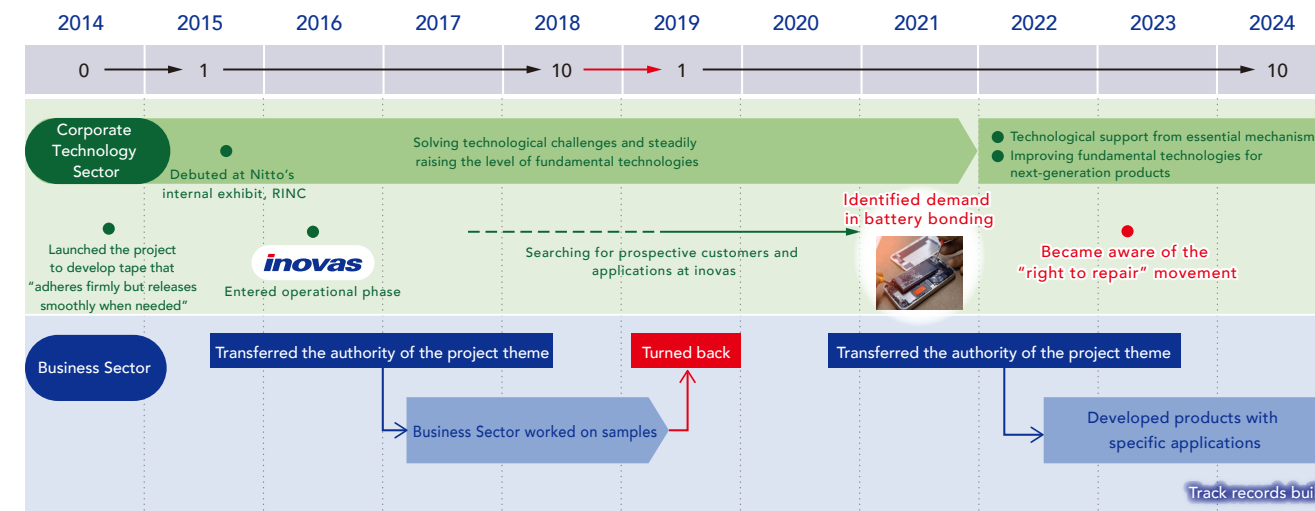
Our marketing team goes beyond simply listening to customer feedback. They conduct comprehensive surveys into the societal and market changes that may underlie those needs. To increase

the accuracy of these assessments, we use the IP landscaping approach, which visualizes market trends through patent application data, while also monitoring relevant laws and regulations in respective countries and regions. In this case, too, all such efforts were led by the marketing organization I mentioned earlier.

Throughout this process, we came to learn about the concept of the “right to repair,” a growing movement in Europe aimed at promoting a circular society. The idea is that leaving the task of repairing devices or replacing batteries solely to manufacturers can hinder the transition to a circular society. The underlying logic is that “consumers should be given the right to repair their devices or replace their parts themselves, and manufacturers have a responsibility to support this right.” Anticipating legislation on this issue, smartphone suppliers were beginning to align with and support this movement.

Once a specific target was identified, the development gained

Electrical Release Tape: From Its Project Beginning to Now



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significant momentum. We transferred the authority of the project back to the business sector to proceed with product design focused on prospective customers. Meanwhile, for technical support based on fundamental mechanisms and improvement of fundamental technologies for next-generation products, the Corporate Technology Sector established a system to provide support in collaboration with overseas research laboratories, further propelling the project forward.

As a result, in 2024, ten years after this particular project began, our electrical release tape was adopted for the first time in the world for fixing smartphone batteries, marking its entry into full-scale social implementation. It undoubtedly facilitates battery recycling and replacement, making a significant contribution to the development of a circulatory society. The product has generated a phenomenal response and is already making a substantial contribution to the Nitto Group's revenue and profit.

I must say that this experience gave us a profound sense of confidence—not only in our ability to establish innovative technology ahead of its time, but also in our marketing team's capability to grasp social trends in recycling and repair, understand customer needs, and stay on top of regulatory developments, ultimately delivering real results. I am delighted to note that this product has potential beyond electronic devices and is expected to see broader applications. We will continue enhancing its performance and competitiveness toward the ultimate goal of developing it into a Global Niche Top™ product that contributes to the environment.

Generative AI Revolutionizing Marketing

The Nitto Group is promoting digital transformation (DX) through various avenues. For instance, we leverage materials informatics (MI) to shorten research and development lead times and improve operational efficiency. We are also working on a business that creates value by leveraging digital data obtained through our unique sensing technology. In a similar vein, we are taking a unique approach to generative AI, whose rapid evolution has drawn significant attention in recent years, with the aim of transforming how we market our offerings.

In utilizing generative AI, we recognized the need to differentiate our model by layering Nitto-specific data onto existing language models. To that end, we began inputting data from technical reports authored by Nitto's engineers, records of *Sanshin* Activities covering a wide range of fields, from agriculture to electronics, and market information gathered over time.

Now, we are taking this approach to generate ideas for subjects Nitto should pursue. By extracting Nitto's proprietary technologies from a vast collection of technical reports and matching them with latent needs otherwise hidden in market data, the system allows us to generate potential solutions. In the process, we have refined the input data based on usage objectives and improved the quality of prompts (instructions). Currently, about 60 to 70 percent of the generated ideas are worth exploring.

Previously, only a handful of individuals with extensive engineering or marketing experience could generate promising ideas. With generative AI, however, more people can now do so. Of course, we will not accept AI output uncritically; instead, we use it as a prompt to support our unique marketing efforts.

In fiscal 2025, we will incorporate AI-agent functionality into this system, allowing the "engineer," "marketer," and "moderator" agents to discuss or evaluate one another's input, further improving idea quality. At the same time, we plan to embed the system into our workflow as we reshape Nitto's marketing.

A Focus in Fiscal 2025—Increasing R&D Success Probability

At the Corporate Technology Sector's policy announcement in April to mark the start of fiscal 2025, I emphasized the importance of marketing. This year, we are likely to face several headwinds, including tariffs and yen appreciation. While the entire Group will take measures to mitigate their impact, there is a possibility that business growth may slow. In this context, the Corporate Technology Sector will focus on increasing the success probability of development projects by leveraging our unique marketing technique to accurately capture market and customer trends.



"Simultaneously solving social issues and creating economic value"—challenging as it may sound, I have long believed that "Nitto can do it." In fiscal 2024, that belief turned into conviction when electrical release tape—a brainchild of the Corporate Technology Sector—gained social acceptance. This success gave us strong confidence that "Nitto will continue to do it." I believe this sense of conviction is now shared by all employees of the Nitto Group. By tapping into generative AI and further advancing our unique "R&D + M (Marketing)" approach, we aim to deliver more success stories like this. You can count on the Nitto Group as we move forward.

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Intellectual Property Strategy

Intellectual Property Initiatives

The Nitto Group's intellectual property initiatives are centered on the "utilization" of its intellectual property (intangible assets) for business purposes, enhancing the quality of its intellectual property by carefully determining what is needed based on the direction of its business and its market appeal. How should we apply our intellectual property to secure an "essential position," and have we developed an intellectual property strategy that is strong enough to make it happen? By continually asking ourselves these questions, we seek ways to maximize revenue, which serves as the linchpin of the Nitto Group's intellectual property initiatives. Seeking to solve social issues through innovation, Nitto is forging ahead with *Sanshin* Activities, with the business, R&D, and intellectual property functions working in unison. In this effort, intellectual property initiatives are expected to play two roles. First, to view existing technologies from a new perspective to address the demand (market) we aim to create. This approach will help us identify technologies within our intellectual property library that can potentially address social issues by adjusting their development paths. Second, to use intellectual property rights to build entry barriers that protect the novel technologies, applications, and market demand generated from these newly discovered seeds.

Intellectual Property Strateg

The Nitto Group is pursuing both a patent application strategy and an owned patent utilization strategy on a company-wide basis in a bid to expand revenue through greater use of intellectual property.

Our patent application strategy involves three policies: obtain patents 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; secure patents that protect Nitto's business by establishing rights to the core of Nitto's administration; and target patents that are found to be of any use following an investigation of the market and customer needs and

trends, although Nitto may not commercialize them in the future. We aim to maximize revenue by creating a competitive advantage and becoming an "essential" entity in supply chains. At the same time, by forming alliances with powerful partners to gain access to their assets, we may be able to reduce or delay up-front investments, allowing us to monetize our patents early or extend the duration of expected earnings.

The owned patent utilization strategy, on the other hand, gives due regards to four possibilities: utilizing patents for Nitto's operations to generate earnings; gaining license revenue through the exercising of rights; receiving revenue by selling and transferring patents; and reducing costs by abandoning unnecessary patents. While working to extend the period of earnings contributions after peaking, we assess how much each of our intellectual property rights contributes to business activities using common standards. This allows us to eliminate costs tied to unnecessary or unused patents and redirect those resources toward creating intellectual property rights necessary for new business activities. In doing so, we ensure that investments in development are recovered and the Group's revenue grow.

Furthermore, for initiatives such as Global Niche Top™ and Area Niche Top™, we register trademarks tied to our corporate and business strategies to protect them. Through this approach, we aim to promote these externally as part of Nitto's brand portfolio, thereby enhancing our brand value.

Initiatives for Continuous Revenue Growth

As we tap into our intellectual property rights by strategically "closing" or "opening" our intellectual property portfolio in response to changes in the business environment, we intend to expand business earnings and extend the lifespan of business value. At the same time, by launching new businesses in a timely manner through *Sanshin* Activities, we fill gaps between revenue peaks to achieve sustained earnings growth.

The LCD optical film business, one of our mainstay businesses, exemplifies this approach. During its introductory/growth phases, we focused on building an intellectual property portfolio aligned with target markets by securing one patent after another. This way, we established an "essential" position in the supply chain that included our customers, and used intellectual property to maintain this advantage in a "closed" system, thus maximizing earnings. As the business transitioned into its maturity/decline phases, we pivoted to an "open" strategy, licensing out the intellectual property portfolio we had built. This allowed us to extract value from the broader market.

Similarly, we adopted distinct revenue models for different cases within the oligonucleotide therapeutics business, such as contract manufacturing and licensing our drug discovery pipeline or drug delivery system (DDS) technology, to maximize financial value at the right time.

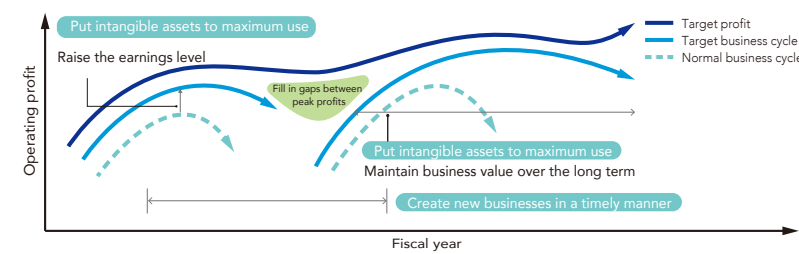
For electrical release tapes, we are taking a strategic approach to ensure this innovative product becomes and remains "essential" to our customers, carefully considering how best to utilize its intellectual property.

As described above, we are committed to increasing long-term business value by following a process that begins with "building a patent network," progressing to "securing an essential position by closing the patent portfolio and establishing entry barriers," and culminates in "opening the patent portfolio to license it out before the product technology in question becomes commoditized, thus boosting revenue as the market pie expands."

Visualizing Intellectual Property Rights



Seeking Both "Timely New Business Creation" and "Utilization of Intangible Assets"



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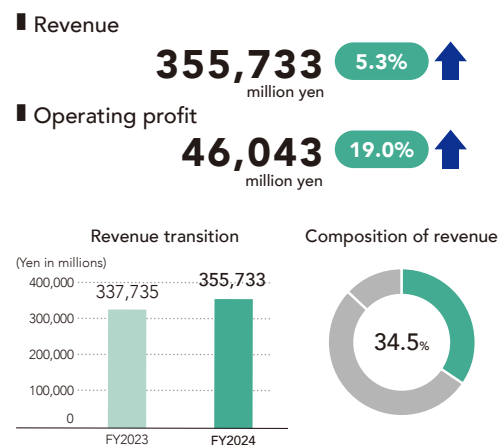
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Summary of Results by Segment

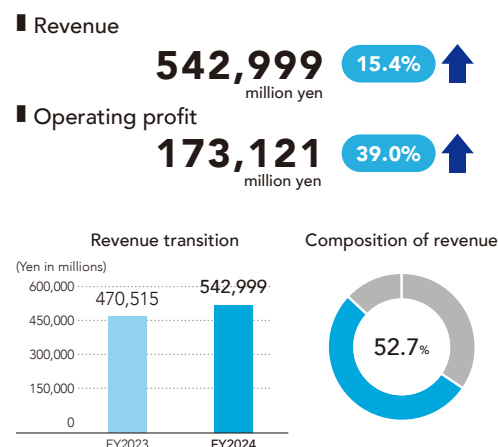
Industrial Tape

For Functional Base Products, revenue increased from the previous fiscal year. Demand for assembly materials for high-end smartphones grew as the new sale of electrical release tapes used for fixing batteries began in addition to the expansion of models adopted for existing products. Furthermore, demand for process materials used for manufacturing products such as semiconductor memories and ceramic condensers continued a moderate recovery. Automotive materials remained weak due to a decrease in automotive production volume.



Optronics

For Information Fine Materials, revenue increased from the previous fiscal year. As production for high-end notebook PCs and tablet devices progressed favorably, demand for optical film and transparent conductive film grew significantly. While global automotive production volume remained sluggish, demand for durable optical films increased with automotive displays growing in size and in quantity.



For Circuit Materials, revenue increased from the previous fiscal year. As demand for storage for data centers and HDD capacities further expanded with the spread of generative AI, demand for CISFLEX™ increased significantly. Demand for high-precision circuits increased as the production of high-end smartphones remained strong.

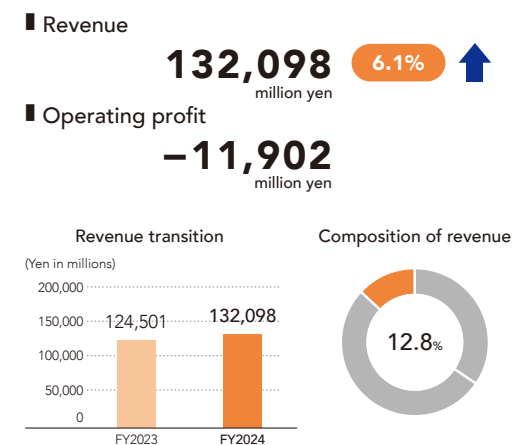
Furthermore, following the decision to suspend business development for plastic optical fiber cables in the third quarter of this fiscal year, we posted 2,690 million yen in impairment losses.

Human Life

In Life Science, revenue increased from the previous fiscal year. For oligonucleotide contract manufacturing, production for a project, which is expected to be commercialized in the future, began at a new plant at our base in Massachusetts, U.S. Demand from some of our customers also increased for polymer beads for oligonucleotide synthesis (NittoPhase™), for commercial drugs. In nucleic acid drug discovery, Phase I clinical trial was completed for the intractable cancer drugs in the first quarter of the consolidated accounting period, and we will continue to work for out-licensing going forward.

In Membrane (high-polymer separation membrane), revenue increased from the previous fiscal year. While demand for various industrial purposes fell, primarily in China, demand increased in India for Zero Liquid Discharge, which contributes to zero wastewater and effluent in response to stricter wastewater regulations.

