Corporate Philosophy

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

Mission

Contribute to customers’ value creation with innovative ideas

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

The Nitto Way

Philosophical Ideas

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

We place safety before everything else
- Avoid accidents and injuries.
- All employees must work together to establish a safe and secure workplace.

Amaze and inspire our customers
- Exceed customers’ expectations to have them say, “This is exactly what we wanted!”
- Work with customers and create new societal value.
- Customer satisfaction brings value to our stakeholders.

Anticipate and leverage change
- Go to the field to sense changes in society and the market.
- Rapidly link sensed changes to actions.

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

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

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

The Nitto Way

Vision

Creating Wonders

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

Innovate with first.
- Appreciate the diversity of our global team. Accept and respect others.
- Take actions based on integrity and modesty to build relationships of respect and trust with stakeholders.
- Keep changing. Change leads to opportunity and growth.
- Anticipate challenges, implement reforms, and bring about growth in the spirit of Mu-Kan-Dan.
- Always make efforts to ensure frank and open communication beyond organizational boundaries and roles.
- Transform ourselves constantly.
- Have an attitude of integrity, and understand and respect diversity.

Business Results: 10-Year Summary

Management

Goverance

53 Round-table Talk among Outside Directors
54 Directors, Auditors, and Vice Presidents
62 Corporate Governance
66 Compliance
67 Risk Management
68 Impact of the Novel Coronavirus Disease (COVID-19)

Data Section

Business Results: 10-Year Summary

69

71

Finance News

74 Social Contributions

73 Shareholder/Stock Information

69

71

Financial/Non-Financial Highlights

9 Financial/Non-Financial Highlights

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

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

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

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

1918-1945

Laying the Groundwork — Laying the groundwork for starting insulation business at Osaki, Tokyo —

Nitto Electric Industrial Co., Ltd. was formed in Osaki, Tokyo, on October 25, 1918. It was a time when electricity was rapidly becoming widespread as one of the infrastructures essential for industrial development. Nitto Electric Industrial was formed to get involved in the urgently needed domestic production of electrical insulating materials, important components of electrical equipment and machinery.

1946-1960

The Second Beginning — Starting over at Ibaraki, Osaka, after WW II —

After the plant in Osaki, Tokyo, was destroyed by air raids, Nitto restarted operations in Ibaraki, Osaka. Nitto's company creed, "Each product, each roll of tape is made with Nitto's exhaustive efforts. Everything we do is for dedication to our customers," was introduced in 1956. This policy endures today in our current brand slogan, "Innovation for Customers.”

In 1957, Nitto's unique marketing approach that holds up to this day, Sanshin Katsudo, began. "Innovation for Customers," was introduced in 1956. This policy aims at producing products, and resulted in the development of Roll to Panel\textsuperscript{4}, a business model which offers new values to customers, including productivity improvement, reduction of packaging materials, improved yield of polarizing films, and manpower saving.

1974-1988

Diversification of Business and Globalization — Advancing into the fields of medical care and electronics, commencement of overseas operation, and acceleration of M&A's —

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

In 1974, Nitto's unique marketing approach that holds up to this day, Sanshin Katsudo, began. "Innovation for Customers," was introduced in 1956. This policy aims at producing products, and resulted in the development of Roll to Panel\textsuperscript{4}, a business model which offers new values to customers, including productivity improvement, reduction of packaging materials, improved yield of polarizing films, and manpower saving.

1989-2007

Introduction of the Business Division System / Implementation of Global Niche Top\textsuperscript{5} Strategy — Establishing business foundation for sustained growth —

In 1989, the business division system was introduced to get back to the basics of serving customers and to respond speedily to dynamic changes in the market. In 1994, Nitto began implementing the Global Niche Top\textsuperscript{5} strategy, with the aim of achieving top global market share by determining markets with high-growth potential and focusing its management resources into niche fields where Nitto has a competitive advantage.

Nitto's effort was not limited to the offering of products, and resulted in the development of Roll to Panel\textsuperscript{4}, a business model which offers new values to customers, including productivity improvement, reduction of packaging materials, improved yield of polarizing films, and manpower saving.

2008-

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

The economic crisis of 2008 cast a major shadow ever since. Business and Nitto was no exception. Yet, Nitto was able to recover in a short time by responding speedily to the changes in the business environment and with its unique management approaches of "Mu-Gen-Dai*2" and "Kumeza", a group discussion to come up with ideas or solve problems, achieved major earnings growth thereafter.

In 2012, the "Nitto Denko" brand logo was renewed to the current "Nitto," and in 2014 the new brand slogan, "Innovation for Customers" was established. Nitto celebrated its 100th anniversary in 2018.

* Nito's growth has been supported by global trends such as increased demand for electronics in Asia, the growth of automotive sales, and the increasing use of wire harnesses.

Sales Trends\textsuperscript{6}:

<table>
<thead>
<tr>
<th>Year</th>
<th>Non-consolidated Sales in Japan</th>
<th>Consolidated Sales in Japan</th>
</tr>
</thead>
<tbody>
<tr>
<td>1985</td>
<td>300,000</td>
<td>500,000</td>
</tr>
<tr>
<td>1990</td>
<td>600,000</td>
<td>800,000</td>
</tr>
<tr>
<td>1995</td>
<td>950,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td>2000</td>
<td>1,400,000</td>
<td>1,800,000</td>
</tr>
<tr>
<td>2005</td>
<td>2,200,000</td>
<td>2,800,000</td>
</tr>
<tr>
<td>2010</td>
<td>3,000,000</td>
<td>3,800,000</td>
</tr>
<tr>
<td>2015</td>
<td>4,000,000</td>
<td>5,000,000</td>
</tr>
<tr>
<td>2019</td>
<td>5,500,000</td>
<td>6,800,000</td>
</tr>
</tbody>
</table>

\(\text{Sales (in millions)} \times 10^6\)

\textsuperscript{6} The numbers from 2014 are for "Shinnosuke,” following the introduction of the International Financial Reporting Standards (IFRS).
History of Technology Innovation

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

Everywhere, Comfortable Life

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

Global Network

Nitto Group 92 companies* (current as of March 31, 2020)

* Excluding 6 less significant companies including those under liquidation

Housing / Housing Equipment

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

Electronic Devices

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

Home Appliance and Electrical Equipment

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

Medical

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

Automotive and Transportation Equipment

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

Medical

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

Automotive and Transportation Equipment

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

Packaging

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

Consumer Products / Personal Care Products

Nitto supplies the consumer market with various materials. Some of the materials include products to maintain a hygienic environment such as plastic bags and sponges. These products help customers achieve a more comfortable way of life.

