What Makes the Nitto Group Unique

Sanshin Activities

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

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

Example Cases of Sanshin Activities

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

Core Technologies

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

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

Niche Top Strategy

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

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

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

Example of Global Niche Top™ Products

In the 1950s, plastic tape for electrical insulation was developed as the first Sanshin Activities. In the 1960s, a base material highly resistant to deformation was developed, followed by “REVALPHA®” for adhesive sheets in 1970, “CISFLEX®” was developed through the combination of various technologies including Nitto’s photosensitive polyimide technology in the 1980s, and “CISFLEX®” was developed through the combination of various technologies including Nitto’s photosensitive polyimide technology in the 1990s.

1. **Polarizing films for displays (NP®)**
   - Offering superb optical properties, reliability, and workability, NP® (Nitto Polarizing Film) is available in a wide variety to meet customer needs for displays, including liquid crystal displays (LCDs) and organic electro-luminescence displays (OLEDs).

2. **Thermal release sheets (REVALPHA®)**
   - "REVALPHA®" is a unique adhesive sheet that adheres tightly at room temperature but can easily be peeled off by applying heat and contributes significantly to automation/technology of various electronic component manufacturing processes.

3. **Suspensions with circuits for HDDs (CISFLEX®)**
   - “CISFLEX®” was developed through the combination of various technologies including Nitto’s photosensitive polyimide technology. Keeping the magnetic head floating above the magnetic disk, it is covered with a thin plastic film that adheres tightly and can easily be peeled off by applying heat. It can be used in a wide range of applications that require precise and delicate spring characteristics in transmitting signals that prompt HDDs to read/write data.
How can we find solutions to various social issues together with our customers? - The Nitto Group’s response to this question is its two unique business models of “Sanshin Activities” and “Niche Top Strategy” to constantly create innovative and broad value.

Value Creation Process

Business Model

Solving social issues × Enhancing corporate value

Customer-oriented marketing to identify latent issues
Product development with R&D, Production, Sales, and Administration working as one
Providing products that solve customers’ issues
Achieving growth as the market expands

Nitto Group’s Goals

- Secure and accessible lifestyle
- Sustainable circular society
- Sound and healthy life
- Corporate culture that satisfies diverse employees
- Safe manufacturing
- Environmentally friendly processes

Human Resources
- Optimal assigning diverse talents to global locations
R&D
- Combining core technologies based on polymer synthesis/processing
Intellectual Properties
- Leveraging intellectual property rights to boost business
Global Network
- Spreading to 28 countries
Partnerships
- Connecting with customers and business partners

Capital to be Enhanced

Corporate Philosophy / Corporate Culture
Addressing Material Issues for Sustainability

The world faces various social issues, including those concerning the environment and human rights, and the international community is making concerted efforts to find solutions to these serious challenges. It was against this backdrop that the Nitto Group identified its material issues for sustainability in 2019, in an effort to simultaneously solve social issues and enhance corporate value. To address the issues thus identified, we are taking the two-pronged approach of “creating innovations” and “reinforcing the business foundations.” In this regard, we have begun a drive to raise the awareness of our materiality throughout the organization, so that each and every employee can make a conscious effort to address these issues. At the same time, we will map out detailed plans to solve each issue and take necessary measures across the board.

Identification Process

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

From among major documents on SDGs compiled by governments, academic societies, NPOs, and businesses, we have sorted out issues that are deemed to be socially important and compiled them in a list. We then selected issues that are relevant to us from the perspective of business opportunities after taking into account our business domains and the future course of our business.

Based on the assessment results in Step 2, we identified “social issues whose relevant market offers high growth potential and is easy for the Nitto Group to gain an advantageous position” as material issues for sustainability for the Nitto Group.

Material Issues for Sustainability

- Secure and accessible lifestyle
  - Development of infrastructure for intelligent society
  - Recruitment/development of employees
  - Co-Creating Value through Innovation
  - Reduction in traffic jams/accidents
  - Providing public transportation services for vulnerable road users
  - Support for health and longevity (influential diseases, elderly care and disinfection)
  - Providing healthcare and long-term care services to all
  - Control of infectious diseases on a global scale
- Environmentally friendly processes
  - Efficiency of energy, raw materials, water, and other resources
  - Emissions-reduction of pollutants and hazardous substances
- Sustainable circular society
  - Promotion and spread of renewable energy and energy conservation
  - Prevention of air, water, and soil pollution
  - Reduction in CO2 emissions
  - Efficient use of energy, raw materials, water, and other resources
  - Emissions-reduction of pollutants and hazardous substances
- Safe manufacturing
  - Development of infrastructure for intelligent society
  - Recruitment/development of employees
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  - Control of infectious diseases on a global scale
- Corporate culture that satisfies diverse employees
  - Diversity & inclusion
  - Enhancement of safety and quality of products
  - Improvement of workplace environment
  - Respect for human rights in supply chains

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

Making a list of social issues

For each of the social issues selected in Step 1, we assessed their materiality for society at large and the company over a 10-year period.

