While always bearing in mind the environmental impact of our business activities, we promote the wellbeing of our stakeholders by practicing CSR-based procurement, increasing customer satisfaction, ensuring the safety of our employees, and respecting human rights.

Promotion of CSR-Based Procurement

We at the Nitto Group pursue CSR-based procurement so that we can become an entity that is trusted and chosen by customers, business partners, and other stakeholders. Guided by the Basic Procurement Policy and the Action Guidelines, we make every effort to conduct procurement activities without deviating from corporate ethics or social norms. Under the belief that CSR-based procurement is something that cannot be achieved by the Nitto Group alone, but rather requires the wholehearted cooperation of every party involved in the supply chain, we ask our business partners to engage in fair and equitable trade, comply with corporate ethics and applicable laws, and show consideration for the environment in line with our CSR-Based Procurement Guidelines.

In fiscal 2017, we started a new initiative designed to evaluate our business partners’ commitment to CSR. The CSR-Based Procurement Business Partner Check Sheet is used to assess the adequacy of new supplier candidates. We have also sent out a questionnaire to our existing business partners on the status of CSR-based management. The questionnaire was first distributed to key business partners in Japan. The evaluation results have been fed back to the respondents so that they can improve their practices accordingly. Going forward, we plan to send out this questionnaire to a greater number of business partners at a higher frequency in order to gather even more substantial data.

We will continue to periodically monitor our business partners’ efforts in this regard, thereby promoting CSR-based procurement together with them.

Green Procurement

So far, the Nitto Group has continually pursued green procurement by preferentially procuring materials with low environmental impact from environmentally conscious business partners. In fiscal 2017, we revised the sixth edition of the Green Procurement Standards and the Green Procurement Supplier Evaluation Checklist, which is used to...
evaluate environmental efforts by new supplier candidates. We also newly introduced chemSHERPA® as a survey form on chemical substances in raw materials. These initiatives are expected to help our business partners to further promote green procurement and facilitate the exchange of information on chemical substances through the supply chain.

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Value Chain Management

We make constant efforts to identify, analyze, and reduce product-related risks in order to deliver products and services that satisfy our customers.

In 2017, following the exposure of Japanese companies’ inappropriate practices involving product quality, the Nitto Group ordered all of its production sites to investigate the status of their quality management to confirm that there were no cases of legal violation.

In order to prevent any logistics accidents or delayed delivery, we optimized the operational rules on exports from Japan as a way of reinforcing our global logistics delivery, we optimized the operational rules on exports from Japan as a way of reinforcing our global logistics management system. These operational rules are now an integral part of the Group’s training program scheme that serves as the basis for all of our training. Started in fiscal 2016, the initiative to attach dashboard cameras to forklifts has been incorporated at all of our plants in Japan and has reduced the number of accidents within internal logistics services by 90% (vs. fiscal 2016).

Thanks to these endeavors, every product and service provided by the Nitto Group is highly regarded by both customers and markets. With the aim of further improving our product quality and services, we periodically conduct customer satisfaction surveys and then feed the survey findings back to the relevant departments.

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Enhancement of Customer Satisfaction

We are dedicated to reducing the environmental impact generated by our business activities out of consideration for the environment on both a regional and global scale.

Efforts for Stable Use of Renewable Energy

At Nitto’s Tohoku Plant, a solar power generation facility with 100% self-consumption went into full-scale operation in February 2018. Equipped with storage batteries, the facility is designed to consume all of the energy that it generates within the plant and is expected to cut CO2 emissions by approximately 600 tons per year and significantly reduce the amount of electricity purchased, in addition to cutting peak power demands in the area during the summer months. The facility also features an autonomous power supply system, and thus will play a key role in ensuring business continuity in the event of a major power outage.

Recycling Process Wastewater and Liquid Waste Using Nitto’s Products

Nitto’s Shiga Plant aims to make the transition to a “recycling-oriented green plant” that reuses process wastewater and liquid waste generated from its manufacturing processes. Through continual testing and validation of the technologies required for concentrating such process wastewater and liquid waste using Nitto’s membrane products, we are planning to not only increase the water recycling rate from the current 50% to 90% over the next five years, but also to promote the reuse of such liquid waste. By utilizing our proprietary technologies, we will continue to take on the challenge of creating new water treatment technologies that can contribute to the environment innovations and reduce the impact of our business activities on the environment.