Materials

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

Displays

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

Segment Revenue

Revenue 741.0 billion yen

Industrial Tape 41.2%

OFFICE 3.6%

Optronics 51.7%

Regional Breakdown of Employees

Total 28,751

Japan 32%

South Asia 19%

Europe 5%

The Americas 9%

The Americas 35%

East Asia 35%

Japan 32%

South Asia 19%

Europe 5%

The Americas 9%

The Americas 35%

East Asia 35%

Japan 32%

South Asia 19%

Europe 5%

The Americas 9%

The Americas 35%

East Asia 35%

Japan 32%

South Asia 19%

Europe 5%

The Americas 9%

The Americas 35%

East Asia 35%

Japan 32%

South Asia 19%

Europe 5%

The Americas 9%

The Americas 35%

East Asia 35%

Japan 32%

South Asia 19%

Europe 5%

The Americas 9%

The Americas 35%

East Asia 35%

Japan 32%

South Asia 19%

Europe 5%

The Americas 9%

The Americas 35%

East Asia 35%

Japan 32%

South Asia 19%

Europe 5%

The Americas 9%

The Americas 35%

East Asia 35%

Japan 32%

South Asia 19%

Europe 5%

The Americas 9%

The Americas 35%
Financial/Non-Financial Highlights

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

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

The number of critical/serious occupational accidents decreased from 12 in fiscal 2018 to 7 in fiscal 2019.

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

The number of critical/serious occupational accidents decreased from 12 in fiscal 2018 to 7 in fiscal 2019.

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

The number of critical/serious occupational accidents decreased from 12 in fiscal 2018 to 7 in fiscal 2019.

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

The number of critical/serious occupational accidents decreased from 12 in fiscal 2018 to 7 in fiscal 2019.

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

The number of critical/serious occupational accidents decreased from 12 in fiscal 2018 to 7 in fiscal 2019.

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

The number of critical/serious occupational accidents decreased from 12 in fiscal 2018 to 7 in fiscal 2019.

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

The number of critical/serious occupational accidents decreased from 12 in fiscal 2018 to 7 in fiscal 2019.

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

The number of critical/serious occupational accidents decreased from 12 in fiscal 2018 to 7 in fiscal 2019.
Allow me to begin by offering my heartfelt prayers for the repose of souls of those who died an untimely death from COVID-19. I am also praying that everyone who is being forced to lead a daily life of constraint because of this pandemic can resume their normal way of living as soon as possible. I would like to express my deepest gratitude to medical professionals and others for their dedicated efforts to prevent the further spread of the disease and keep society as safe as possible.

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

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

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

Impact of the Novel Coronavirus Disease (COVID-19)

The global COVID-19 pandemic has brought with it economic stagnation and changes in consumer behavior, which is increasing the uncertainty of the future. Throughout its more than a century-long history, the Nitto Group has been able to sustain its growth through numerous tribulations. Faced with this latest hardship, we hope to keep moving forward by flexibly coping with change.

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

Going forward, we will streamline the things that we should continue doing, and replace what needs changing with novel ideas, in an attempt to wade through this time of uncertainty.
For us to keep growing as we cope with changes, I believe that it is important to return to our strengths. With this in mind, we will pursue the strategies unique to the Nitto Group detailed below.

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

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

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

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

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

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

Focusing Three Business Fields and Creating New Business Seeds

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

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

At the same time, we are tackling the development of medical adhesive tape for the wearable device market, as well as components and devices that resolve the common problems in the field of mobility: “heat,” “sound vibration,” and “electromagnetic waves.” In addressing these projects for the future, we aim to create new business seeds by integrating existing core technologies with diverse businesses.

Improving Productivity over the Mid- and Long-Term

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

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

At the very basis of the Nitto Group’s business activities are people who have a sense of ownership and demonstrate leadership. Accordingly, we are constantly investing in the development of human resources of future generations, upon whose shoulders the Nitto Group will come to be carried. They are given practical training sessions or sent outside of the base to gain experience in new areas.
company for temporary assignments, both of which encourage their growth. We also offer a career path where leader candidates can gain early experiences of what is required of leaders, namely, the ability to have a clear overall picture and make decisions.

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

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

Nitto Group’s Determination to Manufacture Responsibly

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

At the Nitto Group, we do not regard considerations for the environment and society as a cost factor, but instead, as a necessary investment for enhancing our corporate value. To successfully invest in a way that results in a positive effect on the environment and society, we need to base our decisions on a far-sighted perspective. We have thus set up a unique scheme called “management fund,” which allows us to make investment decisions related to the environment and safety for the good of the entire Group.

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

Addressing Material Issues for Sustainability in the Context of Business Activities

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

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

In Pursuit of the Continued Evolution of the Nitto Group

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

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

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

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

Sanshin Activities

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

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

Example Cases of Sanshin Activities

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

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

Example of Global Niche Top™ Products

1. Polarizing films for displays (NPF®*)
2. Thermal release sheets (REVALPHA®)
3. Suspensions with circuits for HDDs (CISFLEX®)

*“NPF®” is available in a wide variety to meet customer needs for displays, including liquid crystal displays (LCD) and organic electroluminescence displays (OLED).

Corporate Culture

Indicating our Values, Attitudes and Mindset, and Code of Conduct “The Nitto Way”

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

**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

**Business Model**

**Sanshin Activities**
- R&D
- Production
- 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

**Niche Top Strategy**
- Market
- New
- Existing
- Sales
- Administration
- 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

**Products/Services**
- Offering products to wide-ranging fields

**Corporate Philosophy / Corporate Culture**

**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

**Nitto Group Integrated Report 2020**

1 2 3 4
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.”

Identification Process

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

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

Making a list of social issues (Social issues as business opportunities)

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.

Materiality assessment

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

Netto 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.

Determining material issues

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

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

Making a list of requests from stakeholders (Requests from economic, environmental, and social aspects)