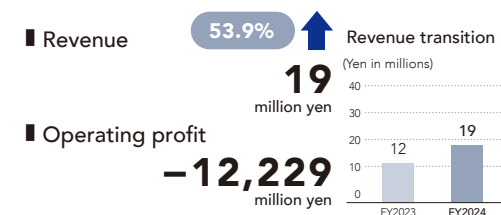
For Personal Care Materials, revenue increased from the previous fiscal year. The expansion of sales continued for new sanitary material products for diapers and environmentally friendly products using biodegradable technology. A review of the business



plan for Nitto Advanced Film Gronau GmbH, a consolidated subsidiary of Nikko Denko Corporation, also resulted in 3,298 million yen being recorded as impairment losses related to goodwill in the fourth quarter of the consolidated accounting period.

Others

This segment includes new products that have not generated sufficient revenue yet. A review of the flexible sensor business plan for Nitto Bend Technologies, a consolidated subsidiary, resulted in 5,199 million yen being recorded as impairment losses related to goodwill in the third quarter of this fiscal year.



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

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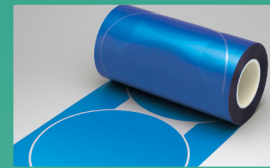
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Business Strategies by Segment

Industrial Tape

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

Overview



Segment Profile

The Industrial Tape segment delivers high-performance and high-quality components that leverage Nitto's core technologies, including "adhesion" and "porous formation," along with structural materials, process materials, porous materials, and thermally conductive insulation materials, to a broad range of markets. In recent years, the segment has focused on enhancing release functionality. Beyond stress-free peeling, we incorporate various features into our tapes to align with customers' manufacturing processes and product requirements, creating new value in key applications, including information devices and displays, semiconductors and electronic components, and mobility products.

Also, in response to growing demand for a circular economy, we continue to develop products that utilize our release technology and adopt low-impact materials, contributing to CO₂ emissions reduction across the material life cycle.

Strengths

- Fully leveraging Nitto's core technologies of "adhesion," "porous formation," and "release" to provide essential products to customers
- Extensive networks of production sites, R&D centers, and sales channels that enable global marketing of products developed using our proprietary technologies
- A comprehensive product lineup ranging from commodity products to cutting-edge functional materials
- Exceptional development and problem-solving capabilities that address a wide range of customer needs

Products

For information devices and displays

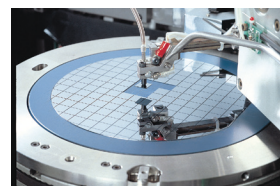
Nitto's primary offering in this field is double-sided tape for information devices, wearable devices, and AR/VR devices. The key source of competitive advantage lies in our release technology, which maintains strong adhesive performance while allowing for easy removal when needed. Modern information devices have highly densified internal structures, making recycling a delicate process. Portable devices, on the other hand, require high impact resistance to withstand a wide range of usage environments. To meet these varied requirements, the Nitto Group has introduced the battery bonding electrical release tape. This product combines electrical release technology, which significantly reduces adhesion compared to conventional easy-peel products, with outstanding drop impact resistance.



Electrical release tape

For semiconductors and electronic components

Nitto provides adhesive tapes for temporarily fixing workpieces (customers' products such as semiconductor wafers) during semiconductor and electronic component manufacturing processes (shaving, cutting, etc.) These tapes offer strong adhesion for secure attachment yet can be easily removed without any stress after completion of the tasks by applying heat or ultraviolet rays. By understanding the direction of our customer's businesses, we deliver tailored proposals that combine tapes suited to evolving manufacturing processes with laminating devices. Tapping into these strengths, we support improved productivity and smoother new product launches for our customers.



Dicing tape that enables damage-free pickup of thin-film chips

For mobility products

Nitto provides a range of products essential for the safe operation of automobiles and aircraft, such as high-performance sealing materials and insulation materials. Automotive electronic devices must be sealed to block water and foreign matter while also allowing air circulation to manage heat expansion. As a solution to these conflicting requirements, the Nitto Group offers vent filters that combine air permeability with water resistance. We are also developing thinner tapes that protect and bind wire harnesses used to electrically connect electronic components, contributing to lighter vehicle designs.



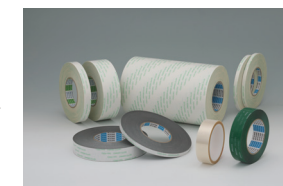
Tapes for protection and binding



Internal pressure adjusting material

Base materials

Here, Nitto uses two of our core technologies of adhesion and porous formation to provide removable, highly adhesive double-sided tape, surface protection films for metal and resin, and heat-resistant sheets that offer high thermostability, insulation, and low friction. Designed to block water while allowing vapor to pass, TEMISH™ fluorine resin porous film enjoys a high market share in healthcare, automotive, and electronic device applications. Nitto also provides numerous products that contribute to environmental impact reduction, such as low-VOC (volatile organic compound) double-sided tape, which helps lower CO₂ and VOC emissions during the product life cycle.



Low VOC double-sided tape

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Mid- and Long-Term Strategies

Delivering distinctive products to a broad range of markets to achieve sustainable growth and higher profitability

- **For information devices and displays**

European and American countries are at the forefront of introducing laws and regulations aimed at promoting the recycling and reuse of electronic devices and appliances. In line with these regulations, which seek to reduce waste and CO₂ emissions by encouraging longer product life, manufacturers are developing products that are easy to repair and are actively sharing information on servicing and disassembly. European authorities have also announced plans to broaden the scope of regulated devices in the future. The Nitto Group intends to differentiate itself by offering solutions that integrate electric trigger and other release technologies with various adhesive properties. At the same time, we will continue to establish process technologies and invest in production capacity expansion, both essential for products in the information device sector, to better meet customer needs.

Example application of electrical release tape



When used to secure mobile phone batteries, electrical release tape allows for quick and easy battery replacement using an electric current.

- **For semiconductors and electronic components**

In fiscal 2024, Nitto placed a strategic focus on advanced semiconductors for AI-powered devices and initiated growth investments in this market. The rapid emergence of AI, which processes vast volumes of data in a short time, has significantly transformed the semiconductor landscape. While semiconductor fabrication was previously centered on the front-end wafer patterning process, new technologies have shifted attention to back-end processes, including thinning and finishing, aiming for greater functionality. Handling thin semiconductors requires temporary adhesives, and it has become clear that the Nitto Group's technology for "securely holding components and releasing them cleanly without stress" offers strong value. In anticipation that back-end processing will require the same high standards of cleanliness and chemical resistance as the front-end, we are also developing products and technologies to meet these demands.

We also expect demand for CO₂ emission reductions and recycling to emerge throughout the entire supply chain of the advanced semiconductor sector. To address this growing need, we will continue collecting and recycling materials/devices while avoiding the use of solvents.

- **For mobility products**

While remaining committed to enhancing the safety and comfort of mobility products, Nitto will intensify its efforts to deliver innovative solutions across the entire powertrain domain—which supplies power to electric vehicles—including lithium-ion batteries, all-solid-state batteries, and fuel cells, with the goal of contributing to the realization of a next-generation mobility society. For vent filters, we are working to add new value in order to expand our presence in the electronic device market, in addition to our established applications for automotive lamps where we have historically enjoyed a strong market share. In the area of PVC tape for wire harness protection and binding, we are increasing production capacity and building a new plant to support future product development. As detailed above, we aim to drive business growth by both exploring new business fields and expanding market share for existing products.

Another scenario we envision for the future of the automobile industry is the accelerated push to increase the recycling ratio. In Europe, new regulations have been announced regarding the recycling of plastics used in automobiles, and our customers have already begun responding. With these developments in the market in mind, the Nitto Group has initiated discussions on products that contribute to building a circular economy.

- **Base materials**

We supply base materials to a broad range of markets, including electronics, medical and healthcare, and housing and construction, playing a key role in supporting other businesses within the Nitto Group. As such, we are transforming our business portfolio with attention to the latest market trends and Nitto Group strategies. For example, by improving the surface protection film used for metal processing, we are expanding applications for use during the manufacturing process of electronic components, and by applying the technology of double-sided tape used for home appliances and automotive parts, we are expanding applications for mobile devices and display components. Amid rising ESG awareness and tightening of regulations in more countries, we will continue to promote our PlanetFlags/HumanFlags approach and establish ourselves as an Area Niche Top™ and ultimately a Global Niche Top™. The highly versatile products in base materials sub-segment will respond swiftly to changes in material specifications and environmental performance demands by utilizing the wide variety of technologies and experience cultivated to date.

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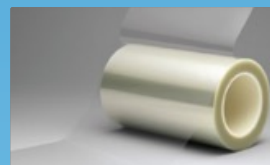
Business Strategies by Segment

Optronics

Supporting a secure and accessible lifestyle and a sustainable circular society (Information fine materials)

One-of-a-kind technology to promote the development of a data-driven society through contribution to the environment (Circuit materials)

Overview



Segment Profile

The Optronics segment is comprised of information fine materials—including protection films for organic light-emitting displays (OLEDs) processes and polarizing films with excellent optical properties, and highly transparent and visible adhesive sheets—and circuit materials such as CISFLEX™ and high-precision circuits. For the information fine materials sub-segment, we tap into our proven expertise in processing functional films to manufacture optical products, working with customers from the product design stage to offer tailored solutions. In the circuit materials sub-segment, our key technology lies in printed circuit board formation, which combines micro wiring and high positioning accuracy. This enables the electrical and mechanical performance required in hard disk drives (HDDs) and smartphones, making our materials essential to our customers' operations.

Strengths

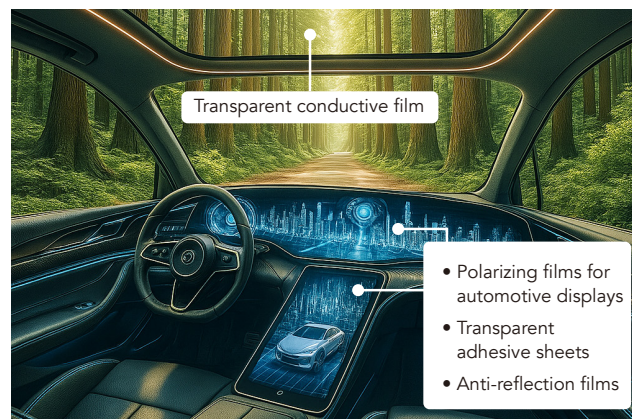
- **Information fine materials:** A leading position in the high-end market, where technological differentiation is critical, which positions us to be the first to identify emerging customer needs and provide solutions ahead of competitors, and advanced optical and sputtering technologies with potential applications beyond display-related products
- **Circuit materials:** Strong technological capabilities and high reliability, as demonstrated by our dominant market shares of CISFLEX™ and high-precision circuits

Products

Information fine materials

Offering total solutions built on our strengths in optical design and adhesion technologies, Nitto delivers a wide range of products for displays, including polarizing films, OLED protection films, transparent adhesive sheets, and anti-reflection films. Leveraging our strong presence in each field, we stay ahead of latent market needs, enabling the development of a steady stream of new products ahead of our competitors. One example is a film that uses ultraviolet rays to alter adhesion levels, allowing process films to double as structural materials and reduce processing burdens for customers. Nitto's polarizing films for automotive displays have also secured a competitive edge by responding precisely to market trends such as larger or uniquely-shaped displays. These films offer high durability and a wide viewing angle, delivering superior optical performance.

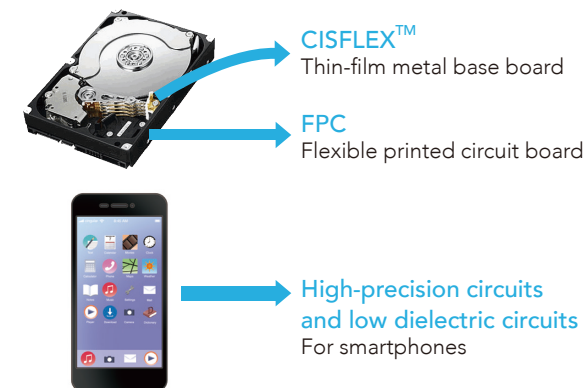
Beyond display applications, Nitto is also active in the non-display market with high-performance offerings. Using our proprietary sputter deposition method to achieve high transparency, superior surface conductivity, and excellent adhesion, our transparent conductive films are used in applications ranging from touch panels to light control sunroofs in automobiles and anti-reflection films.



Circuit materials

Some of the key offerings in this sub-segment include CISFLEX™, a thin-film metal base board that holds the leading market share as a circuit material essential for HDDs, and flexible printed circuit (FPC) boards. For smartphones, in addition to our proven high-precision circuits, we began mass production of low dielectric substrates for 5G communications with superior transmission characteristics in fiscal 2024.

The Nitto Group combines polymer design technology with its in-house constituent materials that are critical to functional expression, thus achieving miniaturization, thin films, and mechanical properties that competitors cannot replicate. Because these constituent materials are developed internally, we are able to exercise precise control, meeting increasingly advanced performance requirements. This integrated approach forms the foundation for Nitto's ability to respond flexibly and swiftly to evolving market and customer demands.



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Mid- and Long-Term Strategies

Transforming the product portfolio to maintain high profitability of the business (Information fine materials) Reforming business infrastructure and processes to concentrate resources on new product development and build a more resilient business (Circuit materials)

• Information fine materials

Nitto continues to make strategic investments to maximize customer value in the growing OLED and automotive markets. At the same time, we will invest in additional solvent-free coatiers to accelerate the shift toward eco-friendly product development.

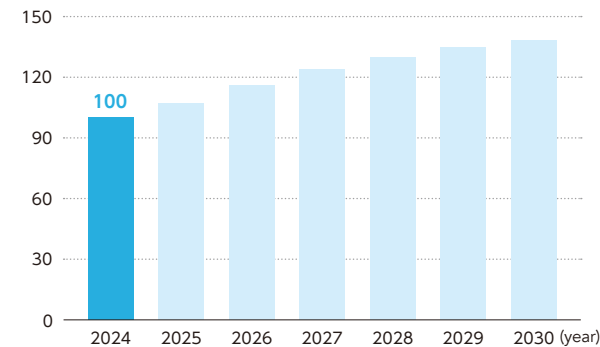
For polarizing films used in smartphones and tablets, we are building new process technologies for increased productivity. We will also aim to advance our total solution business, which integrates multiple display assembly components, such as transparent adhesive sheets and protection films, both of which are based on our adhesion technology. By consistently introducing new technologies and strengthening relationships with customers, we aim to increase the number of Nitto components and devices used in each unit of foldable OLEDs, thereby reinforcing our market position.

In the automotive product market, we expect demand for uniquely-shaped, larger displays to grow as self-driving technology advances and design flexibility improves. To address these trends, we will focus on further honing our competitive advantages while maintaining strong market penetration by supplying highly durable, high-performance

Forecast of Trends in the Area of the Automotive Display Panel Market

(Nitto's forecast based on surveys)

*The baseline year of 2024 = 100



materials suited to a wide range of products, particularly in the high-end market. In the non-display market, we will continue exploring new business opportunities by leveraging our sputtering and polarizing technologies.

As part of our strategy to develop products for the growing AR glasses market, we formed a capital alliance with TruLife Optics. We will take advantage of the synergy between both companies to establish a highly efficient process of manufacturing holograms for AR glasses.