Social materiality = How seriously and rapidly the extent of their impact is expanding (high growth potential of the relevant market)

Neto Group’s materiality = How possible it is for Nitto Group to provide products/services that tap into its strengths

Based on the assessment results in Step 2, we identified “social issues whose relevant market offers high growth potential and is easy for the Nitto Group to gain an advantageous position” as material issues for sustainability for the Nitto Group.

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

Making a list of requests from stakeholders

The “GRI Standards” issued by the Global Reporting Initiative (GRI) were used to select and make a list of requests from stakeholders.

For each of the requests from stakeholders selected in Step 1, we assessed their materiality for society at large and our company over a 10-year period.

Social materiality = Breadth of stakeholders that make the requests

Nitto Group’s materiality = Magnitude of impact on the Nitto Group and compatibility with its policies

Based on the assessment results in Step 2, we identified “social issues whose solution is requested by a broad range of stakeholders and that have major impact on the Nitto Group” as material issues for sustainability for the Nitto Group.
Addressing Material Issues for Sustainability

### Risks and Opportunities

#### Material Issues for Sustainability

<table>
<thead>
<tr>
<th>Risks</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lowering of products’ competitive edge as new alternative technologies for digital devices emerge and the company’s technologies become commoditized</td>
<td>Increase in demand for components, devices, and materials for sensors, semiconductors, telecommunication infrastructure, etc. as IoT and digitalization advance</td>
</tr>
<tr>
<td>Increase in responsibilities as a result of the company’s products, e.g., playing key roles in ensuring safety of traffic systems</td>
<td>Increase in demand for products that improve traffic flow and the safety level of automobiles</td>
</tr>
<tr>
<td>Increase in difficulty in sales of existing products as environmental regulations for chemical substances, plastics, etc. are tightened</td>
<td>Increase in demand for technologies/products for cyclic use of various resources/materials as global environmental issues, such as climate change, global warming, and water shortages, worsen</td>
</tr>
<tr>
<td>Decrease in order volume in case of failing behind competitors in addressing the need for eco-friendly products</td>
<td>Increase in demand for technologies/products that contribute to separation, removal, purification or otherwise, of hazardous substances in air, water, soil, etc.</td>
</tr>
<tr>
<td>Lowering of trust in the company over the long term in case of failure to meet expectations of the market/customers with regard to environmental measures, such as the shift to organic solvent-free products and bio-plastics</td>
<td>Increase in demand for products that realize good health and longevity in forms such as detection of disease symptoms, early diagnosis, and care for the elderly and supporting their independence</td>
</tr>
<tr>
<td>Increase in the company’s risk in case of extended period and/or greater expenses of developing nucleic acid medicine and other pharmaceutical products</td>
<td>Increase in demand for easy-to-use pharmaceuticals, medical materials, and nursing care products for home care, self-medication, etc.</td>
</tr>
<tr>
<td>Lowering of the company’s competitive edge and growth potential in case of failure to meet urgent medical needs</td>
<td>Increase in demand for products that improve OOL and prevent disease progression</td>
</tr>
<tr>
<td>Increase in social responsibilities, such as prevention of harm to patients due to quality problems, adverse reactions, etc.</td>
<td>Increase in demand for products that are safe and accessible lifestyle</td>
</tr>
<tr>
<td>Increase in difficulty in maintaining stable business operations due to shortages of employees in case of failure to recruit/develop human resources</td>
<td>Increase in competitive edge through the supply of safe products, which reassure customers and win strong support from them</td>
</tr>
<tr>
<td>Decrease in competitive edge due to inability to respond to rapid changes in the business environment in case of insufficient diversity</td>
<td>Increase in competitive edge through the supply of safe products, which reassure customers and win strong support from them</td>
</tr>
<tr>
<td>Occurrence of recalls, lawsuits, etc. due to quality problems and harm to health through use of products</td>
<td>Increase in competitive edge through the supply of safe products, which reassure customers and win strong support from them</td>
</tr>
<tr>
<td>Personal damage and shut downs due to work-related accidents</td>
<td>Increase in competitive edge through the supply of safe products, which reassure customers and win strong support from them</td>
</tr>
<tr>
<td>Damage to the company’s reputation as seen by customers, society at large, and shareholders due to occurrence of human rights issues and other scandals in the supply chain</td>
<td>Increase in competitive edge through the supply of safe products, which reassure customers and win strong support from them</td>
</tr>
<tr>
<td>Shut downs due to tighter regulations in case of continued use of raw materials and energy sources with high environmental impact</td>
<td>Increase in competitive edge through the supply of safe products, which reassure customers and win strong support from them</td>
</tr>
<tr>
<td>Shut downs due to increased cost and difficulty in procurement of specific raw materials that may face depletion in the future as consumption of them increases globally</td>
<td>Increase in competitive edge through the supply of safe products, which reassure customers and win strong support from them</td>
</tr>
<tr>
<td>Increase in the cost for compliance and difficulty in obtaining operational licenses in case of air pollution during production process and delay in reducing emissions of hazardous substances</td>
<td>Increase in competitive edge through the supply of safe products, which reassure customers and win strong support from them</td>
</tr>
</tbody>
</table>