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

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

Materiality assessment

Social materiality = Breadth of stakeholders that make the requests

Netto 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

<table>
<thead>
<tr>
<th>Material Issues for Sustainability</th>
<th>Risks</th>
<th>Opportunities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Development of infrastructure for intelligent society</td>
<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 products that improve traffic flow and the safety level of automobiles</td>
</tr>
<tr>
<td>Reduction in traffic jams/accidents</td>
<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>Providing public transportation services for vulnerable road users</td>
<td>Decrease in order volume in case of falling 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>Promotion of cyclic use of plastics, metals, water, carbon, and other materials</td>
<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></td>
</tr>
<tr>
<td>Prevention of air, water, and soil pollution</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Supports for health and longevity (lifestyle-related diseases, non-infectious diseases)</td>
<td>Increase in the company’s stress and 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 products that realize good health and longevity in forms such as detection of disease symptoms, early diagnosis, and caring for the elderly and supporting their independence</td>
</tr>
<tr>
<td>Providing healthcare and long-term care services to all</td>
<td>Increase in the company’s competitive edge and growth potential in case of failure to meet urgent medical needs</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>Control of infectious diseases on a global scale</td>
<td>Increase in social responsibilities, such as prevention of harm to patients due to quality problems, adverse reactions, etc.</td>
<td>Increase in demand in products that improve QOL and prevent disease progression</td>
</tr>
<tr>
<td>Recruitment/development of employees</td>
<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>Creation of innovations and enhancement of long-term growth potential made possible by novel ideas offered by diverse and capable human resources</td>
</tr>
<tr>
<td>Diversity &amp; inclusion</td>
<td>Decrease in competitive edge due to inability to respond to rapid changes in the business environment in case of insufficient diversity</td>
<td></td>
</tr>
<tr>
<td>Enhancement of safety and quality of products</td>
<td>Occurrence of recall, 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>Improvement of workplace environment</td>
<td>Personal damage and shut-downs due to work-related accidents</td>
<td></td>
</tr>
<tr>
<td>Respect for human rights in supply chains</td>
<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></td>
</tr>
<tr>
<td>Reduction in CO2 emissions</td>
<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 long-term growth potential and competitive edge due to increased productivity and lower costs made possible by production process with high environmental efficiency</td>
</tr>
<tr>
<td>Efficient use of energy, raw materials, water, and other resources</td>
<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></td>
</tr>
<tr>
<td>Emissions-reduction of pollutants and hazardous substances</td>
<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></td>
</tr>
</tbody>
</table>

#### 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

#### Relevant SDGs

- SDG 11: Sustainable cities and communities
- SDG 12: Responsible consumption and production
- SDG 3: Good health and well-being
- SDG 13: Climate action
- SDG 14: Life below water
- SDG 15: Life on land
- SDG 8: Decent work and economic growth
- SDG 4: Quality education
- SDG 16: Peace and justice
- SDG 17: Partnerships for the goals

---

[Image of Nitto Group Integrated Report 2020]
Addressing Material Issues for Sustainability

1. Disseminating material issues for sustainability

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

FY2020 Dissemination Programs

<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 (Vice General Managers)</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>General Managers</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</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></td>
<td></td>
<td>• Promoting work style reform</td>
</tr>
<tr>
<td>Establishment of safety and quality of products</td>
<td></td>
<td>• Strengthening quality management</td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Stiff management of chemical substances by regulators and systems</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>
<td></td>
<td>• Strengthening CSR-based procurement and white logistic movement</td>
</tr>
</tbody>
</table>

Our goal: Corporate culture that satisfies diverse employees

Our goal: Safe manufacturing

Our goal: Environmentally friendly process
The Nitto Group’s New Strategy to Successfully Compete in this Time of Change

The rapid spread of information and communication technology (ICT) is bringing with it sweeping changes in our lifestyles and society at large. A pertinent example of this is the advent of the fifth-generation mobile communications system, when we have access to ultrafast, large-capacity, low-latency, and highly reliable cellular networks. This fifth-generation technology standard allows us to gather big data from each IoT (Internet of Things) device, analyze them by industry using AI (artificial intelligence), and create new values in each industrial sector. In response to these emerging trends, we have begun to deliver tangible values through the combination of our existing technologies and products with new technologies, while at the same time delivering tangible values in the form of intellectual properties, manufacturing technologies, and other intangible assets. Offering both tangible and intangible values - this is what the Nitto Group must deliver going forward.

Making Intellectual Property Rights Visible

<table>
<thead>
<tr>
<th>Number of patents published</th>
<th>Intellectual property rights held by Nitto</th>
</tr>
</thead>
<tbody>
<tr>
<td>2,275 (FY2019)</td>
<td>11,500</td>
</tr>
</tbody>
</table>

Making intellectual property rights visible

- Number of patents published: 2,275 (FY2019)
- Intellectual property rights held by Nitto: 11,500

Meeting the Expectations of Customers with Innovations for the Future

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

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

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

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

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

Making Intellectual Property Rights Visible

<table>
<thead>
<tr>
<th>Intellectual property rights rights held visible</th>
</tr>
</thead>
<tbody>
<tr>
<td>(inventory-taking)</td>
</tr>
<tr>
<td>Exercised</td>
</tr>
<tr>
<td>Sold to other companies</td>
</tr>
<tr>
<td>Relinquished</td>
</tr>
</tbody>
</table>

Contribution to business (profits)

- Number of patents published: 2,275 (FY2019)
- Intellectual property rights held by Nitto: 11,500
- Making intellectual property rights visible
  - Exercised
  - Sold to other companies
  - Relinquished
- Contributing to business (profits)
Nitto Group’s R&D Strategy as per the Chief Technology Officer

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

Furthermore, as members from development and intellectual property teams gather together from the project formulation stage to have in-depth discussions as to what values they should offer and what position they want to reach in the market, a necessary intellectual property network is formed. It is not a matter of how many intellectual property rights we hold, but rather how they can be used as tools with which to sustain the growth of the Nitto Group.

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

“Exits” of Diverse Technologies Made Possible by Intellectual Property Management

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

Focusing Management Resources into Fast-Changing, Growth Fields

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

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

In the “next-generation mobility” field, we have already begun to see results: The Innovation Marketing Center, IP strategy division, and development project team joined forces to increase the possibility of neodymium magnets delivering value to new markets that have yet to be manifested. (-> See P. 31)

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

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

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

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

Plastic Optical Fibers/Cables

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

Leveraging Our Strengths for Manufacturing

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

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

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

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

Marketability, Future Prospects

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

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

“Not many companies have an/imagination - the technical bottleneck of plastic optical fibers. I am sure customers will appreciate this advance.” (Hirose)

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

Convergence for Plastic Optical Fiber Cables

Neodymium Magnets

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

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

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

Neodymium Magnets have a competitive market where neodymium magnets have a competitive advantage.

Competitive Advantages

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

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

Marketability, Future Prospects

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

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

Market where neodymium magnets have a competitive advantage.

Competitive Advantages

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

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

Neodymium Magnets

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

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

Katsuya Kume
Magnet Business Promotion Department, New Business Development Division

Hiroshi Ebe
Magnet Business Promotion Department, New Business Development Division

Neodymium Magnets

Neodymium Magnets

Nitto Group Integrated Report 2020
Financial Policies

Forging Ahead with the Financial Base

The Nitto Group aims to build a well-balanced, sound financial base that aligns continual enhancement of corporate value with long-term interest of all stakeholders. Because we are operating in fast-changing and high-risk fields such as optoelectronics and life science, our basic financial policy is to enhance capital adequacy while constantly generating ample cash flows from operating activities through development and sale of competitive products.

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

Cash Management

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

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

Application of Funds and Return to Shareholders

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

Capital Investment and M&As

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

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

Meanwhile, while taking ESG criteria and the magnitude of risks that may occur in the future into account, we also invest in plants and equipment from a long-term perspective.