On top of all this, we continue to develop products with the goal of achieving PlanetFlags/HumanFlags recognition, giving rise to a series of offerings that help to reduce waste and CO₂ emissions. In a bold push to minimize environmental impact, we plan to design solvent-free products and transition to recycled or bio-based alternative materials that significantly reduce CO₂ emissions. Furthermore, by introducing data-driven management, we will consolidate data to drive business flow reform. At the same time, we aim to enhance corporate resilience by automating production lines to reduce fixed costs. Also, by intensively allocating human resources to new product development, we will remain committed to responding to market needs as we constantly apply our advanced technological capabilities to deliver new value to customers.

• Circuit materials

Market demand for HDDs, which play an integral role in a data-driven and "smart" society, is expected to remain steady going forward, primarily due to the growing prevalence of generative AI. However, we believe this is driven not only by an increase in unit sales but also by the rising need for higher storage capacity per device. In response, the Nitto Group will use CISFLEX™ and other existing products as a base and add new functions to meet evolving market demands and sustain business growth. In the smartphone market, where communication is becoming faster and more multi-standard, we will continue to deliver products that meet the performance requirements of smartphone internals, including recently developed low dielectric substrates based on the Nitto Group's core technologies, alongside high-precision circuits. Meanwhile, we will maintain our current approach of developing one-of-a-kind technologies by integrating elemental

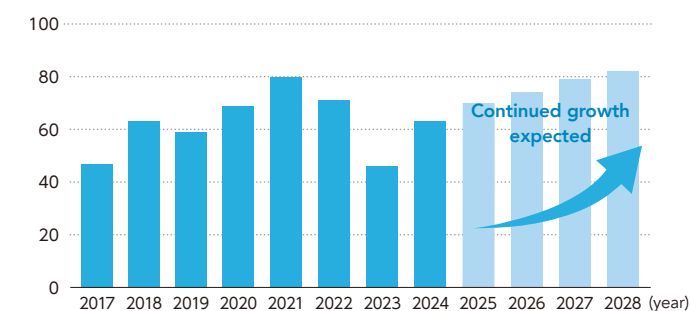
technologies to bring about innovation. With a focus on emerging markets such as sensing and semiconductors, we aim to establish a continuous pipeline of HumanFlags products that improve comfort and safety in daily life while advancing the digital society.

Given the nature of this sub-segment, which contains a pantheon of products with significant market share and therefore a critical responsibility in market supply, we will pursue a dual investment strategy: capital expenditures to expand production capacity and development investments to create new businesses. In this context, we are promoting the Virtual One Factory globally, in parallel with the expansion of production capacity overseas. Through production optimization and predictive maintenance across multiple production sites by utilizing AI, human resources and facility resources are reallocated to secure resources for new development projects. In fiscal 2024, we completed the introduction of the enterprise resource planning (ERP) system across all sites. Starting in fiscal 2025, we will begin validation efforts to maximize data utilization and plan to fully implement the Virtual One Factory by fiscal 2027.

Environmental investment will also remain a priority. Given the large volumes of water required for circuit board production, we will focus on initiatives to conserve water resources and reduce environmental impact.

High-Capacity HDD Unit Forecast (Nitto's forecast based on surveys)

HDD unit shipment (million units/year)



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Business Strategies by Segment

Human Life

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

Overview



Segment Profile

The Human Life segment is responsible for developing and manufacturing products that contribute to the realization of "accessible and user-friendly healthcare," "a society where anyone can function," and "a secure and safe future."

In the life science sub-segment, the Nitto Group manufactures polymer beads for oligonucleotide synthesis (NittoPhase™), conducts contract manufacturing of oligonucleotides, and engages in drug discovery by leveraging our long-standing expertise in particle polymer synthesis technology. We are also developing a drug delivery system (DDS) to deliver nucleic acid therapeutics precisely to targeted areas within the body. In the membrane sub-segment, we contribute to water resource conservation and water pollution prevention by producing and supplying high-polymer separation membranes used for wastewater treatment. In the personal care materials sub-segment, we manufacture and sell nonwoven fabrics used in products such as diapers and wet wipes, and functional films.

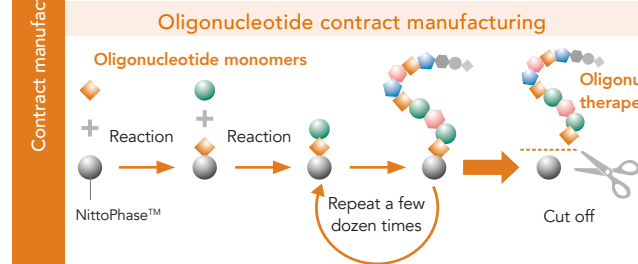
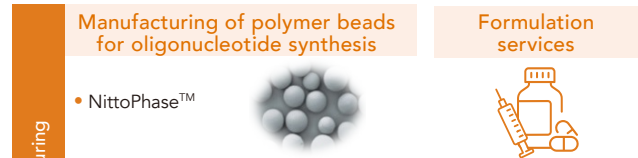
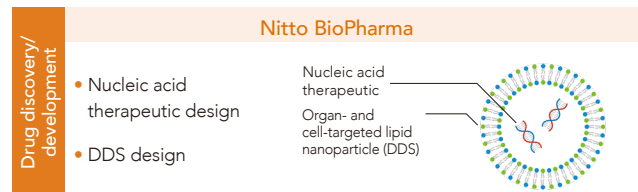
Strengths

- **Life science:** The added value of NittoPhase™ in oligonucleotide therapeutics; an oligonucleotide contract manufacturing process that extensively supports everything from early-stage development to commercial drug production; highly functional and safe DDS development technology cultivated through in-house development of clinical-grade nucleic acid DDS drugs
- **Membranes:** Global sales network and brand strength that has led the market for over three decades
- **Personal care materials:** Global business operations centering on the hygiene market with a broad product lineup including elastic films, nonwoven fabrics, and adhesive tapes for sanitary use

Products

Life science

Combining the Nitto Group's core technologies and manufacturing expertise, high-purity and high-yield NittoPhase™ offers the versatility to support a wide variety of nucleic acid sequences. Tailored to meet varying needs across R&D, clinical studies, and commercial production, NittoPhase™ holds a 65% market share (by number of projects). In the oligonucleotide contract manufacturing business, based on abundant experience in oligonucleotide synthesis, we develop manufacturing processes that meet specific customer requirements, whether in quantity, quality, or delivery timeline, and provide advanced manufacturing technologies to support the commercialization of oligonucleotide therapeutics. In nucleic acid drug development, we not only develop therapeutic drugs but also license our DDS technologies, whose safety is validated through clinical trials.



Membranes

Leveraging its proprietary large membrane surface area technology, the Nitto Group produces and sells membrane products used in various water treatment applications, contributing to energy and resource conservation. We also offer membranes for ZLD* (Zero Liquid Discharge) systems in response to regulations being adopted in countries such as China and India. In addition, we provide membranes for producing ultrapure water, which supports the electronics industry's growth, as well as membranes that remove impurities in offshore oilfields. Another strength of the Nitto Group lies in our expertise with reverse osmosis (RO) membranes and our proprietary simulation technology, which enable us to propose and design membrane solutions tailored to customers' specific post-treatment water quality requirements.

*A system that recycles wastewater through multiple treatment processes to achieve zero liquid discharge



Personal care materials

We design, develop, manufacture, and sell diaper materials (elastic films), technical films used as liquid container labels and base material for tapes, nonwoven fabrics for wet wipes and similar products, and pouch films for feminine care items in Germany, the U.S., Turkey, and China. In addition to the development of films, nonwoven fabrics, hygienic adhesive tapes and integrated products, we also develop highly functional products such as those with elasticity, breathability, absorbency, as well as sustainable products.



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Mid- and Long-Term Strategies

Transforming the business portfolio to achieve further growth for strong performance

• Life science

As the number of clinical cases increases and sales of commercial drugs for major diseases expand, the oligonucleotide contract manufacturing market is projected to grow by 20% annually through 2030. Riding this growth trend, the Nitto Group will strengthen its supply capacity by expanding production capacity and, in anticipation of intensified price competition driven by market scale, improve its cost competitiveness by investing in the development of new process technologies.

In fiscal 2024, Nitto Denko Avecia successfully implemented continuous purification technology in the oligonucleotide therapeutics manufacturing process and began offering large-scale contract manufacturing enabled by this innovation to customers in Europe. This technology contributes to improving the yields of oligonucleotide therapeutics compared to conventional methods by linking purification columns* and repeating the purification process. Since the cost of manufacturing oligonucleotide therapeutics can be better controlled,

we believe that this will lead to a reduction in medical expenses. This U.S. subsidiary has additionally installed a facility for real-time analysis of oligonucleotide synthesis reactions. By streamlining the manufacturing process with these technologies and facilities, we aim to further strengthen our cost competitiveness.

As part of our efforts to expand supply capacity, a new factory within the Tohoku Plant began manufacturing and processing NittoPhase™ in fiscal 2024, and a new factory in California, U.S., is due to open in fiscal 2025 as planned. Nitto's life science business serves many customers in Europe, who often have strict environmental requirements. Accordingly, we are working to reduce solvent usage during oligonucleotide contract manufacturing, aiming to lower CO₂ emissions and help customers reduce their Scope 3 emissions.

In terms of nucleic acid drug development, we are shifting our focus to licensing the DDS platform. In the field of advanced medicine, such as mRNA therapeutics and cell/gene editing, we are collaborating with

multiple partners to shorten development timelines and improve the efficiency of development investments, with the goal of commercializing and monetizing new technologies at an early stage.

*Purification column: Cylindrical vessel filled with packing material for extracting target compounds from a mixture.

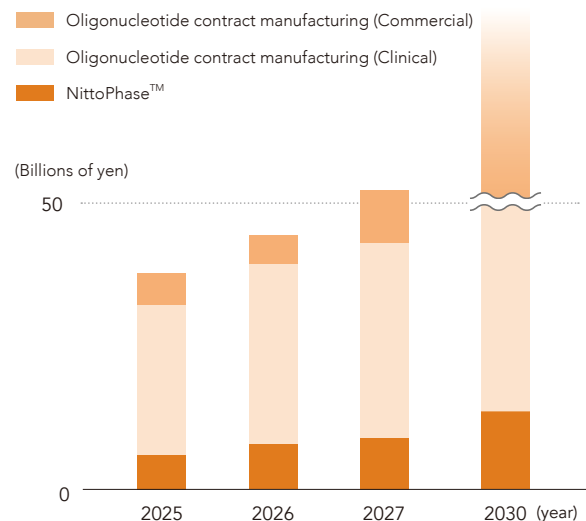
• Membranes

Amid the ongoing tightening of wastewater regulations in various countries, we are developing products that support the efficient recycling and reuse of factory wastewater in key markets such as Europe, the Americas, East Asia, and India, contributing both to our customers' operations and to the conservation of water resources. To accelerate further business growth, we will continue making capital investments to streamline the manufacturing processes, while developing high-quality products with superior resistance to fouling and chemicals. Over the long term, we plan to invest in a range of initiatives aimed at halving waste generation and energy consumption across both our processes and our customers' use. In the near term, we will make steady efforts to develop membranes for ZLD applications that meet increasingly complex customer requirements, as well as energy-saving products that support CO₂ emissions reduction. At the same time, we intend to boldly explore entirely new business models for the future.

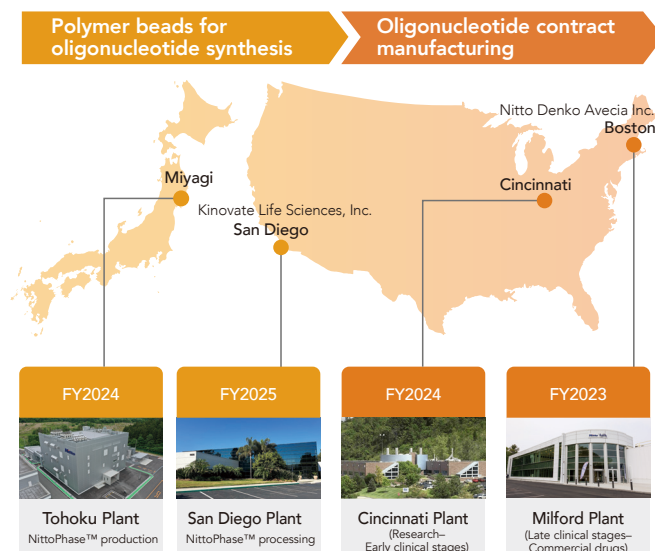
• Personal care materials

For hygiene products, we will expand our business globally with high functional models that scale both vertically and horizontally while offering enhanced durability, aiming at the target markets for adults and female consumers. Furthermore, by leveraging our know-how in designing and developing highly functional materials, we will pursue a growth strategy for technical films, which are thin yet durable and elastic, targeting markets such as semiconductors, mobile devices, and mobility products. To support this strategy, we will accelerate capital investments and digitalization efforts to strengthen a stable production system. Furthermore, we will remain focused on the creation of sustainable products, such as biodegradable materials (introduced in the nonwoven fabrics business).

Mid/Long-Term Revenue Plan



Growth Strategy for the Oligo Business



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Environmental Initiatives

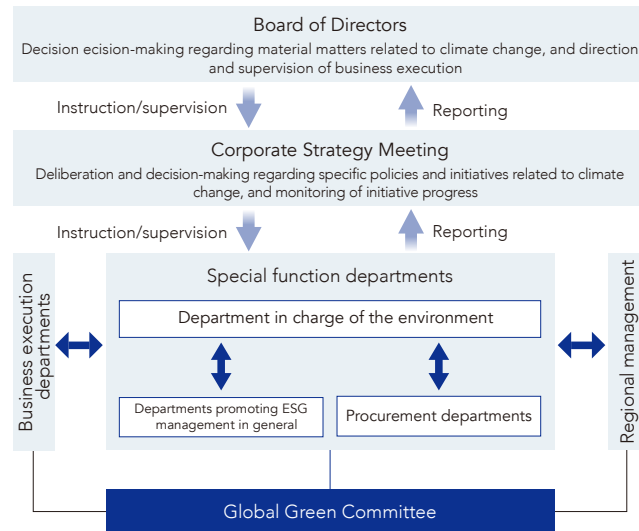
Basic Ideas

Climate change and other environmental challenges are becoming increasingly severe. In 2024, multiple international organizations reported that the global temperature rise had exceeded the 1.5°C threshold set by the Paris Agreement. Against this backdrop, reducing environmental impact, whether by improving energy and resource efficiency, reducing CO₂ and waste emissions, or otherwise, is a social responsibility for businesses. This calls for constant originality and ingenuity.

The Nitto Group has outlined its commitment to contributing to a sustainable society in its Basic Policy on Environment. This commitment extends beyond minimizing environmental impact within the Group itself, aiming to reduce environmental impact across the entire supply chain by leveraging our proprietary technologies and knowledge.

Promotion System

To address environmental issues, the Nitto Group has established a governance structure centered around the Corporate Strategy Meeting, which operates under the guidance and supervision of the Board of Directors. In order to enhance the effectiveness of our environmental initiatives, we have set up the Global Green Committee (GGC), chaired by the officer in charge of environmental affairs. The GGC collaborates with various departments, including those overseeing ESG management and procurement, to develop strategies, implement and promote relevant measures.



Targets and Achievements

We have established CO₂ emissions (Scope 1+2), the waste plastics recycling ratio, and the sustainable materials procurement ratio as environment-related future-financial targets within the current mid-term management plan, and are actively promoting initiatives to achieve them.