#### Social Issues Facing the World

- **Enhancing Management Process for Co-Creating Value through Innovation**
  - Development of infrastructure for intelligent society
  - Reduction in traffic jams/accidents
  - Providing public transportation services for vulnerable road users
  - Promotion of cyclic use of plastics, metals, water, carbon, and other materials
  - Prevention of air, water, and soil pollution

- **Support for health and longevity (lifestyle-related diseases, non-infectious diseases)**
  - Providing healthcare and long-term care services to all
  - Control of infectious diseases on a global scale

- **Recruitment/development of employees**
  - Diversity & inclusion

- **Enhancement of safety and quality of products**
  - Improvement of workplace environment
  - Respect for human rights in supply chains

- **Reduction in CO2 emissions**
  - Efficient use of energy, raw materials, water, and other resources
  - Emissions-reduction of pollutants and hazardous substances

#### Sustainable circular society

- **Create a culture that satisfies diverse employees**
  - Safe manufacturing

- **Corporate culture that satisfies diverse employees**
  - Environmentally friendly processes

#### Relevant SDGs

- **Secure and accessible lifestyle**
  - Sustainable circular society
  - Sound and healthy life

- **Corporate culture that satisfies diverse employees**
  - Environmentally friendly processes

- **Sound and healthy life**
  - Sustainable circular society
  - Secure and accessible lifestyle
Addressing Material Issues for Sustainability

Plans and Progress

1. Disseminating material issues for sustainability
   - The entire set of material issues for sustainability
   - Co-creating value through innovation
   - Enhancing management process for co-creating value

Initiatives
   1. Disseminating material issues for sustainability
   2. Establishing a framework for creating related products and development themes
   3. Determining courses of action and KPIs/targets

1. Disseminating material issues for sustainability

When addressing material issues for sustainability, we believe that each and every employee must be aware of them at all times in their daily routine. Accordingly, in fiscal 2020, we are disseminating such issues throughout the Group in the form of opportunities, initiatives, and themes.

FY2020 Dissemination Programs

<table>
<thead>
<tr>
<th>Groups</th>
<th>Progress</th>
<th>Dissemination and understanding</th>
<th>Mindset</th>
<th>Creation of innovations</th>
<th>Drawing up of action plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Staff members</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Assistant Managers and Managers</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Select members from business divisions</td>
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<td></td>
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<tr>
<td>General Managers</td>
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</tbody>
</table>

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

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

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

3. Determining courses of action and KPIs/targets

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

<table>
<thead>
<tr>
<th>Material issues for sustainability</th>
<th>KPIs</th>
<th>Approaches</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment/development of employees</td>
<td>Training hours (per person)</td>
<td>• Strengthening talent management</td>
</tr>
<tr>
<td>Diversity &amp; inclusion</td>
<td>Ratio of women in management</td>
<td>• Promoting diversity</td>
</tr>
<tr>
<td>Environmentally friendly process</td>
<td></td>
<td></td>
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<td></td>
<td>• Strengthening quality management</td>
</tr>
<tr>
<td>Improvement of workplace environment</td>
<td>Numbers of critical/serious occupational accidents</td>
<td>• Striving for safety for “people, organizations, and equipment”</td>
</tr>
<tr>
<td>Respect for human rights in supply chains</td>
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<td>Reducing the total amount of energy</td>
<td>CO2 emissions</td>
<td>• Reducing the total amount of energy</td>
</tr>
<tr>
<td>Efficient use of energy, raw materials, water, and other resources</td>
<td>Total waste disposed</td>
<td>• Reducing the amount of resources used</td>
</tr>
<tr>
<td>Emissions reduction of pollutants and hazardous substances</td>
<td>Atmospheric toluene emissions</td>
<td>• Reducing the amount of toluene used</td>
</tr>
</tbody>
</table>

Our goal
- Corporate culture that satisfies diverse employees
- Safe manufacturing
- Environmentally friendly process

Using renewable energy
- Developing collection/recycling technologies
- Strengthening CSR-based procurement and white logistics movement

Nitto Group Integrated Report 2020