In particular, we are heavily investing in the environmental friendliness, including reducing CO2 and recycling wastewater, and the reinforcement of our fundamental business foundations, such as improving occupational health and the working environment.

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

Return to Shareholders

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

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

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

During the fiscal year ended March 31, 2020, trade conflicts between the U.S. and China as well as heightened uncertainties over the economic outlook negatively affected the world economy as a whole. The GDP growth rate slowed down in the Americas. Demand remained weak due to Brexit issues in Europe. China saw a drop in import and export from and to the U.S. and weaker business sentiment in the manufacturing industry. Out of the Group's key markets, the auto market recorded a significant decline in production volume. Although the production volume of smartphones did not grow as well, there has been a new change in displays. As the novel coronavirus infectious disease (COVID-19) spread toward the end of the term, the effects of outing restrictions and stalled logistics in each disease (COVID-19) spread toward the end of the term, the change in displays. As the novel coronavirus infectious disease (COVID-19) spread toward the end of the term, the changes hereafter are given in comparison with the previous fiscal term) to 741,018 million yen. Operating income dropped 24.8% to 69,733 million yen, and net income attributable to owners of the parent company fell 29.2% to 47,156 million yen.

Consolidated operating results

During the fiscal year ended March 31, 2020, telework in the best interest of its employees' safety and handles this situation responding to requests from governments. Although the Group temporarily suspended operations in China region, it gradually resumed production after the Chinese New Year. Meanwhile, some local subsidiaries in the Americas, EMEA (Europe, the Middle East, and Africa) regions, and Asia remained out of operation. The impact of COVID-19 on business results was limited in this fiscal year.

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

### Summary of Results by Segment

#### Industrial Tape

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

<table>
<thead>
<tr>
<th>Operating Results</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Revenue</strong></td>
</tr>
<tr>
<td><strong>(in millions)</strong></td>
</tr>
<tr>
<td>FY2018</td>
</tr>
<tr>
<td>355,277</td>
</tr>
<tr>
<td>FY2019</td>
</tr>
<tr>
<td>317,921</td>
</tr>
</tbody>
</table>

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

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

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

#### Issues to be addressed

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

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

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

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

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

As part of the ongoing effort to explore applications of products that use fluorine functional materials, we will dedicate our resources to the development of products with novel functions in the fields of semiconductors, electronic components, and mobile devices.

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

Main products: Information fine materials and flexible printed circuit boards

Operating Results

<table>
<thead>
<tr>
<th>Revenue (in millions)</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>0</td>
<td>430,065</td>
<td>398,942</td>
</tr>
<tr>
<td>100,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>200,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>300,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>400,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Production volume of information fine materials for smartphones did not grow. The Group, however, responded to irregularly shaping of optical films to accommodate to large-sized displays. As a result, this application performed strongly compared to the previous year. In the TV market, the supply and demand balance has greatly changed as panel manufacturers’ supply capability expanded. In such an environment, the Group focused on high-value-added domain in such application. Royalty income from technology licensing of general polarizing films was partly posted in the previous fiscal year, but new revenue is forecast to be recognized from the next fiscal year onward.

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

The impact of COVID-19 on the segment was limited despite a temporary halt of production in China. As a result of the above, revenue decreased by 7.2% to 398,942 million yen and operating income slid 7.9% to 57,067 million yen.

Issues to be addressed

For information fine materials, the display market has been bipolarized between the commodity market and the high-end market. Amid this trend, the Group will, by honing its industry-leading technological prowess, respond to the changes taking place to displays. The Group also aims to strengthen its business foundations and expand highly profitable businesses by strengthening and streamlining its product lifecycle management. With regard to flexible printed circuit boards, the Group aims to enhance profitability by boosting the market share of its HDD application and streamlining the business. The Group will increase its efforts to make this another core business by using the high-accuracy circuit formation technologies it has cultivated for smartphones and other new applications whose demand is growing, while expanding relevant production facilities. Due to the increasing impact of COVID-19 and other factors, it is expected that more people will be working remotely in the advanced communication environment, which in turn will create a higher demand for our flexible printed circuit boards. We will seize the opportunity that such changes present promptly and without fail.

Research and development activities

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

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

For optical materials for display peripherals other than polarizing films, we are also pushing ahead with the development of interlayer filling adhesive for displays and materials for the OLED process, in a bid to offer value to customers manufacturing displays and equipment with a built-in display. For flexible printed circuit boards, we are marketing high-precision circuits made possible by circuit formation technology using photosensitive polyimide and the semi-additive process to new markets other than that of HDDs. In the current fiscal year, high-precision circuits were adopted for wireless charging systems for hearing aids and components for smartphones to start contributing to our sales. We will continue with development efforts to meet demands as they arise.
Segment Information

/ Life Science
Main products: Medical-related products

Operating Results

<table>
<thead>
<tr>
<th>Revenue (Yen in millions)</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>32,000</td>
<td>29,958</td>
<td></td>
</tr>
<tr>
<td>20,000</td>
<td></td>
<td>27,129</td>
</tr>
<tr>
<td>10,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Composition of revenue 3.5%

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

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

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

Issues to be addressed

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

Research and development activities

For pharmaceutical products, an atypical antipsychotic was approved by the regulatory authority in June 2019. Commercial production was subsequently started and the product was launched in the Japanese market by Sumitomo Dainippon Pharma Co., Ltd. in September.

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

/ Others
Main products: Membrane products, other products

Operating Results

<table>
<thead>
<tr>
<th>Revenue (Yen in millions)</th>
<th>FY2018</th>
<th>FY2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>32,000</td>
<td>29,958</td>
<td></td>
</tr>
<tr>
<td>20,000</td>
<td></td>
<td>27,129</td>
</tr>
<tr>
<td>10,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>0</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Composition of revenue 3.6%