CO₂ Emissions (Scope 1+2)

Having met our fiscal 2025 CO₂ emissions target of 550,000 tons in fiscal 2023, we are advancing our efforts by setting a new target of 470,000 tons for fiscal 2025. Our CO₂ emissions for fiscal 2024 totaled 472,000 tons. With steady progress in reduction, we expect to achieve the fiscal 2025 target.

Waste Plastics Recycling Ratio

The recycling ratio reached 50% in fiscal 2024. We continue to promote waste sorting and other initiatives aimed at increasing this ratio.

Sustainable Materials Procurement Ratio

The procurement ratio was 18% (non-consolidated) for fiscal 2024. As we work toward our fiscal 2025 target of 20%, we remain committed to promoting the adoption of sustainable materials with the support and cooperation of our business partners.

Management Targets in the Mid-term Management Plan and 2024 Results

	2024 Results	2025 Targets
CO ₂ Emissions (Scope 1+2) (ktons)	472	470
Waste Plastics Recycling Ratio (%)	50	50
Sustainable Materials Procurement Ratio (%)	18 (Non-consolidated)	20

Realizing a Decarbonized Society

Support for the Decarbonization Initiative and the New Target Toward 2030

In August 2024, the Nitto Group received the Science Based Targets (SBT) certification as its GHG emission targets for 2030 are based on scientific evidence. In addition to a CO₂ emissions target of 400,000 tons (Scope 1+2), representing a 46% reduction from 2020 levels, we have set a Scope 3 emissions target of 1,460,000 tons by 2030, a 25% reduction from 2022.

In fiscal 2024, our Scope 1+2¹ emissions and Scope 3² emissions were 472,000 tons and 1,859,000 tons, respectively. To meet our new 2030 target, we will involve the entire supply chain in reducing emissions.

Nitto is also a member of Renewable Energy 100% (RE100). We are committed to supporting the widespread adoption of renewable energy and converting 100% of the electricity used in our business operations to renewable sources. Our goal is to achieve this on a global scale by 2035, further contributing to GHG emission reductions for the Nitto Group.

¹ Scope 2: Market-based
² Scope 3 Categories: 1, 3, 4, 5, 12

Initiatives to Reduce Nitto's Own CO₂ Emissions (Scope 1+2)

Initiatives for Renewable Energy

The ratio of renewable energy used increased to 61%, up from 41% in the previous year, resulting in a reduction of CO₂ emissions by 95,000 tons.

Furthermore, to facilitate the adoption of renewable energy, we actively use Power Purchase Agreements (PPAs) for mid- and long-term energy procurement. On a non-consolidated basis, Nitto Denko Corporation (parent company) has set a target of procuring 200,000 MWh of renewable energy with high additionality³ by 2030 through a corporate PPA⁴. In fiscal 2024, we procured renewable energy equivalent to 15,672 MWh, leading to a reduction of 7,600 tons of CO₂ emissions for the year. Meanwhile, Korea Nitto Optical Co., Ltd. signed a physical PPA package agreement⁵ for 8 MW of solar power in fiscal 2024. This South Korean subsidiary plans to install solar power generation systems, starting operations in the first half of fiscal 2025, with an expected annual CO₂ emissions reduction of 4,700 tons.

³ The potential for renewable energy increases as new procurement agreements for renewable energy-based electricity drive the construction and investment in renewable energy facilities
⁴ A long-term purchase agreement between an electricity generation utility and consumers for the purchase of renewable energy-based electricity, including its environmental value or environmental value alone
⁵ A type of corporate PPA

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Initiatives to Conserve Energy

To promote energy conservation for certain existing products that require substantial energy for drying and recovery, we have implemented UV coaters that use solvent-free adhesives, eliminating the need for drying. We are also exploring the use of hydrogen boilers for fuel conversion. Through these measures, we were able to reduce CO₂ emissions by 2,300 tons in fiscal 2024. Going forward, we will continue pursuing our 2030 targets by adopting further energy conservation measures, including the utilization of waste heat and the introduction of high-efficiency equipment.

Initiatives to Reduce CO₂ Emissions Throughout the Supply Chain

Achieving carbon neutrality across society requires managing and reducing CO₂ throughout the supply chain.

The Nitto Group is exploring concrete reduction measures in pursuit of its 2030 targets. In order to develop the reduction measures, we are considering the incorporation of a trial estimation of the reduction effect of changes in business portfolio, yield improvement, and conversion to sustainable materials.

Cooperation from suppliers is also essential with regard to raw materials and transportation, which is why we are promoting supplier engagement activities. Working closely with each business sector and discussing countermeasures within the GGC, we are focusing on Category 1 emissions, which represent a significant portion of our Scope 3 emissions. Our goal is to take proactive steps toward reducing these emissions.

Initiatives at Each Site

Renewable energy

Procurement of Electricity from Renewable Energy Sources by Way of Virtual PPA
We utilize a framework known as a virtual PPA to procure renewable energy by investing in remotely located power generation systems.

Moving forward, we will proactively invest in new power generation systems to accelerate the transition to renewable energy throughout the Nitto Group.

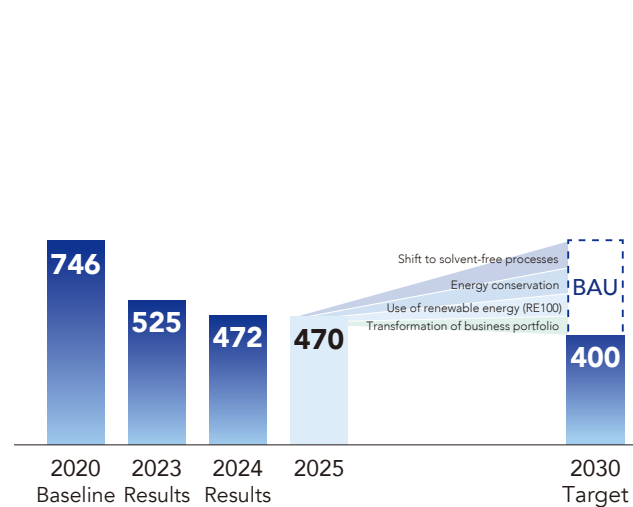


Solar Power Generation System Located Outside Nitto's Premises

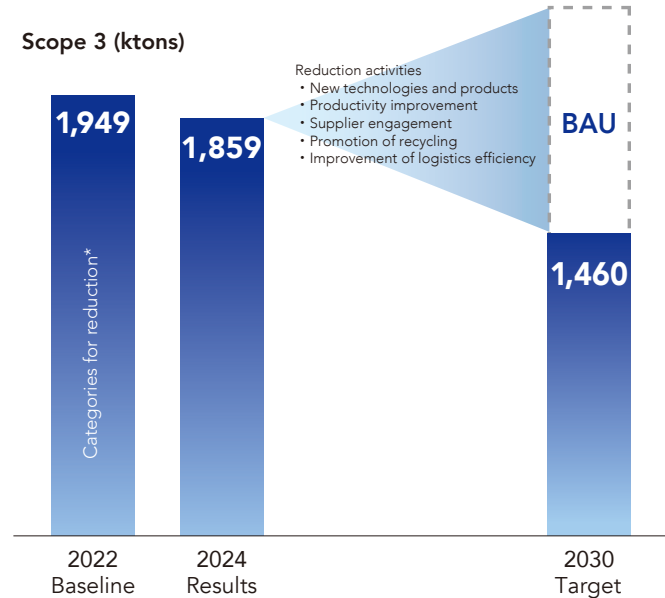
CO₂ Emissions Reduction Target

Scope 1+2 (ktons)

FY2021–2030 Decarbonization investment: 80 billion yen



Scope 3 (ktons)



*Categories for reduction: 1. Purchased goods and services (weight basis), 3. Fuel-and energy-related activities not included in scope 1 or scope 2, 4. Upstream transportation and distribution, 5. Waste generated in operations, 12. End-of-life treatment of sold products

Energy conservation

Mass Production of Solvent-Free Products (Shiga Plant)

Converting to solvent-free alternatives significantly reduces energy consumption by eliminating the drying process and the need for exhaust gas treatment, resulting in substantial CO₂ emission reductions. In fiscal 2024, we introduced another new solvent-free coater to the Shiga Plant to start mass production. We plan to commence mass production with a second coater in fiscal 2025. By adopting these solvent-free alternatives, we aim to reduce a total of 30,000 tons of CO₂ equivalent emissions by 2030.



Solvent-Free Products Production Line

Operations of a Zero-CO₂ Emission Factory Started (Tohoku Plant)

A zero-CO₂ emission factory was completed at the Tohoku Plant, beginning production in the second half of fiscal 2024. This facility represents the Nitto Group's first initiative to optimize the use of self-generated renewable energy. Starting in fiscal 2025, we will expand these systems, aiming to generate all steam used at the Tohoku Plant with a hydrogen boiler, further decarbonizing the entire plant. In preparation for the upcoming social implementation of green hydrogen, we will accelerate our efforts to reduce Scope 3 CO₂ emissions by establishing hydrogen utilization technology and energy storage solutions at the Tohoku Plant.



Hydrogen Utilization Facility

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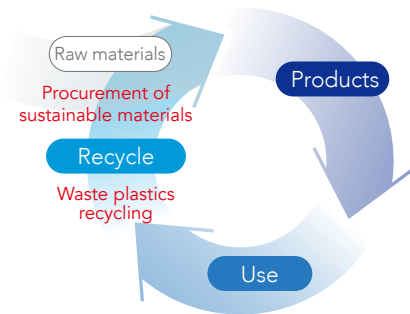
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Realizing a Circular Society

Promotion of Circular Economy

The Nitto Group is committed to minimizing environmental impact by intentionally selecting raw materials with low environmental impact and using them efficiently. We also implement various recycling programs to reduce total waste disposal. By implementing diverse initiatives from “entrance” to “exit” of resources at each stage of manufacturing, we are accelerating progress toward a circular economy.



Procurement of Sustainable Materials

The Nitto Group has set a 2030 target to achieve a sustainable materials procurement ratio of 30% on a consolidated basis. In fiscal 2024, it reached 18% on a non-consolidated basis. The increase from the previous fiscal year is partly due to the introduction of recycled PET films for industrial products, in addition to the existing sustainable packaging tapes.

From fiscal 2025, we are planning to start procuring the mass-balance method* certified raw materials such as polysulfone used in water treatment membranes and ethyl acetate for adhesive tapes. In addition to adopting these sustainable materials, Nitto will promote its strategy on sustainable materials while compiling global procurement data, which contributes to create Nitto's future product portfolio.

*The mass balance method is a certification approach that assigns specific attributes (e.g., biomass-derived content) to a portion of the final product based on the proportion of input materials, used when they are mixed with conventional materials (e.g., petroleum-derived content).

Waste Plastics Recycling

At the Nitto Group, about half of the waste generated is petroleum-derived. As such, we are promoting recycling of waste plastics for reducing overall waste disposal. In fiscal 2024, the waste plastics recycling ratio reached 50%.

Toward achieving the 2030 target of “a 60% waste plastics recycling ratio,” we have designed a tailored recycling strategy based on the characteristics of each material: 1) those easily recyclable, 2) those needing the development of new technology for recycling, and 3) those that are currently difficult to recycle. One example of “1) those easily recyclable” is release liners used at the manufacturing process of tape products. They are recycled into films, fiberized for use for employee uniforms and reusable bags, as well as resin pellets to be used as plastic tray material, and 16,000 pellets are being used in the food court of the Expo 2025 Osaka Kansai, ensuring steady progress toward our recycling goals.

Building on the existing waste recycling “exits,” we will accelerate initiatives in categories where product recycling remains difficult, such as developing technology for debonding adhesives from base materials. For materials that are currently difficult to recycle, we will make steady efforts to advance chemical recycling methods.

Cyclic Use of Waste Plastics



Conserving Biodiversity

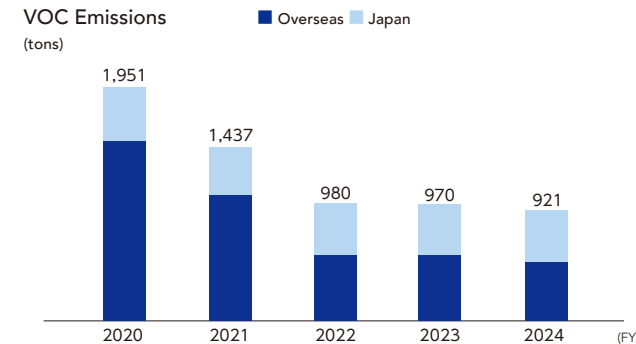
Conservation of Water Resources

We are committed to conserving limited water resources by using water efficiently in our business activities and promoting business continuity measures against water supply disruptions caused by natural disasters and abnormal weather, aiming to fulfill our supply responsibilities as a supplier. Some of our production sites have been recycling wastewater and effluents generated by the plants at a level of 1,752,000 tons/year using water treatment technology that utilizes the Nitto Group's reverse osmosis (RO) membranes, which purify water by filtering out impurities. This approach will be expanded not only internally but also externally in the future.

Prevention of Air Pollution

Volatile organic compounds (VOCs) can cause PM2.5 and photochemical smog, and curbing their emissions poses a challenge. As part of its efforts to minimize any impact on the environment surrounding our plants and employees' health, the Nitto Group is dedicated to reducing VOCs globally. In fiscal 2024, we reduced VOC emissions by 49 tons compared to the previous fiscal year.

We will further promote solvent-free manufacturing by utilizing ultraviolet curing and water-based adhesives while curbing the use of hazardous substances in accordance with voluntary control standards, thus making continued efforts to reduce VOC emissions.



*From fiscal 2022, the number of organic solvents included in the calculation has been expanded from 6 major solvents to 24 including other solvents used.

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Disclosure Based on TCFD Recommendations

Recognizing that responding to climate change is an important management issue, the Nitto Group has strategically included such responses in its management agenda. In fiscal 2024, we enhanced our governance and risk management systems related to climate change, considered countermeasures, and reviewed our targets, taking into account the impacts on our business.



Governance

To solve environmental issues including climate change, the Nitto Group is working to develop and promote short- to mid-term and long-term strategies by establishing a governance system where President-Director & CEO is appointed as the superintendent, and the Corporate Strategy Meeting plays the central role under the direction and supervision of the Board of Directors.

In addition, in order to increase the effectiveness of environmental initiatives including climate change response, the Group has established the Global Green Committee led by the Vice President in charge of promoting climate change-related issues and strengthen cross-organizational coalitions while examining strategies and implementing and promoting countermeasures against the issues.

Risk and Opportunity Management

The Group appropriately manages key risks and opportunities related to climate change that management recognizes may significantly

impact its business activities, and implements comprehensive management across the Group by combining them with other key risks that also significantly impact its business activities.

The key risks and opportunities related to the environment issues including climate change will be monitored by business execution departments and regional managers in collaboration, while the department responsible for environmental issues will assume responsibility for managing them. Information regarding monitored risks and opportunities, together with information managed by other special function departments, will be reported and deliberated monthly at the Corporate Strategy Meeting, which consists of Directors and Vice Presidents. The results of the deliberation will be instantly communicated to related departments, and countermeasures against risks and measures for opportunities will be promptly taken to strengthen controls. The progress of the implementation and improvement will be again reported to and monitored at the Corporate Strategy Meeting to increase the effectiveness of the Group management.