Collection of Solvents

For about four decades, the Nitto Group has used activated carbon to absorb, collect, and recycle organic solvents contained in exhaust gases from production processes at its

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Introduction of the New Chemical Substance Management System SACRA®

At the Nitto Group, a multifunctional chemical substance management system has been in use for approximately ten years to manage information on the compositions of products and raw materials and search for laws and regulations concerning chemical substances. With the rapid globalization of our business in recent years, however, it has become difficult for the system to cope with changes in chemical substance management by the Nitto Group and transformations in operating environments. Furthermore, the increase in registration data has caused various technical difficulties, including unstable system operations. In an attempt to solve these problems, we have implemented SACRA, our new chemical substance management system, which has been implemented starting with Group companies in Japan since April 2018.

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Environmental Efforts

We work on chemical substances in raw materials. These initiatives are expected to help our business partners to further promote green procurement and facilitate the exchange of information on chemical substances through the supply chain.

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For about four decades, the Nitto Group has used activated carbon to absorb, collect, and recycle organic solvents contained in exhaust gases from production processes at its
main sites, thereby achieving efficient use of resources. In Japan, where some 70% of such solvents are used, the recycling rate within the plants is approximately 20%. We are planning to continue this recycling rate by continuing to expand the scope of collection and recycling of renewable solvents. A new solvent recycling facility was installed at Nitto Belgium NV in fiscal 2017 as part of our bid to roll out this initiative on a global basis.

Third-Party Assurance

In order to enhance the reliability of its data and information, the Nitto Group has adopted third-party assurance methods. In this Report, information assured by a third-party organization. In this Report, environmental information assured by a third-party organization. In this Report, environmental information assured by a third-party assurance method is indicated with ★. Since 2015, Nitto Denko (Shanghai Songjiang) Co., Ltd. have been assured accordingly.

In order to enhance the reliability of its scope of collection and recycling equipment, Nitto Belgium NV in fiscal 2017. A new solvent recycling equipment at Nitto Belgium NV was installed in 2017, therefore achieving efficient use of resources. In Japan, where some 70% of such solvents are used, the recycling rate within the plants is approximately 20%. We are planning to continue this recycling rate by continuing to expand the scope of collection and recycling of renewable solvents. A new solvent recycling facility was installed at Nitto Belgium NV in fiscal 2017 as part of our bid to roll out this initiative on a global basis.

Environmental Data

- **Total Energy Input**
  - Fiscal 2014: 20,869,000 ton
  - Fiscal 2015: 20,946,000 ton
  - Fiscal 2016: 21,405,000 ton
  - Fiscal 2017: 22,201,000 ton

- **CO2 Emissions (Scope 1: Direct emissions)**
  - Japan: 1,781,411 ton
  - The Americas: 121,058 ton
  - Europe: 3,426,471 ton
  - Asia and Oceania: 1,781,411 ton
  - Total: 6,754,837 ton

- **CO2 Emissions (Scope 2: Energy indirect emissions)**
  - Japan: 496,698 ton
  - The Americas: 459,417 ton
  - Europe: 859,316 ton
  - Asia and Oceania: 139,417 ton
  - Total: 1,708,879 ton

- **CO2 Emissions (Scope 3: Other indirect emissions)**
  - Japan: 1,870,231 ton
  - The Americas: 1,870,231 ton
  - Europe: 1,870,231 ton
  - Asia and Oceania: 1,870,231 ton
  - Total: 7,197,491 ton

- **Water Withdrawal**
  - Japan: 2,202,531 m³
  - The Americas: 36,836 m³
  - Europe: 1,153,524 m³
  - Asia and Oceania: 37,311 m³
  - Total: 17,179,014 m³

For the sake of accuracy, figures from fiscal 2016 have been partially altered.

Rapid Remediation of Environmental Law Violation in Shanghai

In response to the tightening of China’s Environmental Protection Law and the Regulations of Shanghai Municipality on Environmental Protection that has occurred since 2015, Nitto Denko (Shanghai Songjiang) Co., Ltd. introduced high-performance exhaust gas treatment equipment to remain compliant with the local environmental requirements. In March 2017, however, they were fined by the local authorities for the possible leakage of air pollutants (VOCs) from the equipment to remain compliant with the local environmental requirements. The company has been assured accordingly.

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