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

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

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

Issues to be addressed

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

Research and development activities

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

### Risks and Opportunities to the Nitto Group’s Business Operations

#### Risks

<table>
<thead>
<tr>
<th>Human Resources</th>
<th>Procurement of Raw Materials</th>
<th>R&amp;D</th>
<th>Production</th>
<th>Logistics/Sales</th>
<th>Use/Disposal of Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment/development of employees</td>
<td>Recruitment of human resources with advanced expertise by enhancing recruitment branding</td>
<td>Development of employees by systematic training</td>
<td>Development of technology for efficient use of energy and raw materials</td>
<td>Development of new markets and enhancement of corporate reputation</td>
<td>Unified management of information by appropriate disclosure of information on chemical substances</td>
</tr>
<tr>
<td>Diversity &amp; inclusion</td>
<td>Ensuring access to resources by procurement of raw materials</td>
<td>Ensuring safety of workers by improving workplace environment and managing chemical substances properly</td>
<td>Ensuring safety of local residents</td>
<td>Ensuring customer satisfaction</td>
<td>Increase in customer satisfaction</td>
</tr>
<tr>
<td>Enhancement of safety and quality of products</td>
<td>Ensuring safety of workers and product risks by risk assessment</td>
<td>Ensuring safety of workers and reducing risks of fire/explosion accidents</td>
<td>Ensuring social credibility</td>
<td>Ensuring product safety by complying with applicable laws and regulations and meeting required standards</td>
<td>Ensuring social credibility</td>
</tr>
<tr>
<td>Support for human rights in supply chains</td>
<td>Ensuring compliance by supply chain management</td>
<td>Ensuring social responsibility by complying with the applicable laws and regulations in every country and region</td>
<td>Improving in distribution productivity by business reform and promotion of work style reform</td>
<td>Improving in labor productivity and employee engagement</td>
<td>Improving in labor productivity and employee engagement</td>
</tr>
</tbody>
</table>

#### Opportunities

<table>
<thead>
<tr>
<th>Human Resources</th>
<th>Procurement of Raw Materials</th>
<th>R&amp;D</th>
<th>Production</th>
<th>Logistics/Sales</th>
<th>Use/Disposal of Products</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recruitment/development of employees</td>
<td>Reduction in CO2 emissions by switching means of transport</td>
<td>Reduction in environmental impact on the ecosystem and human body by developing environmentally friendly products</td>
<td>Reduction in CO2 emissions by investigating new technologies, use of renewable energy, etc.</td>
<td>Reduction in CO2 emissions by investigating new technologies, use of renewable energy, etc.</td>
<td>Reduction in CO2 emissions by investigating new technologies, use of renewable energy, etc.</td>
</tr>
<tr>
<td>Diversity &amp; inclusion</td>
<td>Efficient use of energy</td>
<td>Reducing unnecessary work and consumption of energy and raw materials</td>
<td>Environmental communication by proper management of chemical substances</td>
<td>Environmental communication by proper management of chemical substances</td>
<td>Environmental communication by proper management of chemical substances</td>
</tr>
<tr>
<td>Product Safety / Quality</td>
<td>Emissions reduction of pollutants and hazardous substances</td>
<td>Reducing unnecessary and hazardous substances released</td>
<td>Ensuring safety of local residents</td>
<td>Ensuring safety of local residents</td>
<td>Ensuring safety of local residents</td>
</tr>
</tbody>
</table>

#### Nitto Group Integrated Report 2020

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

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

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

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

Recruitment of Global-Minded Human Resources
Nitto Internship Academy hosted 1,400 graduate/undergraduate students.

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

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

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

Nitto Internship Academy Organization Chart

<table>
<thead>
<tr>
<th>Innovation Internship</th>
<th>1-day Internship</th>
<th>Extended Internship</th>
<th>Experience Internship</th>
</tr>
</thead>
<tbody>
<tr>
<td>First-year students</td>
<td>Ongoing</td>
<td>Attempting</td>
<td>Learning about</td>
</tr>
<tr>
<td></td>
<td></td>
<td>a new business</td>
<td>global branding</td>
</tr>
<tr>
<td>Second-year students</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Third-year students</td>
<td>Designing one’s own career path</td>
<td>Gaining workplace experience</td>
<td></td>
</tr>
<tr>
<td>Fourth-year students</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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

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

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

Textbook for Nitto Persons available in 15 languages

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

Empowerment of Employees
Employee engagement survey “Seeds”

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

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

A Reviewed In-House Award System

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

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

*5S: A workplace organization method designed to maintain/improve the workplace environment. “Shinji” (Order) “Shitsuke” (Discipline) “Shinsetsu” (Cleanliness) “Shinseki” (Orderliness).”

Diversity & Inclusion

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

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

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

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

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

<table>
<thead>
<tr>
<th>Employment Data of the Nitto Group</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Regional Breakdown</strong></td>
</tr>
<tr>
<td><strong>Europe</strong></td>
</tr>
<tr>
<td>Employees</td>
</tr>
<tr>
<td>Managers</td>
</tr>
<tr>
<td>Non-Japanese executives</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Entire Group</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Employees: Gender ratio as of March 31, 2020</td>
</tr>
<tr>
<td>Managers: Gender ratio as of April 1, 2020</td>
</tr>
<tr>
<td>Non-Japanese executives: Total 17</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nitto Group’s Approaches</th>
</tr>
</thead>
<tbody>
<tr>
<td>In order to deliver well-being and satisfaction to our valued customers through the supply of products and services, we assign quality managers in the corporate quality division, business divisions, and Group companies, to build a structure for proper quality management and we have obtained certifications of external international standards for management systems.</td>
</tr>
</tbody>
</table>

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

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

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

<table>
<thead>
<tr>
<th>Building of a Quality Management System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responding to customer needs by building a management system aligned with the evolution of our portfolio, all the Nitto Group companies seek to strengthen their foundation by raising the overall level of their quality management system and reengineering their business management system. In response to the ever-increasing level of requirements as we migrate to next-generation mobility, many of our overseas sites have acquired an IATF 16949 certification. In Japan, too, we are working to acquire such a certificate in line with the expected demands of our customers.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Proper Management of Chemical Substances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anticipating future trends in regulations to apply standards stricter than applicable laws/regulations. Proper management of chemical substances is an essential responsibility for the Nitto Group. We use upwards of 4,000 varieties of chemical substances, which include chemicals that can pollute the environment and create health hazards if misused. As one government after another tightens its laws and regulations, we stay abreast of the latest information to set for ourselves stricter voluntary standards in order to implement proper global management of chemical substances. Furthermore, by centralizing the management of data on chemical substances contained in materials and products, we respond to inquiries from customers promptly and properly.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Nitto Group’s Approaches</th>
</tr>
</thead>
<tbody>
<tr>
<td>In order to deliver well-being and satisfaction to our valued customers through the supply of products and services, we assign quality managers in the corporate quality division, business divisions, and Group companies, to build a structure for proper quality management and we have obtained certifications of external international standards for management systems.</td>
</tr>
</tbody>
</table>

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

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

<table>
<thead>
<tr>
<th>Building of a Quality Management System</th>
</tr>
</thead>
<tbody>
<tr>
<td>Responding to customer needs by building a management system aligned with the evolution of our portfolio, all the Nitto Group companies seek to strengthen their foundation by raising the overall level of their quality management system and reengineering their business management system. In response to the ever-increasing level of requirements as we migrate to next-generation mobility, many of our overseas sites have acquired an IATF 16949 certification. In Japan, too, we are working to acquire such a certificate in line with the expected demands of our customers.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Proper Management of Chemical Substances</th>
</tr>
</thead>
<tbody>
<tr>
<td>Anticipating future trends in regulations to apply standards stricter than applicable laws/regulations. Proper management of chemical substances is an essential responsibility for the Nitto Group. We use upwards of 4,000 varieties of chemical substances, which include chemicals that can pollute the environment and create health hazards if misused. As one government after another tightens its laws and regulations, we stay abreast of the latest information to set for ourselves stricter voluntary standards in order to implement proper global management of chemical substances. Furthermore, by centralizing the management of data on chemical substances contained in materials and products, we respond to inquiries from customers promptly and properly.</td>
</tr>
</tbody>
</table>
Commitment to Health and Productivity Management

Drawing up a new three-year plan for the good health of mind and body

At the very core of our endeavors to live up to our Mission, “Contribute to customers’ value creation with innovative ideas,” is people. By setting the basic health and productivity policy of “creating a vibrant organization by enhancing employees’ well-being” in Japan, we are working to create a workplace where each and every employee enjoys physical and mental health and gives their individuality and competence full play.