Strategy

The Group carried out a scenario analysis regarding transition risks and physical risks and opportunities expected due to climate change across the entire value chain, which includes not only the Group but also its suppliers and customers. The results of the scenario analysis have been incorporated into 2030 management indicators, including Nitto Group Carbon Neutral 2050, and into the mid-term management plan Nitto for Everyone 2025. The Group has promoted initiatives to remove solvents, save energy, use renewable energy, and create products that contribute to the environment, and confirmed that it would be able to minimize risks and maximize opportunities, and that the strategy would be useful.

Our 80-billion-yen investment for decarbonization over the ten-year period from 2021 to 2030 is being directed primarily to minimize the risks assumed in the 1.5°C scenario: shifting to solvent-free processes, improving infrastructure and utility efficiency, and using renewable energy.

Indicators and Targets

The Group ensures that the countermeasures are implemented to minimize risks and maximize opportunities and has established 2030 management indicators and targets to regularly monitor and manage the status of those countermeasures. The main indicators and targets, such as CO₂ emissions (Scope 1+2), waste plastics recycling ratio, sustainable materials procurement ratio, and PlanetFlags and HumanFlags category revenue ratio are also set as future-financial targets that are management indicators and managed by the Group as a whole.

We are on track to achieve our 2030 CO₂ emissions target (Scope 1+2) of 470,000 tons set in May 2022 ahead of schedule. As such, in fiscal 2024, we decided to aim to achieve 470,000 tons in 2025, and revised our 2030 target to 400,000 tons, a higher target in line with the 1.5°C target based on science.

In addition, we have set a new target of 1,460,000 tons of CO₂ emissions (Scope 3) for 2030, and will further accelerate our activities toward realizing a decarbonized society, striving to achieve zero environmental impact not only within our own company but throughout our entire supply chain.

See P.37–39 for FY2024 initiatives.

Type of risk/opportunity	Event	Assumed risks and opportunities	Countermeasures	Indicators	
Transition risks	Policy and laws and regulations	An increase in transition costs to low GHG-emitting raw materials	Conversion of raw materials to alternatives, weight reduction of products Promotion of the development of recycled materials in cooperation with suppliers	Raw material usage CO ₂ emissions (Scope 3)	
		A substantial increase in renewable energy procurement costs due to the spread of renewable energy	Implementation of the Domestic Renewable Energy Procurement Master Plan Promotion of PPA procurement	Renewable energy ratio	
		An increase in capital expenditures due to the spread of renewable energy	Introduction/installation of solar power generation system on the premises		
	Technology	An increase in GHG emission price	An increase in taxation costs due to the increased introduction of carbon taxes and carbon levies	Promotion of the use of renewable energy, shifting to solvent-free processes, and improving infrastructure and utility efficiency	CO ₂ emissions (Scope 1+2)
		Transition to low carbon products through investment in new technologies	A substantial increase in capital expenditures due to the development and introduction of high energy-efficient technologies	Promotion of solvent-free technology Improvement of infrastructure and utility efficiency	
		Industry/market	An increase in petroleum-derived raw materials procurement costs due to soaring fossil fuel prices	Effective utilization of resources	Raw material usage CO ₂ emissions (Scope 3)
A substantial increase in raw material prices	An increase in petroleum-derived raw material costs due to carbon taxes and other taxes in the upstream of the value chain		Effective utilization of resources Promotion of the shift from oil-based raw materials to sustainable materials	Waste plastics recycling ratio Sustainable materials procurement ratio CO ₂ emissions (Scope 3)	
Physical risks	Acuteness	Occurrence of abnormal weather and natural disaster	Promotion of business continuity management at an individual Nitto-Group business location level	BCM at a group level and an individual business location level	
		Suspension of operation at the company's plants, loss of opportunities due to major suppliers being hit by a flood, high tide, etc.	Promotion of sustainable procurement	BCP planning at partners System to check the safety and impact of partners	
Opportunities	Products/services	An increase in demand for low-carbon products	Expansion of the PlanetFlags product lineup	PlanetFlags/HumanFlags category revenue ratio	
		An increase in demand for medical-related products	Expansion of the HumanFlags product lineup		

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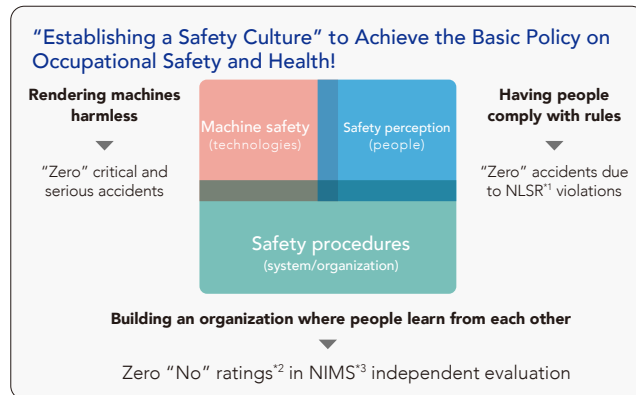
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Safe Manufacturing

Fostering a Safety Culture

In its Basic Policy on Occupational Safety and Health, the Nitto Group declares its goal of “achieving zero accidents and injuries,” and is working to foster a safety culture to realize this goal. A safety culture is comprised of three elements: “machine safety (technologies),” which aims to render equipment and machinery harmless; “safety perception (people),” which influences operator behavior; and “safety procedures (system/organization),” which maintain the effectiveness of the first two elements and support the development of an organization where people learn from one another.



*1 Nitto Life Saving Rules, consisting of nine prohibitions and compliance rules. Established in 2018

*2 Cases judged as not meeting NIMS criteria

*3 Nitto Minimum Standard, the baseline set of requirements that the Nitto Group must comply with at a minimum

Machine safety (technologies)

We assess risks associated with equipment and machinery and assign them ratings on a five-point scale, based on which appropriate risk mitigation measures are implemented. Such measures are meant to separate operators from hazard sources. However, because operators sometimes need to access those hazard areas, we have introduced AI cameras into slicers as an innovative way to reduce such risks. The system uses AI to distinguish between a human hand and a jig, and if it detects a human hand inside the slicer, it automatically stops the equipment. Previously, light curtains were used on the shop floor to trigger alarms when either hands or jigs entered equipment. In contrast, this AI-enabled system responds only to human hands and initiates an emergency stop, thus improving both workability and operator safety. Line operators have reported that the system gave them a greater sense of security.

Safety perception (people)

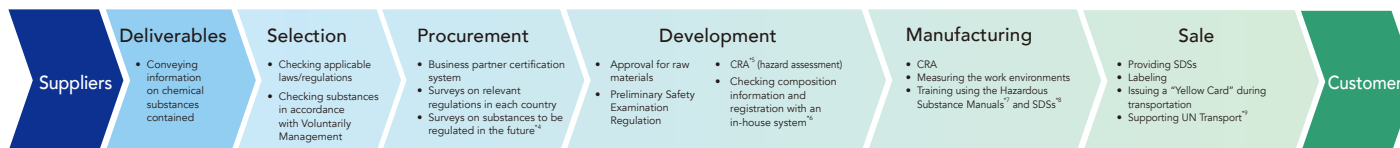
Together with Osaka University FORESIGHT inc., Nitto is conducting a project to demonstrate the validity of safety activities through the lens of human behavioral psychology. The project aims to break away from the stereotype that rules are to be “enforced” and instead foster a workplace environment and personal connections that make people “want to follow” safety practices. Kicking off in October 2024, the project brings together members from manufacturing sites to observe shop floors alongside experts. By applying scientific insights to the observed realities, they form hypotheses on how to eliminate potentially unsafe behaviors, enabling the development of practical safety measures.

Safety procedures (system/organization)

In order to reduce the risk of fire caused by static electricity within the Nitto Group, we have established a unique qualification program focused on fire prevention related to static discharge. This program strictly prohibits unqualified persons from handling flammable substances alone, aiming to elevate the overall standard of static electricity fire prevention. It marks Nitto’s first unified qualification initiative involving the entire group, with full-scale implementation scheduled for April 2025 in Japan and October 2025 globally.

Believing that ensuring the safety of everyone on Nitto Group premises, regardless of their affiliation, is a critical responsibility, we are discussing increasing the frequency of safety patrols at construction sites. These patrols will assess whether construction work is being carried out safely when renovating or introducing new buildings/facilities from a third-party perspective. If unsafe behavior is observed, a stop-work order may be issued.

Without a strong will to reduce all occupational accidents and injuries to zero by any means, such incidents will never stop occurring. On the other hand, machines can fail and people can make mistakes, even when paying close attention. That is why we believe it is essential to address the three closely-interrelated elements in a well-balanced manner. We view achieving zero occupational accidents and injuries as only the beginning; our true focus lies in how we can sustain that “zero,” and we will act with this mindset.



*4 Chemical substances (reportable chemical substances) whose legal regulation is under consideration *5 Chemical Risk Assessment *6 Nitto’s unique management system for chemicals in products

*7 Nitto’s original chemical substance training tool *8 Safety Data Sheets *9 United Nations Recommendations on the Transport of Dangerous Goods

Management of Chemical Substances

The Nitto Group’s Basic Policy on Chemical Substance Management is “Offering safety and confidence to our stakeholders.” We fully understand the risks of chemical substances and make efforts to prevent related disasters and accidents from occurring, maintain a healthy working environment, and preserve ecosystems and the environment. In recent years, international regulations regarding PFAS (per- and polyfluoroalkyl substances) and POPs (persistent organic pollutants) have been tightening at an accelerating pace, increasing the importance of chemical substance management.

As we handle nearly 4,000 types of chemical substances, the Nitto Group applies regulations on chemical substance management throughout all stages, from the selection and procurement of raw materials to development, production, and sales, ensuring proper management based on strict voluntary standards with the entire supply chain in mind. We are strengthening all these efforts to realize a sustainable society.

In response to revisions of relevant laws and the introduction of new regulations in Europe and elsewhere, we are closely monitoring these trends to assess and respond to their impact on our business. In fiscal 2024, regarding chemical substances that may become subject to the European REACH Regulation or the U.S. TSCA, we designate them as “reportable chemical substances” in the Nitto Group Green Procurement Standards and require our business partners to disclose their presence in supplied products. This approach allows us to track such substances from the deliberation stage and assess potential regulatory impact in advance. Whenever possible, we switch to alternative materials and submit public comments to relevant authorities, helping ensure compliance with laws and regulations, as well as contribute to improving product safety and market reliability for our customers.

Meanwhile, we joined a relevant external organization to continuously monitor developments in PFAS restriction proposals in Europe and the U.S., while exploring possible alternatives for these substances at the request of customers. Going forward, we will take appropriate and necessary action as we carefully determine the scope of regulations.

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Misconduct Regarding the Municipal Water Supply Membrane Module Certification System and Our Remedies

In 2023, it came to our attention that there had been misconduct related to the certification procedures of our municipal water supply membrane module products. Specifically, certification tests were conducted in a manner inconsistent with the method specified by the Association of Membrane Separation Technology, Japan (AMST). Upon learning this, we immediately confirmed the safety of the affected products, determined the causes and specifics of the incident, and reported our findings. Additionally, we established an Investigation Committee composed of external experts.

The investigative report we received in 2024 concluded that the delivered products “do not impact municipal water supply users, as it

is unlikely that they fail to meet the standards set by the Ordinance of the Ministry of Health, Labour and Welfare.” The report also provided nine recommendations for recurrence prevention. In response, the Nitto Group has implemented a series of corrective actions (see the table below). Concurrently, we launched a re-evaluation of all affected products using legitimate certification procedures to obtain renewed certification from the AMST in September 2024.

Given all this, we are reinforcing a Group-wide quality compliance structure, while addressing the specific issues within the relevant business division. As societal expectations for product quality continue to rise, the Nitto Group is implementing measures on a global scale to enhance its credibility in line with these heightened demands. Our efforts focus on continuous improvement from the perspectives of mindset, knowledge, and corporation culture.

Recommendations from the Investigation Committee	Actions	Progress
(1) Management's profession of the need for mindset reform	• Making the misconduct known to all Group employees and conducting compliance surveys to identify latent quality issues	→Completed
	• The responsible officer regularly sends messages to members of the relevant business division. September 12, the date the incident was reported, will be designated as “Quality Reminding Day,” with employee training conducted around that day as appropriate	→To be implemented in and after fiscal 2025
(2) Acquisition of expert knowledge, skills, etc.	• The business division concerned compiles a procedure manual outlining the expert knowledge and skills required for legal compliance. To prevent certification-related tasks from relying on a limited number of personnel, standardize the relevant work	→Completed
	• Developing an internal certification program for the relevant work and strengthening the third-party checking system	→Completed
(3) Establishment of a department with competence in certification-related services	• Concerning certification-related services that require a high level of expertise, the department responsible for development conducts certification tests, while the department in charge of quality and safety reviews the findings and files the application, reinforcing a mutual surveillance system	→Completed
(4) Creation of a job hand-over system	• As inadequate job hand-over was one of the causes of the incident, a job hand-over system will be established together with the department in charge of personnel affairs and introduce the system throughout the Group	→Currently underway
(5) Need to receive certification by AMST	• Having all models for which the misconduct was reported undergo properly designed re-certification tests to have them all re-certified by the AMST	→Completed
(6) Optimized personnel allocation	• Build a training system and an inspector accreditation system to develop experts on the certification of municipal water supply membrane modules	→Completed
(7) Information sharing	• Promote daily two-way information sharing between superiors and their subordinates at regular meetings or one-on-one discussions	→Currently underway
	• The officer in charge of the relevant business division sends messages and shares information at general morning assemblies and other occasions	→Currently underway
(8) Proactive use of <i>Kuruma-za</i>	• Group-wide: Organizing <i>Kuruma-za</i> on quality compliance	→Completed
	• Business division concerned: Organizing <i>Kuruma-za</i> on water supply membrane module certification for each level	→Completed
(9) Understanding of basic approaches to quality and enhancement of quality management systems	• Adding “Quality” to the curriculum of Nitto Sustainability Training, which is provided Group-wide to serve as an annual reminder of the incident	→Completed
	• Conducting a quality awareness survey for all employees to assess their understanding of quality issues	→Completed

Quality Compliance *Kuruma-za*

Following the Investigation Committee’s recommendation, we launched Quality Compliance *Kuruma-za* globally in November 2024. These sessions are intended to take a renewed and sincere look at past cases, laying the groundwork for a stronger quality compliance culture in the future.

For this *Kuruma-za* round-table talk focused on quality compliance, we produced a 30-minute multilingual video that outlines the factual background and encourages participants to share their takeaways. It is used in small group discussions conducted at the workplace level to foster open dialogue. The video emphasizes the importance of quality and the courage to speak up, aiming to foster a sense of ownership and promote open, candid discussion.

This initiative is not temporary; it is a permanent system designed to help the organization engage directly with issues of quality and compliance.

Quality Awareness Survey

We conducted a quality awareness survey for all Nitto employees across the globe. One particularly noteworthy result was the strong affirmative response to the question, “Do you take pride in the quality of your company’s products?,” a key indicator of product quality, demonstrating that individual employees are highly aware of the quality of our products. In the optional comment field, on the other hand, many employees shared reflections that indicate how deeply Nitto’s Basic Quality Policy has taken root, with responses such as “I don’t think merely meeting the applicable standards is enough; I intend to keep thinking about what we can do to keep our customers satisfied.” Going forward, we will continue administering the quality awareness survey on a regular basis as part of our ongoing commitment to minimizing quality compliance risk.