In fiscal 2019, the last year of the most recent three-year occupational health plan, we focused on anti-obesity initiatives. On the mental side, we used stress checks to improve the workplace environment.

In recognition of these initiatives, two Nitto Group companies were chosen under the 2020 Certified Health and Productivity Management Outstanding Organizations Recognition Program. We will continue to work on health and productivity management under the mantra of “All in it together to promote physical and mental well-being.”

Participation in the “White Logistics Movement”

Promoting improvement in the working environment and productivity in logistics service providers, a key partner of ours

The “White Logistics Movement” started in Japan in 2019 in order to stabilize logistics services by tackling the serious shortage of truck drivers in Japan, thus contributing to the sustainable growth of the Japanese economy.

At the Nitto Group, we have chosen improvement in logistics as one of our main contributions to sustainability, growth, compliance, and ESG, and have participated in the campaign to support this betement.

In addition to the current task of improving the mode of transportation in Asia, we have added two new projects of “shortening truck drivers’ work/portal-to-portal hours,” two major causes of additional overtime work, and “ensuring the safety of truck drivers.” In more concrete terms, we focused on slashing trucks’ waiting time and time for manual loading and worked to shorten waiting time at the Onomichi Plant.

Going forward, we will make efforts to increase the efficiency of the entire supply chain in collaboration with other companies endorsing the “White Logistics Movement.” As we work to reform operations other than logistics, we will work with our stakeholders to standardize and streamline our operations in a bid to keep improving the working environment and logistics productivity.

Efforts to Prevent Critical/Serious Occupational Accidents

Taking preventive measures for high-risk operations

In fiscal 2019, we had seven critical/serious accidents, down from 12 in fiscal 2018. To safeguard against high-risk operations, such as reaching out for moving machine parts or carrying heavy loads, we distance “sources of hazards” from “humans,” thus enforcing machine safety. For instance, during the training of new employees, we distance “sources of hazards” from “humans” by using simulated experiences. For example, during the training of new employees, we distance “sources of hazards” from “humans” by using simulated experiences.

Efforts to Prevent General Occupational Accidents

Simulating hazards at the Safety Training Room

The number of general occupational accidents did not show any improvement in fiscal 2019. In Japan, younger employees with less than two years’ experience are largely responsible for such accidents, and many occurred while they were transporting items or making preparations for production. To prevent accidents involving younger employees, we are giving them thorough training, reminding them of which operations they need permission for, and compiling procedure manuals. In addition, we have introduced a new form of training that provides trainees with a simulated experience of accidents and injuries from the victim’s point of view to give them a strong impression and resultant memory. In fiscal 2019, we established a Safety Training Room at our Shiga Plant, where employees are given simulated experiences. Going forward, we intend to establish one at each Group company to form a corporate culture of “every single person takes safety to heart” and “act with integrity in all decisions.”

Incidence of general accidents

(1) By number of years of experience

<table>
<thead>
<tr>
<th>Experience Level</th>
<th>Incidence Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>33%</td>
</tr>
<tr>
<td>1-5 years</td>
<td>21%</td>
</tr>
<tr>
<td>5-10 years</td>
<td>11%</td>
</tr>
<tr>
<td>10-15 years</td>
<td>18%</td>
</tr>
<tr>
<td>15 years or more</td>
<td>17%</td>
</tr>
</tbody>
</table>

* Group companies in Japan only

Efforts to Ensure Traffic Safety

Traffic safety training in Asia

As the rapid advancement of motorization in Asian countries is causing an increase in traffic accidents, we are taking steps to improve traffic safety in different traffic conditions in each country and region. At Nitto Denko India Private Limited, a Traffic Safety Training Center was established to provide employees with opportunities to experience hazards from the viewpoint of both the driver and the pedestrian, thus providing a broader perspective on safety. At our sites in Japan and Southeast Asia, they also began bus-commuting services for their employees, to eliminate traffic accidents while simultaneously considering the environment.

Product Safety/Quality

Improvement of Workplace Environment

The Nitto Group is working to prevent occupational accidents and injuries through concerted efforts to create workplace environments where everyone can work in good health without anxiety. We believe it is our responsibility as an employer to protect the safety of all the persons working on the Nitto Group’s premises, including Nitto employees and workers from subcontracting businesses and construction services. Our goal is to reduce to zero all accidents and injuries that involve workers within our premises. To this end, we encourage persons in charge of workplace safety at each site to demonstrate captnity, and we have established a Safety Council, which includes our business partners, to discuss safety so as to involve all the sites in our efforts to minimize risks of such accidents.

Meanwhile, as an integral member of a value chain, we strive to reduce risks of closings and suspended sales to ensure timely supply to customers.

Efforts to Prevent General Occupational Accidents

Simulating hazards at the Safety Training Room

The number of general occupational accidents did not show any improvement in fiscal 2019. In Japan, younger employees with less than two years’ experience are largely responsible for such accidents, and many occurred while they were transporting items or making preparations for production. To prevent accidents involving younger employees, we are giving them thorough training, reminding them of which operations they need permission for, and compiling procedure manuals. In addition, we have introduced a new form of training that provides trainees with a simulated experience of accidents and injuries from the victim’s point of view to give them a strong impression and resultant memory. In fiscal 2019, we established a Safety Training Room at our Shiga Plant, where employees are given simulated experiences. Going forward, we intend to establish one at each Group company to form a corporate culture of “every single person takes safety to heart” and “act with integrity in all decisions.”