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Nitto Group's Human Resource Strategy as per the Chief Human Resource Officer

Accelerating Business Growth by Developing People to Connect Businesses Globally

To drive business growth further, it is vital to develop more human resources capable of connecting businesses on a global scale. With this in mind, the Nitto Group is committed to fostering a workplace culture and implementing programs that encourage diverse talents to take on challenges, all under the strategy of "Creation of a Work Environment Where Everyone Feels Rewarding and Satisfied with What They Are Doing."

Yasuhito Ohwaki

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



Dedicated to Fostering a Positive Workplace Environment to Align Management and HR Strategies

One of the strengths of the Nitto Group's human resources is that many of them are highly motivated to achieve their goals. Once they set their sights on a target field, they set high standards and pursue them with determination. This drive is demonstrated not only on an individual level but also collectively, as teams across R&D, Production, Sales, and Administration work together toward shared objectives and achieve them with remarkable speed. This cohesion has earned

strong recognition from outside the Company.

Looking back on what we have achieved so far, the Nitto Group has continued to grow—even amid significant changes in the management and business environments, thanks to talented individuals who challenge themselves to create new businesses that deliver novel value and innovate the business portfolio by driving shifts in business domains.

On the other hand, what currently concerns me is the absolute shortage of individuals within the Nitto Group who can connect businesses on a global scale. Today, over 80% of the Nitto Group's

revenue comes from overseas. As customer demand and end-user needs continue to shift abroad, and as supply chains grow increasingly complex and interconnected, the decision-makers of our customers as well as end-users have become highly diverse in terms of gender, race, and background. To create value together with such diverse stakeholders, it is essential to build a team that truly understand and embrace diverse perspectives.

Let me give you an example. In the electronics business, we have often formed a project team with members from Japan and other Asian countries. However, as Nitto's business domains have expanded in recent years, we are increasingly assembling cross-regional teams that include members from Japan, Asian countries, the Americas, and Europe. To ensure continued business growth in the future, we need many more individuals who can create value by connecting businesses across the globe.

Our employees grow as individuals by deepening their understanding of the Nitto Group to take on challenges, and gaining experience through tackling difficult tasks—either independently or as part of a team. Therefore, I think it is so important to offer a workplace environment where employees feel empowered to take on



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challenges when they are ready. Against this backdrop, we formulated the Nitto Group's human resource strategy: "Creation of a Work Environment Where Everyone Feels Rewarding and Satisfied with What They Are Doing." To visualize our endeavors to achieve this, we have selected three indicators: the "female leaders ratio," the "challenge ratio," and "engagement scores," each with targets set for 2030.

Understanding and Respect for Diversity Is the Key— We Can Achieve the Targets of Three Indicators If We Successfully Revitalize Both Individuals and the Organization

I mentioned earlier the importance of "creating a workplace environment," but we cannot expect to improve the three indicators



simply by making changes to systems or the organization. At the foundation of all these efforts lies a deep understanding and respect for diversity. It is not only individual employees but also leaders who connect businesses across regions that must leverage diversity to enhance the value creation process. Only by recognizing the meaning and significance of diversity and maintaining a mindset of taking on challenges can we achieve real progress. By embracing this approach and working to revitalize both individuals and the organization, I believe we can achieve the targets of three indicators.

Female Leaders Ratio

Our target for the female leaders ratio by 2030 is 30% on a consolidated basis. It was 22% in fiscal 2024, with the ratio in Japan still leaving room for improvement. After all, gender is just one attribute of diversity, and while we do not focus exclusively on tracking the ratio of "female leaders," Japan's lag in women's empowerment gives us good reason to take a proactive stance.

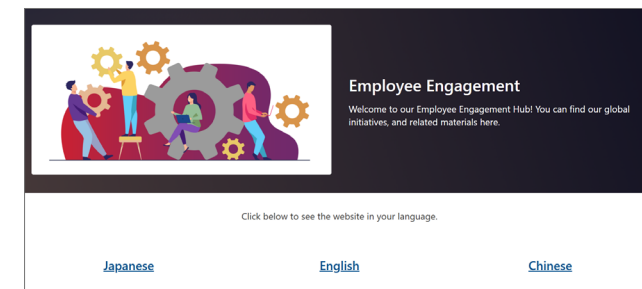
To that end, we initiated the FLOWER Program in April 2022 to cultivate female leaders capable of driving organizations and teams in Japan. The program invites female role models to share how their leadership roles bring them fulfillment and a sense of achievement and how they have overcome challenges. This initiative has started to yield results, with more female employees beginning to see leadership from a new perspective and gradually showing interest in becoming leaders themselves. They are also eager to network with other women. Changing the mindset of male employees is just as important. It is not always helpful for male supervisors to show excessive consideration toward female colleagues. What truly matters is open communication, understanding what female employees want to do and become, and then creating career and development plans accordingly to provide them with growth opportunities.

As the next step, we have launched new initiatives to help women build leadership skills and gain experience leading teams of a certain size, preparing them for future managerial roles.

Engagement Scores

The Nitto Group conducts an employee engagement survey every two years to monitor engagement levels. In fiscal 2023, the score rose by seven points from the previous survey, reaching 81. To achieve our 2030 target of 85, steady and patient efforts are needed.

In Japan, since fiscal 2022, we have introduced several initiatives to support this goal, including job postings that allow employees to transfer to different functions within the Company, and overseas trainee programs that offer one-year placements at overseas subsidiaries for hands-on business experience. One such initiative that has begun to produce a positive ripple effect is the 360-degree survey for general managers and managers. By receiving feedback from multiple perspectives, including subordinates, leaders gain a more objective view of their management style and actionable takeaways, which in turn makes ours a better organization. Naturally, the key to success in these efforts is continuity.



Intranet page for enhancing engagement

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In addition, our global sites are undertaking unique initiatives to boost engagement. Effective initiatives are shared within the Group and applied to similar contexts, spreading engagement-enhancing approaches across the organization.

Challenge Ratio

The challenge ratio currently faces an uphill climb: 41% in fiscal 2024 vs. a target of 85% by 2030. While some outside the company recognize this as a “unique” indicator, we define a “challenge” specifically as an attempt to broaden an individual’s experience and potential while also contributing to the company’s growth and higher corporate value. Not just any attempt qualifies; we draw a clear line. Given the increasingly complex and diverse business environment we operate in, we believe that if every employee, not just a select few, takes on challenges in their respective roles, it will spark a “chemical reaction” that becomes the very source of future innovation. In other words, when individuals from diverse backgrounds enjoy taking on challenges, our corporate value increases gradually.

To raise the challenge ratio, it is important that each employee identifies such opportunities for themselves. For example, participating in the Nitto Innovation Challenge (NIC), our in-house convention for new business creation, deepens employees’ understanding of the Nitto Group’s current position, strengths, proprietary technologies, and services, while also helping them discover their next challenge. At the same time, it is equally important to spread awareness about the meaning and purpose behind their continuous challenges.

Giving a Greater Boost to Employees’ Growth by Visualizing Skills and Providing Selective Training

The Corporate Human Resources Division has introduced a global HRIS (Human Resources Information System). By combining the vast amount of data accumulated on a daily basis with BI tools, it has become possible to visualize our talent portfolio globally, that is, how many persons we have, in which positions, and where. In the future, however, I believe we must take it one step further by visualizing the skills of each individual. To identify the talents and skills needed to advance our business, we are currently reviewing both “globally common skills” and “country-specific skills” by each department and organizational level to build a comprehensive skill map and skill set framework. Our future goal is to reach a point where we can instantly see, on a global basis, “how many of our employees have a particular skill set” or “what skills may be lacking when we initiate business portfolio transformation.” By sharing this information with employees, we hope they can recognize roles where they can contribute to value creation or identify the skills needed to pursue the roles they aspire to. Through this, we aim to support their growth and skill development, helping to revitalize individual employees.

For leader candidates, we will continue to emphasize selective training programs designed to foster global business connections. One such initiative is the Nitto Global Business Academy (NGBA), our global leadership development program. Participants form multinational teams to discuss a wide range of issues, deepening their understanding of diversity in the process. The mutual connections built through this program are now contributing to more effective management of global business teams.

Working to Become an “Essential Top ESG Company,” Our 2030 Ideal State

Aligned with our management policy of “placing ESG at the core of our management,” we began offering sustainability training to all employees in fiscal 2024 to deepen their understanding of ESG and the concept of sustainability. Using a globally common e-learning system, we provide learning opportunities and monitor levels of sessions they participate in to assess how many employees are engaging with the training and at what depth. Furthermore, recognizing that the foundation of ESG management lies in our Corporate Philosophy, we organize an annual workshop where employees engage in dynamic “cascade-down” discussions. Each participant is encouraged to reflect on the significance of our Corporate Philosophy, which includes values such as “diversity,” “challenging oneself,” and “personal development,” express in their own words how they will embody these principles, and take concrete action accordingly.

To become an “essential top ESG company,” our 2030 Ideal State, we are pursuing a dual approach of exploring our Niche Top Strategy and ESG Strategy as part of the ongoing mid-term management plan. Meanwhile, our employees are boldly taking on a wide range of responsibilities on a daily basis. Furthermore, management and business are constantly being challenged to achieve sustainable growth through transformation. Going forward, diverse human resources will continue to be the source of Nitto’s competitiveness as we seize opportunities presented by successive changes in the market environment. To ensure that every Nitto employee has the mindset of taking on challenges and exploring multifaceted approaches toward the creation of novel value, we will continue promoting our human resource strategy of “Creation of a Work Environment Where Everyone Feels Rewarding and Satisfied with What They Are Doing” with the goal of revitalizing both individuals and the organization.

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Empowering Diverse Employees

Human Resource Management Structure

The Nitto Group has set “Empowering diverse employees” as one of its material issues for sustainability and is strengthening its efforts in acquiring and developing human resources who can take on challenges and in promoting diversity, equity, and inclusion (DE&I).

To solve human resource issues, the Group is working to establish and promote short- to mid-term and long-term strategies by establishing a governance system in which the President-Director and CEO is appointed as the superintendent, and the Corporate Strategy Meeting body plays the central role under the direction and supervision of the Board of Directors.

Additionally, key policies, strategies, challenges, and initiatives regarding human resource management are communicated and determined by each meeting body based on internal standards. Global initiatives based on decisions made at each meeting body are implemented in each area by Corporate Human Resources Management Division. In Japan, these are led by the Japan Region Human Resource and Governance Division, which works closely with each business division, location, and group companies in Japan and overseas.

Human Resource Management Strategy

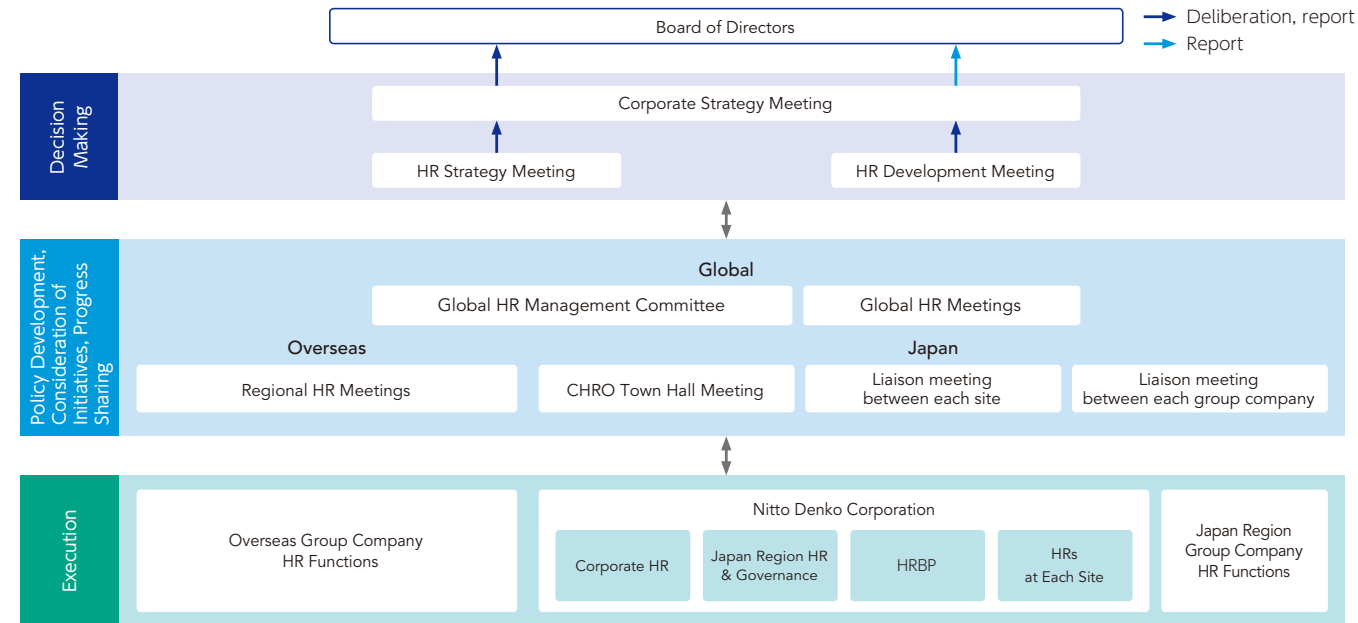
The Nitto Group considers human resources as its most valuable assets and is committed to creating new value by globally developing the “Nitto Person” who can perform the Nitto Way. To this end, as a means of embodying our Corporate Philosophy in terms of human resources, we have established the “Basic Policy on Human Resource Management” that clearly states the goals of the “Nitto Person” and leads to the promotion of individual initiatives.

The Group has cultivated its unique strengths that value bringing amazement and inspiration to our customers through the “Niche Top Strategy,” “*Sanshin* Activities,” and “Customer-oriented approaches.” Based on such strengths, numerous innovations have been born. The source of this lies in the Group’s culture and human resources, which pursue skills to create innovation from scratch (zero to one) and develop technologies that others cannot imitate.

To maintain and further develop the Group’s strengths, we have set “Creation of a Work Environment Where Everyone Feels Rewarding and Satisfied with What They Are Doing” as our human resource strategy while aiming to foster a culture where diversity is valued, employee engagement is enhanced, and employees enjoy taking on challenges. The future-financial indicators reflect the level of achievement of the strategy.

The Group monitors the future-financial indicators to identify the gap between the ideal and current situations and promotes measures to revitalize individuals and organizations.

Human Resource Management Structure



Key Initiatives in Fiscal 2024

	Measures	Key Initiatives	The 2030 Ideal State
Revitalizing individuals	<ul style="list-style-type: none"> Recruitment/retention of human resources Development of global leaders and individuals initiating change 	<ul style="list-style-type: none"> Facilitating match-ups for recent college graduates and mid-career employees Preparing talent development programs Supporting independent career development 	Female leaders ratio 30%
Revitalizing organization	<ul style="list-style-type: none"> Enhancement of employee engagement and motivation by reforming organizational culture Enhancement of job satisfaction 	<ul style="list-style-type: none"> Update employee engagement promotion systems Creating a workplace culture where employees enjoy taking on challenges Providing diverse work environments (expanding HR system and empowering female employees) 	Engagement scores 85 Challenge ratio 85%

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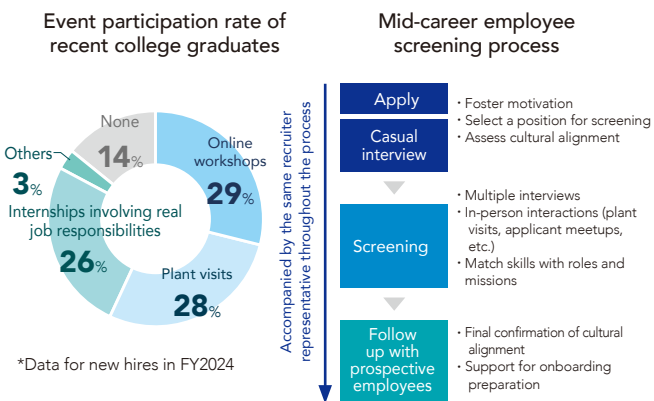
Revitalization of Individuals

Recruitment/Retention of Human Resources

In its constant pursuit of novel value, the Nitto Group places strong emphasis on the recruitment and retention of human resources. To ensure that new recruits, be they recent college graduates or mid-career employees, can thrive after joining the Company, we provide opportunities for them to interact with Nitto employees from various departments during the screening process to help prevent mismatches after onboarding.