Incidence of general accidents

(1) By number of years of experience

<table>
<thead>
<tr>
<th>Experience Level</th>
<th>Incidence Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 1 year</td>
<td>33%</td>
</tr>
<tr>
<td>1-5 years</td>
<td>21%</td>
</tr>
<tr>
<td>5-10 years</td>
<td>11%</td>
</tr>
<tr>
<td>10-15 years</td>
<td>18%</td>
</tr>
<tr>
<td>15 years or more</td>
<td>17%</td>
</tr>
</tbody>
</table>

* Group companies in Japan only

Efforts to Ensure Traffic Safety

Traffic safety training in Asia

As the rapid advancement of motorization in Asian countries is causing an increase in traffic accidents, we are taking steps to improve traffic safety in different traffic conditions in each country and region. At Nitto Denko India Private Limited, a Traffic Safety Training Center was established to provide employees with opportunities to experience hazards from the viewpoint of both the driver and the pedestrian, thus providing a broader perspective on safety. At our sites in Japan and Southeast Asia, they also began bus-commuting services for their employees, to eliminate traffic accidents while simultaneously considering the environment.

Commitment to Health and Productivity Management

Drawing up a new three-year plan for the good health of mind and body

At the very core of our endeavors to live up to our Mission, “Contribute to customers’ value creation with innovative ideas,” is people. By setting the basic health and productivity policy of “creating a vibrant organization by enhancing employees’ well-being” in Japan, we are working to create a workplace where each and every employee enjoys physical and mental health and gives their individuality and competence full play.

In fiscal 2019, the last year of the most recent three-year occupational health plan, we focused on anti-obesity initiatives. On the mental side, we used stress checks to improve the workplace environment.

In recognition of these initiatives, two Nitto Group companies were chosen under the 2020 Certified Health and Productivity Management Outstanding Organizations Recognition Program. We will continue to work on health and productivity management under the mantra of “All in it together to promote physical and mental well-being.”

Participation in the “White Logistics Movement”

Promoting improvement in the working environment and productivity in logistics service providers, a key partner of ours

The “White Logistics Movement” started in Japan in 2019 in order to stabilize logistics services by tackling the serious shortage of truck drivers in Japan, thus contributing to the sustainable growth of the Japanese economy.

At the Nitto Group, we have chosen improvement in logistics as one of our main contributions to sustainability, growth, compliance, and ESG, and have participated in the campaign to support this betement.

In addition to the current task of improving the mode of transportation in Asia, we have added two new projects of “shortening truck drivers’ work/portal-to-portal hours,” two major causes of additional overtime work, and “ensuring the safety of truck drivers.” In more concrete terms, we focused on slashing trucks’ waiting time and time for manual loading and worked to shorten waiting time at the Onomichi Plant.

Going forward, we will make efforts to increase the efficiency of the entire supply chain in collaboration with other companies endorsing the “White Logistics Movement.” As we work to reform operations other than logistics, we will work with our stakeholders to standardize and streamline our operations in a bid to keep improving the working environment and logistics productivity.
Environment

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

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

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

Reduction in CO₂ Emissions
As climate change heightens the risk of natural disasters globally each passing year, private enterprises are required to do something to mitigate these conditions.

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

In fiscal 2019, our annual CO₂ emissions decreased by 46,612 tons from the previous year to 759,903 tons.

<table>
<thead>
<tr>
<th>FY2025 target</th>
<th>CO₂ emissions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>730,000 tons/yr</td>
</tr>
</tbody>
</table>

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

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

Other efforts to reduce CO₂ emissions
In order to reduce a large amount of CO₂ emissions generated by combusting solvent gases, we are introducing solvent recovery systems. Recovery of solvent gases not only helps us to curb CO₂ emissions but also put resources to efficient use. In addition to the aggressive efforts to recover toluene, the Toyohashi Plant began recovering solvents other than toluene in the amount of more than 200 tons annually. In doing so, they expect to reduce CO₂ emissions by 400 tons a year. We will introduce the system to other sites as well.

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

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

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

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

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

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

Waste reduction efforts in each country
In recent years, an increase in food waste from cafeterias and other places, in addition to waste from manufacturing processes, has added to the problem of waste management. We at the Nitto Group address this problem in a way that meets the culture of each host community in Japan and abroad. At Nitto Denko America Latina, for instance, food waste was slashed by 80% in fiscal 2019 from fiscal 2018 by installing equipment that produces fertilizers out of food waste generated from their cafeteria, on top of sorting waste and raising awareness among employees. The fertilizers thus produced are donated to nearby kindergartens.

Efforts for Cyclic Use of Resources
Reducing the amount of resources discharged by recycling waste plastics and wastewater
At the Toyohashi Plant Recycling Promotion Center, they process plastic waste from their manufacturing process into pellets, which are recycled into roll cores and tablewares, etc., to promote circulation within the company. They also introduced a system for recovering toluene from waste solvents to further increase the recycling rate. As for wastewater, the Shiga Plant is working to increase its wastewater recycling rate to 90% by fiscal 2022. In fiscal 2019, they recycled 70% of wastewater. At the Onomichi Plant, on the other hand, they are recycling more water by way of evaporative concentration and treatment by Nitto’s RO membranes. This way, in-house technology is utilized to put water resources to efficient use and minimize impact when water supply from the outside is interrupted, thereby contributing to the business continuity plan (BCP).

Efforts for Cyclic Use of Resources
Efficient Use of Resources

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Furuse: For ESG, how you go about meeting these criteria is important. In this regard, the basic requirement is that steady efforts are made to reduce stress on society and the environment. It is also important to ensure that employees and other stakeholders can engage in business activities both safely and comfortably. As is demonstrated by the practice of conducting safety calls, even at small meetings. Nitto is demonstrating that it places a high value on holding firm to and living up to its beliefs, and that’s an underlying concept for its products. With respect to progress in materiality, while there is room for improvement, I think we are moving in the right direction. After all, as long as Nitto holds on to the fundamental principle of safety and security first, they can’t go wrong as a business.

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

Fukuda: How do you think Nitto should respond to these?

Hatchoji: Based on my experience from my previous long-time employer, what really matters is how many people you have who are passionate about promoting ESG and the TCFD. I believe that at Nitto, there is always someone that will lead the SDGs and ESG initiatives in their respective fields. If you wish to work on such initiatives over the long term, the way in which you develop diverse people to take on these tasks becomes vital. Another important point is to allocate the best people to the right places on a global basis. As an outside director, I’m hoping to shed light on these issues and keep providing inspiration.

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

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

Transform Risk into Opportunity Through Long-term Strategy

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

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

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

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

Fukuda: Effectiveness evaluation tends to be qualitative, partly because it is extremely hard to make quantitative evaluations of organizations other than business divisions. While working as a consultant for quantitative evaluation of a design division at a certain company, I gained a notable takeaway: Scientific analysis of quantitative information leads to correct evaluation.

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

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

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

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

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

Fukuda: Effectiveness evaluation tends to be qualitative, partly because it is extremely hard to make quantitative evaluations of organizations other than business divisions. While working as a consultant for quantitative evaluation of a design division at a certain company, I gained a notable takeaway: Scientific analysis of quantitative information leads to correct evaluation.