For recent college graduates, we are strengthening our outreach to not only chemistry majors, but also mechanical and electrical/electronic majors and others, which align closely with the Nitto Group's needs, while reinforcing branding efforts to boost the Group's appeal. We also offer immersive experiences to help candidates understand our corporate culture, including online workshops for self-reflection, plant visits, and internship opportunities involving real job responsibilities.

In recruiting mid-career employees, we take a flexible approach that considers each applicant's age and experience. A distinctive feature of our hiring process is the "close-following" support system, where the same recruiter supports the applicant from the first interview through to the decision to join, helping them make the best choice based on their needs and individual circumstances.



Human Resource Development

To develop human resources who enjoy challenges and drive transformation, we have designed a structured development program consisting of three components: job-level (role-specific) training tailored to each position and role, open (spontaneous) training designed to provide learning opportunities based on individual needs and abilities, and selective training aimed at cultivating next-generation leaders.

A good example of job-level training is the "follow-up training for new employees in their first to third years at Nitto," designed to help both recent college graduates and mid-career employees build networks within the Company. In fiscal 2024, we launched a new training program called "Discovery Nitto." Exclusively for recent college graduates, this unique program offers work experience across various organizations and sites before formal assignment, enabling participants to gain a broad understanding of the Nitto Group's manufacturing, business segments, and technologies.

For selective training, we offer the Nitto Global Business Academy (NGBA), a global leadership development program for candidates selected from across the Group as potential next-generation officers and senior executives. The program consists of two tiers: NGBA-E for general managers and NGBA-A for department/section heads. Trainees are expected to develop their ability to shape Nitto's future and solve managerial challenges. Each participant is paired with a mentor at the vice president level or higher and takes part in various sessions designed to cultivate a global outlook, managerial perspective, and dynamic thinking. These include *Kuruma-za* with the CEO, dialogues with business leaders from overseas, global leadership training, and co-creation sessions with external parties, culminating in final presentations to the management team.

In fiscal 2024, we established the Nitto Japan Business Academy (NJBA) to accelerate the development of next-generation leaders among associate managers in Japan.

Also in fiscal 2024, we rolled out the Nitto Global Learning Lab (NGL) across the Nitto Group. NGL is an expanded version of the Learning Management System (LMS), an e-learning platform originally introduced in Japan in fiscal 2023. Through NGL, we provide ESG training for all employees. In Japan, over 95% of our employees had completed the training by the end of fiscal 2024, and we plan to roll out the platform globally starting in fiscal 2025.

Autonomous Career Development by Employees

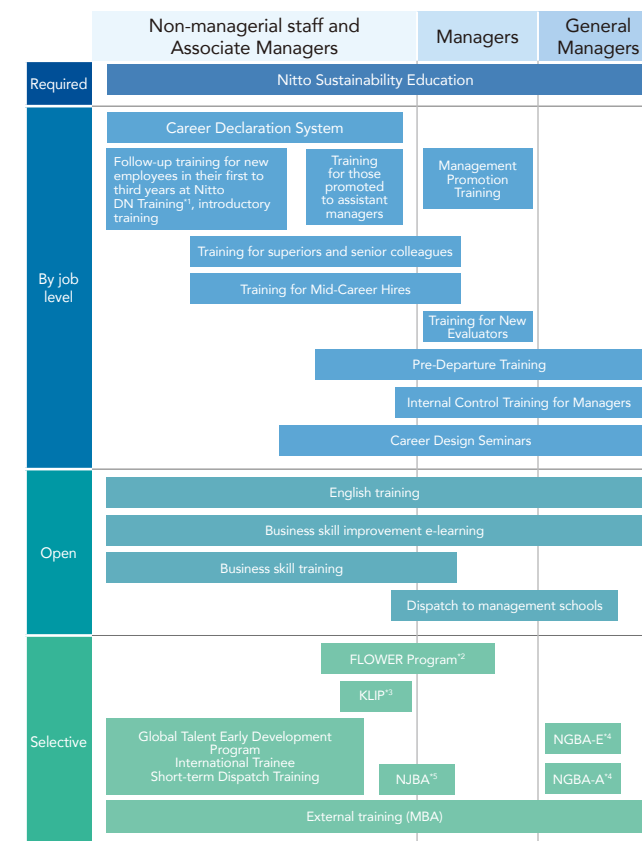
As values diversify and workplace environments continue to evolve, we are taking various measures to support employees in developing their careers autonomously, thus enabling them to fully demonstrate their capabilities.

In fiscal 2024, we introduced a career declaration system (Career Sheet) aimed at facilitating strategic rotations and supporting employees in achieving their career goals. Through this system, employees periodically report their preferences regarding roles, job responsibilities, and desired work locations. Based on these inputs, the Company engages in a dialogue with them to discuss their career paths. Meanwhile, the job posting system allows employees to apply for transfers or role changes when specific positions become available. Two years since its introduction, the system has successfully matched employees to multiple roles. We plan to expand both Career Sheet and job posting systems as we broaden their scope as appropriate.

We also launched a career support consultation office (Career Terrace), which became fully operational in fiscal 2024. Any employee can use this service to speak with Nitto's certified career consultants. In fiscal 2024, approximately 100 consultations were conducted. Meanwhile, our HR team continues to conduct career interviews with employees in their first to third years at Nitto. Around 800 employees were invited to participate in these interviews in fiscal 2024.

Furthermore, with roughly 80% of employees expressing a desire to extend their careers at Nitto, we intend to develop systems specifically aimed at supporting senior employees.

Nitto's Training Programs



*1 DN Training: Discover Nitto Training First-year new recruits development program

*2 FLOWER: Female Leaders Ownership Empowerment Program

*3 KLIP: Kakaricho(Assistant Manager) Leadership Improvement Program

*4 NGBA: Nitto Global Business Academy

*5 NJBA: Nitto Japan Business Academy

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Revitalization of Organization

Improvement of Employee Engagement

To gather together employee feedback and identify issues that the company should address, we conduct a global engagement survey every other year. In fiscal 2023, the engagement score rose by seven points from fiscal 2021, reaching 81. To achieve our target score of 85 by 2030, each workplace must take greater initiative in addressing its own issues, with all members developing a sense of ownership in employee engagement efforts. With this in mind, the responsibility for the engagement activities is gradually shifting to each workplace, and from fiscal 2025, when the next survey is scheduled, the Corporate HR will focus on providing support and addressing issues related to HR systems.

As preparation for this, in fiscal 2024 we published the collection of standard cases, which are highly reproducible examples that offer useful tips for many workplaces, along with a collection of best practices from across the Nitto Group, all made available on a dedicated intranet page. Provided in Japanese, English, and Chinese, these resources are designed to encourage discussions and activities tailored to the circumstances of each organization. This content helps foster a shared understanding of employee engagement, regardless of region or job category.

Collaborating with GATE and NIC, Creating a Corporate Culture of Employees Enjoying Taking on Challenges

To foster a corporate culture where employees enjoy taking on challenges, the Nitto Group tracks the “challenge ratio,” which reflects the percentage of employees who have done so. In fiscal 2024, participation increased in Nitto’s small group activities, GATE, and in the new business creation convention, Nitto Innovation Challenge (NIC). Attendance in regionally developed programs also grew significantly. In fiscal 2025, we plan to define more clearly what constitutes a “challenge” within the Nitto Group. This will help guide the development of region-specific programs and further promote a culture where employees enjoy taking on challenges.

By strengthening collaboration between the responsible entities of each activity and the Corporate HR, we aim to inspire greater employee commitment and revitalize our organization.

Creating a Diverse Workplace

Expansion of Human Resources System

Updating HR system to allow each and every employee to choose a work style aligned with their values and life plans is important for increasing organizational diversity. Take job transfers as an example. The Nitto Group has traditionally implemented a job rotation program to promote employee growth and provide opportunities for broad experience and diverse perspectives. However, when transfers are unavoidable, it can be difficult to retain diverse talent. This being the case, we are considering systems that enable employees to coordinate the timing of their transfers in line with their career and life plans, or to gain ample experience without needing to relocate, enabling them to envision their future career path.

Speaking of working styles, in addition to the “hybrid work style,” which combines work-from-home with in-office attendance (at least three days per week), and the “super smart work style,” where remote work is the standard (zero to one day per week in the office), we officially introduced a second job program in fiscal 2024. These efforts support the creation of workplaces that embrace a wide range of diverse values.

Initiatives to Change Mindsets

Aiming to achieve a female leaders ratio of 30%, one of the 2030 management targets, we are operating the FLOWER Program in Japan to develop selected female employees who lead their organizations or teams. This unique program follows a tripolar approach: acquiring business skills, gaining decision-making experience, and developing a leadership-oriented mindset. The program features lecture sessions by veteran leaders from both within and outside the company, management skill development training, and mentorship opportunities.

On top of this, we organize seminars aimed at promoting understanding and awareness of DE&I and work style reform for all employees to join. In fiscal 2024, we held a seminar on women’s bodily characteristics and psychological safety to spread awareness throughout Nitto.

Thanks to these ongoing efforts, we have seen a shift in mindset among male employees. The ratio of male employees taking childcare leave* reached 90.0% in fiscal 2024, with the average number of days taken also gradually increasing.

We believe that changes in individual mindsets contribute to a deeper awareness of DE&I within the Company, and we will remain committed to a diverse array of educational activities.

*The percentage of male employees who took childcare leave, etc., combined with company-specific parental leave

TOPICS

Topics on Human Capital Management

Nitto was selected for Human Capital Leaders 2024 and Human Capital Management Gold Quality in the Human Capital Survey 2024, which was jointly conducted by HR Technology Consortium, HR Research Institute (ProFuture Inc.), and MS&AD InterRisk Research & Consulting, Inc. This is the second consecutive year we have received these awards.



TOPICS

Initiatives of Nitto Denko Himawari Corp.

Nitto Denko Himawari Corp., our special subsidiary, celebrated its 25th anniversary in 2025. The Nitto Group remains committed to developing workplace environments that empower diverse human resources and has consistently made efforts to employ persons with disabilities. In fiscal 2024, we established Nitto Himawari Kanto Corp., the fifth within the Himawari Group, bringing the number of sites in Japan to seven. The scope of their operations has also expanded; for example, Nitto Himawari Ibaraki Corp. now operates a company cafeteria in addition to its traditional work. As of March 2025, the percentage of employees with disabilities at Nitto stood at 3.3%, well above the legally required minimum in Japan. As an “essential top ESG company,” we will continue to drive these initiatives to support the independence and inclusion of persons with disabilities.

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There Is No Engagement That Does Not Lead to Financial Value
Revitalizing Individuals and the Organization Through Effective Communication
and a Steady PDCA Cycle



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Yasuharu Bando
General Manager of Japan Region
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Deputy General Manager of
Corporate HR Division



Hung Joy
Manager, Human Resources
& General Affairs Section,
Nitto Denko (Taiwan) Corp.



Tatsuya Kataoka
Manager, Manufacturing Section 1,
Manufacturing Department,
Membrane Division,
Human Life Solutions Sector

Engagement According to Nitto Established Through Activities

Bando: Nitto began conducting an engagement survey in 2019. While we already had individual initiatives to revitalize employees, the corporate HR division lacked a comprehensive understanding of the overall picture. As we have introduced a variety of HR initiatives globally in recent years, it occurred to us that we should visualize employee engagement itself. This realization led us to begin conducting the survey every two years, starting in 2019 in Japan and globally from 2021. The dictionary defines “engagement” as

“agreement” or “promise,” suggesting a sense of obligation. However, I interpret it more as a bond between people or a sense of unity. Within a company, “engagement” means that every employee feels proud of being part of the organization and of what they do, while also developing a strong sense of belonging and acting voluntarily. As such, “engagement” is the true driving force behind employee contribution. Without it, an organization cannot be revitalized, and many other activities will suffer. That is why I believe increasing engagement is a fundamental yet essential activity. As we continue this discussion, I look forward to hearing about the engagement-building efforts at each site and the outcomes they have produced.

Each Site Autonomously Explores Solutions to Issues Revealed by the Survey

Hung: After the 2023 employee engagement survey, I began organizing *Kuruma-za* sessions at each department to improve the “fairness in merit rating,” which is one of the important themes at Nitto Denko (Taiwan) Corporation. By listening directly to employees, we were able to share ongoing issues and discuss possible improvements. We also provide those in a managerial position with training opportunities on performance management to ensure the personnel evaluation system is operated fairly and meets the expectations of both superiors and subordinates. To support the development of next-generation leaders, we offer a three-year development program for employees on the manufacturing site, helping them gain a stronger sense of personal growth. Furthermore, at the new plant currently under construction, we are focusing on creating a safer and more comfortable working environment to improve employee security and satisfaction. These are some of the initiatives aimed at fostering a workplace environment where each and every employee can work without concern, build mutual trust with colleagues, and feel their own development. I hope to continue fostering a workplace environment where everyone can work with a genuine smile and a positive spirit.

Ogawa: I have been working on increasing engagement since 2021. After analyzing the engagement survey results, we realized that at the Kanto Plant, scores related to individual growth and opportunities for skill development were low. Another finding was that engagement was especially low among younger employees in their 20s up to around 35. So, together with another member of the engagement promotion team, we interviewed about 100 younger employees. It took a lot of time, but it was very insightful. For instance, I was shocked to hear some say, “I do not seek a rewarding experience from work.” Others mentioned a disconnect with their superiors or concerns about not being assigned to desired roles. They lacked the time and opportunity to discuss these issues, which revealed a serious gap in communication. Since 2022, we have been focusing on training for

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those in a managerial position, repeatedly emphasizing the importance of one-on-one meetings. I am delighted to see that an increasing number of them are now recognizing the benefits of such communication and have started holding regular one-on-ones with their team members. Beginning in 2023, we introduced a pulse survey to our plant, giving managers a platform to discuss and work toward solutions together. Then in 2025, we began training on following the PDCA cycle at some departments. We hope these initiatives help broaden the circle of mutual support.

Kataoka: At the Shiga Plant, too, we conduct a pulse survey every quarter. Being in the manufacturing sector, I believe the Nitto Group cannot truly thrive unless our largest workforce segment, production personnel, has high morale. As Ogawa-san correctly pointed out, we, too, had many younger employees in the manufacturing department who were feeling “lost in their career,” having lost sight of their goals. But through ongoing dialogue, we have started to see gradual changes in the pulse survey results. Hearing about the initiatives at Ogawa-san’s plant, I realize every plant has similar worries about younger operators.

Ogawa: One respondent said that they did not know what to aim for because they had no idea what their superiors actually did. To improve that understanding, we partnered with the General Manager of the manufacturing department to compile a list of job descriptions for each position, clearly outlining the skills and experience required for each role. Also, with one-on-one meetings now a common practice, I have started hearing more employees happily say things like, “I can finally talk to my superior about this or that.”

Bando: When we first started engagement surveys, many at the sites did not know what to do with the survey findings. Some contacted the Head Office HR division for help, and at times, we had to step in directly. It was a period of “top-down approaches,” so to speak. Now, we have entered a new phase of “bottom-up” approaches. Each site is now able to accurately identify their own issues and implement their own measures. The Head Office HR division acts more as a “supporter,” focusing on monitoring company-wide activity progress and engagement levels, as well as on educational activities such as sharing the best practices across sites.

Everyone Tackles Issues and Takes Action in Their Own Way

Kataoka: At the Manufacturing Department of our Division, when a member sets their targets, we use “career sheets,” which their superiors then use during interviews. While the term “career” might sound a bit formal, the “career sheet” itself is as simple as a self-introduction. This approach has proven effective, helping superiors and subordinates better understand one another. It also encourages the interviewees to view themselves from a new perspective and start thinking about their own career paths in their own way. Thanks to these activities, we have begun to see a new generation of forepersons emerge as of early 2025. I am truly pleased to see how our initiative is helping to revitalize both individuals and the organization.

Hung: The initiative that Kataoka-san has just shared should inspire each individual to recognize how the tasks they handle now can help shape their future vision and career, and I would like to model our efforts after theirs. In Taiwan, another major outcome we have seen is that, through the training program for the manufacturing site I mentioned earlier, each and every employee has started to see workplace and operational issues as their own, proactively developing and executing improvement plans. One employee even shared that, by learning about and promoting the Group’s management policy, they have come to understand how their daily tasks align with the company’s direction for sustainable growth. This kind of awareness motivates people and builds self-confidence, which in turn strengthens their sense of belonging to the organization.

Kataoka: To improve and raise awareness of engagement, I believe it is absolutely necessary for organizational leaders to proactively communicate its importance to their teams. At the Shiga Plant, the responsible officer actively holds town hall meetings and writes blog posts to bridge the gap with employees. By hearing directly from leadership, employees gain a clearer understanding of engagement and why it matters, helping to deepen their awareness and commitment.

Bando: The compilation of best practices includes actions not only for HR and general affairs departments but also for organizational heads and individual employees. As Kataoka-san mentioned, we ask each organizational head to take initiative, such as by “sharing long-term goals.” With everyone taking ownership and doing what they can to address issues, I expect engagement-enhancement efforts to progress even further.

Achieving Sustainable Growth Through Further Enhancement of Engagement

Bando: Having learned that each site identifies its own issues and plans actions, I felt very encouraged. You may find it difficult to believe that engagement leads directly to financial value, but the fact is that it does. Research has revealed a clear correlation between engagement and labor productivity, with some even stating, “a company with high engagement performs superbly.”

If engagement is high, it indicates a psychologically safe environment where people feel secure expressing themselves. That comfort directly contributes to greater productivity and higher-quality output. In this way, engagement connects to many performance indicators. These links may be hard to observe in a linear or visible fashion, but I firmly believe that without improving engagement, no company can sustain operations or grow profits.

Engagement is also, in my view, the driving force behind our ability to continuously produce PlanetFlags/HumanFlags and Global Niche Top™ or Area Niche Top™ products. Holding on to the belief that “there is no engagement that does not lead to financial value,” we will remain committed to this endeavor.

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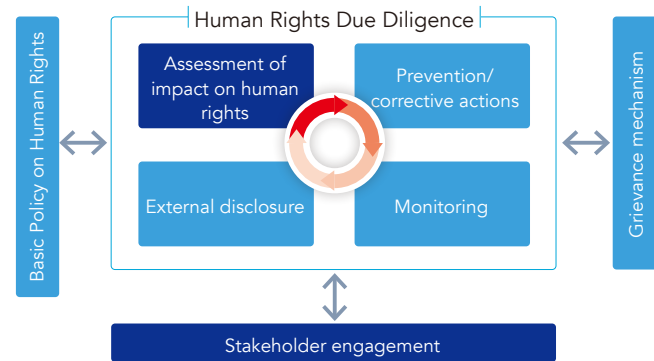
Upholding and Respecting Human Rights

The Nitto Group's Approaches to Human Rights

In line with its Basic Policy on Human Rights, the Nitto Group has built a human rights due diligence management system based on the UN Guiding Principles on Business and Human Rights, with the aim of preventing or mitigating any negative impact our business activities may have on human rights.

Basic Human Rights Policy

<https://www.nitto.com/jp/en/sustainability/social/human/>



Comments from external experts

The Nitto Group has demonstrated its respect for internationally recognized human rights through its Basic Human Rights Policy. This time, as part of the Nitto Group's human rights impact assessment, representatives from both inside and outside of Japan participated in discussing the overall picture of human rights issues in business activities, including those of business partners, and this was formulated as a human rights risk map, after which important human rights issues were identified. I hope that further dialogue with rights holders will be conducted in the future, and that their voices will be reflected in the identification of human rights issues and material issues. Also, a grievance mechanism (e.g., a reporting window) that can be used throughout the value chain is an effective way to gather rights holders' opinions. I look forward to future initiatives.

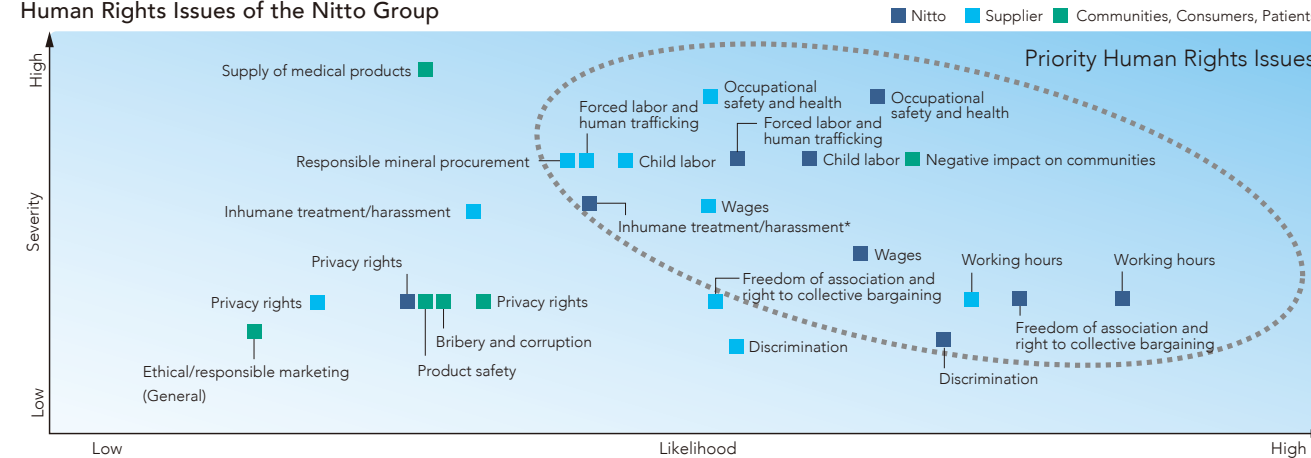


Dr. Emi Sugawara
Professor,
Osaka University of
Economics and Law

Human Rights Impact Assessment

The Nitto Group identified potential human rights issues by reviewing the general situations, industry landscape, overview of our business, and an update of supply chains in regions where we operate from a broader perspective. For certain human rights issues, we identified issues that emerged from the findings of self-assessments conducted by Group companies in Japan and compliance surveys carried out globally. This impact assessment will not only be reviewed periodically, but will also be reevaluated in the event of major changes in the business portfolio, including mergers, acquisitions, etc.

Human Rights Issues of the Nitto Group



*Harassment is listed both as harassment and inhumane treatment, as we consider it to be a priority human rights issue.

Priority Human Rights Issues

Priority Human Rights Issues	Issue clarification
Provision of adequate working conditions for workers	We will comply with labor-related laws and regulations and labor-management agreements, and will appropriately pay wages and manage working hours in accordance with internationally recognized standards. Where there is a conflict between internationally recognized standards and laws and regulations, we will strive to pursue methods that respect internationally recognized standards. In our wage system, we do not discriminate on the basis of gender against equal work, and we comply with laws and regulations regarding equal pay for equal work.
Reduction of negative impact on local community (environmental and social)	We will strive to prevent air, water, and soil pollution caused by leaks or spills of chemical substances used in our manufacturing processes from harming the safety and health of the local community. We will also take care to ensure that the use of groundwater does not affect the water supply for the daily lives of local communities.
Prohibition of forced labor and child labor	We prohibit and eliminate labor involving human trafficking, confined labor, child labor, forced labor, and slave labor. We are committed to eliminating child and forced labor upstream in our supply chain, including "Responsible Mineral Sourcing."
Creating a healthy and safe workplace for workers	We will strive to prevent accidents and disasters, ensure a safe and hygienic work environment, and maintain the mental and physical health of our workers so that they can exercise their abilities to the fullest. In addition, we will not expose pregnant or nursing women to working conditions that may be hazardous to them or their children. In addition, we will take other necessary precautions and measures as deemed necessary.
Elimination of discrimination and inhumane treatment, including harassment	We do not engage in any form of discrimination or conduct that offends personal dignity on the basis of race, gender, age, or any other grounds in hiring, wages, promotions, compensation, training, and other employment practices. We also regard harassment as an important issue in Japan and are working to eliminate harassment cases.
Respect for freedom of association and the right to collective bargaining	We respect the activities of labor unions. Through thorough discussions, we will also work together to resolve issues.

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Building Resilient Supply Chains

Nitto Group's Sustainable Procurement

In order to fulfill our corporate social responsibility across the supply chains, the Nitto Group has defined its approach to sustainable procurement around three core pillars: risk management, CSR procurement, and green procurement.

Risk Management

Originally established as a Group-wide organization, the Supply Chain Committee transferred primary responsibility for each of its activities to relevant departments in fiscal 2024, following the achievement of positive results. For the activities that concern procurement risk, we will set up a new administrative department to visualize potentially high-risk materials in mass-produced models and take necessary measures. At the same time, we will reinforce the risk management system and implement periodical monitoring to ensure that no new high-risk materials are introduced during the development stage.

Meanwhile, in fiscal 2024 we expanded the scope of our safety confirmation system, which helps us assess the status of our suppliers in the event of natural disasters and other emergencies, to include equipment suppliers as well (an additional 100 companies compared to the previous year). By raising the level of communication during emergencies, we will strive to maintain and continue our business activities.

CSR Procurement

With the aim of building sustainable supply chains, the Nitto Group is promoting CSR-based procurement. In fiscal 2024, in a bid to strengthen our supply chains in response to social expectations, we revised our Basic Policy on Procurement and the Supplier Code of

Conduct. To maximize the effectiveness of the Supplier Code of Conduct, we have begun collecting written consent from suppliers.

We also conduct an annual CSR assessment of our suppliers. In addition to our original survey on CSR-based procurement, we use a platform provided by EcoVadis, a third-party rating service, to carry out CSR assessments. In fiscal 2024, the target regions were expanded to include Europe, the Americas, and South Asia. Going forward, we will continue to use the EcoVadis platform globally, while working to increase the ratio of assessed suppliers and make necessary improvements based on the results.

Green Procurement

In order to reduce CO₂ emissions associated with raw materials, we are collecting relevant data from suppliers. Concerning the sustainable materials procurement ratio, one of the future-financial targets laid out in the ongoing mid-term management plan, we are working with suppliers to increase the adoption of sustainable materials. For chemical substances, which are subject to increasingly strict regulations in Europe and elsewhere, we have built a system for prior contamination assessment to enable pre-emptive action.

Enhancement of Supplier Engagement

To enhance supplier engagement by deepening understanding of each pillar of "risk management," "CSR procurement," and "green procurement," we organize partnership meetings (in Japan and Europe in fiscal 2024). Our next step is to hold informal gatherings to foster two-way communication, providing an opportunity for us to receive feedback on the Nitto Group from suppliers and learn about their initiatives, which we hope will inspire future actions.

Increasing Efficiency in Logistics

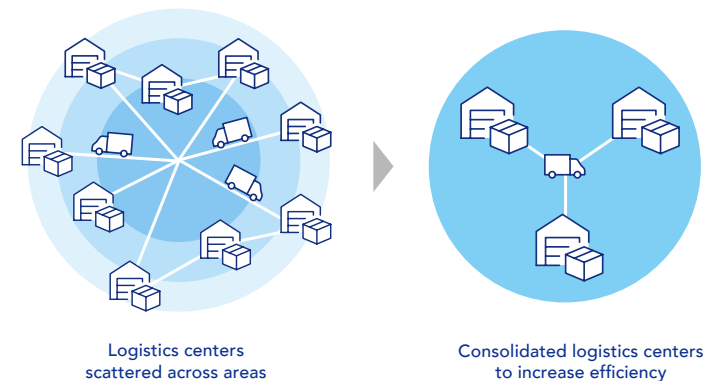
The Nitto Group considers improving logistics in its supply chain a key management priority.

To address Japan's widely discussed "2024 Issue," referring to the introduction of overtime limits and labor shortages in the logistics sector, we implemented measures such as promptly transporting finished products to shipping stations where trucks are on standby, and establishing a rule to contact logistics providers in advance in the event of shipping delays. As a result, the average truck standby time at seven sites in Japan, including two of our Group companies, averaged approximately 1.4 minute in fiscal 2024, down significantly from 7.0 minutes the previous year.

We are also addressing the reduction of CO₂ emissions in logistics. By advancing a modal shift from trucks to railways, we were able to reduce our logistics-related CO₂ emissions in Japan by 79.4 tons from the previous year, or a 1.57% reduction, surpassing our self-imposed KPI of a 1% year-on-year decrease.

To reduce CO₂ emissions further, we are currently working to improve transportation efficiency across the supply chain. In addition to identifying and reviewing transportation routes between Nitto Group's sites and customers' sites in Japan, we have also begun efforts to optimize transportation between suppliers and Nitto Group's facilities. As the first step in this new initiative, we are gathering data on transportation routes, cargo weight, delivery schedules, and other relevant factors in cooperation with external logistics providers.

Reorganization of the Logistics Network



Nitto Group's Sustainable Procurement

Risk Management <ul style="list-style-type: none"> • Detection of supply risks caused by changes in external environments • Proactive risk management • Initial response to emergencies 	<ul style="list-style-type: none"> • A special team conducts risks analysis, evaluation, and response to risks (geopolitics, chemical substances regulations, divestment) • Confirmation of the safety of and impact of partners via systems
CSR Procurement <ul style="list-style-type: none"> • Fulfilment of corporate social responsibility • Building of supply chains that care about human rights, occupational safety & health, the environment, and corporate ethics 	<ul style="list-style-type: none"> • Presentation of policies and code of conduct through the Supplier Code of Conduct • CSR procurement assessment of suppliers and corrective activities • Further implementation of CSR procurement (on-site investigations, human rights due diligence, conflict minerals)
Green Procurement <ul style="list-style-type: none"> • Promotion of procurement of materials with minimal environmental impact • Prohibition of use of, reduction of, and emission control of hazardous chemical substances 	<ul style="list-style-type: none"> • Presentation of policies through the Green Procurement Standards • CO₂ emissions investigation • Chemical substance investigation and control of information thereof • Promotion of the use of biomass and recycled materials

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