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

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

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

Moderator: Thank you for your insightful comments today. You’ve been wonderful.
Directors, Auditors, and Vice Presidents

As of Jun 19, 2020
### Directors, Auditors, and Vice Presidents

#### Directors

**Hideo Takasaki**  
Representative Director, President  
April 1978 : Joined Nitto Denko Corporation  
June 2008 : Director, Senior Vice President  
June 2010 : Director, Senior Vice President  
June 2011 : Director, Executive Vice President  
June 2013 : Director, Senior Executive Vice President, COO  
November 2016 : Representative Director, President  
AOC, COO  
November 2017 : Representative Director, President  
AOC, COO  

**Nobuhiro Todokoro**  
Director, Executive Vice President  
April 1999 : Joined Nitto Denko Corporation  
June 2015 : Vice President, General Manager of Information & Communication Technology Sector  
October 2015 : General Manager of Accounting Department, Strategy & Administration Division, Strategic Planning & Management Department, Information & Communication Technology Sector, Deputy General Manager of Corporate Technology Sector, and General Manager of New Business Development Division  
June 2017 : Director, Vice President, Deputy CEO  
June 2019 : Director, Senior Vice President, Deputy CEO  
AOC  
April 2020 : Director, Senior Vice President, Deputy CEO  
June 2020 : Director, Executive Vice President, CEO  
December 2020 : General Manager of Corporate Strategy & Administration Division, Corporate Technology Sector, General Manager of Information & Communication Technology Sector (present)  

**Yoichiro Furuse**  
Outside Director (Independent Director)  
April 1944 : Joined Sumitomo Bank, Ltd.  
June 1998 : Director, Senior Vice President, Sanyo Electric Co., Ltd. (retired in June 2003)  
October 1999 : Executive Director, Sanyo Electric Co., Ltd. (retired in June 2006)  
June 2001 : Director, Sanyo Electric Co., Ltd.  
June 2002 : Representative Director and Vice President, Sanyo Electric Co., Ltd. (retired in October 2003)  
January 2006 : Representative Director, Furuse Corporation (present)  
June 2007 : Outside Director, Nitto Denko Corporation (present)  
September 2015 : New Executive & Independent Director, General Logistics Properties Limited (retired in December 2017)  
July 2015 : Chairman of Japan, Permira Advisers K.K.  
October 2015 : Director, South Global Holdings Ltd. (retired in December 2016)  
March 2016 : Outside Director, Nesta Co., Ltd. (present)  
January 2018 : Consultant at HLP Ltd. (present)  

**Takashi Hatchoji**  
Outside Director (Independent Director)  
April 1970 : Joined Hitachi, Ltd.  
June 2003 : Senior Vice President and Executive Officer, Hitachi, Ltd.  
April 2004 : Senior Vice President and Executive Officer, Hitachi, Ltd.  
April 2006 : Representative Executive Officer, Executive Vice President, and Executive Officer, Hitachi, Ltd. (retired in March 2007)  
June 2007 : Representative and Executive Director, Hitachi Research Institute (retired in March 2008)  
April 2009 : Representative Executive Officer, Executive Vice President, and Executive Officer, Hitachi, Ltd. (retired in March 2010)  
April 2011 : Chairman of the Board, Hitachi America, Ltd. (retired in March 2015)  
June 2011 : Director, Hitachi, Ltd. (retired in June 2015)  
June 2015 : Advisor, Hitachi, Ltd. (retired in June 2016)  
June 2015 : Outside Director, Nitto Denko Corporation (present)  
June 2017 : External Audit & Supervisory Board Member, Marubeni Corporation  
June 2017 : Outside Director, Kure Media, Inc. (present)  
June 2020 : Outside Director, Marubeni Corporation (present)  

**Yasuo Miki**  
Director, Senior Vice President  
April 1975 : Joined Nitto Denko Corporation  
June 2009 : Vice President, Deputy CEO  
November 2010 : Director, Executive Vice President, CEO  
December 2020 : General Manager of Corporate Strategy & Administration Division, Corporate Technology Sector, General Manager of Information & Communication Technology Sector (present)  

**Yasuo Isewama**  
Director, Senior Vice President  
June 2011 : Joined Nitto Denko Corporation  
October 2009 : General Manager of Accounting Department, Strategic Administration Division, Optical Sector  
July 2015 : General Manager of Accounting Department, Strategic Administration Division, Functional & Base Products Sector  
October 2015 : General Manager of Accounting Department, Strategic Administration Division, Functional & Base Products Sector, concurrently General Manager of Corporate Accounting & Finance Division, Planning & Management Department, Automotive Products Sector  
June 2016 : Deputy General Manager of Corporate Accounting & Finance Division, Corporate Strategy Sector  
June 2017 : Vice President, General Manager of Corporate Accounting & Finance Division  
June 2020 : Vice President, Senior Vice President, CEO  
December 2020 : General Manager of Corporate Accounting & Finance Division (present)  

**Tamio Fukuda**  
Outside Director (Independent Director)  
April 1949 : Design Advisor of Samsung Electronics Co., Ltd., South Korea (retired in September 1999)  
October 1999 : Professor, Graduate School of Science and Technology, Kyute Institute of Technology  
April 2013 : Professor Emeritus, Kyute Institute of Technology (present)  
June 2018 : Outside Director, Nitto Denko Corporation (present)  

**Wong Lai Yong**  
Outside Director (Independent Director)  
September 2013 : Founder and Chair, Principal Trainer and Consultant, First Penguin Ltd. (retired)  
July 2018 : Director, Short Women’s Development Corporation (present)  
October 2017 : Adjunct Professor, Shokoku University Graduate School of Law & Innovation  
Deputy Center Leader, Center for Sustainability & Innovation (present)  
June 2020 : Outside Director, Nitto Denko Corporation (present)  

#### Corporate Auditors

**Masami Kanazaki**  
Corporate Auditor  
April 1978 : Joined Nitto Denko Corporation  
June 2006 : Vice President, Representative Director of Nitto Denko Corporation  
June 2009 : Vice President, Deputy General Manager of Sales Sector, Manager of Tokyo Sales Branch  
April 2010 : Vice President, CEO  
June 2011 : Senior Vice President, CEO  
June 2013 : Executive Vice President, CEO  
June 2014 : Executive Vice President, General Manager of Sales Sector Management Division  
June 2015 : Corporate Auditor (full-time term) (present)  

**Shin Tokuyasu**  
Corporate Auditor  
April 1985 : Joined Nitto Denko Corporation  
March 2004 : General Manager of Accounting Department, Optical Sector  
October 2004 : General Manager of Accounting & Finance Department, Corporate Accounting Division, Corporate Sector  
November 2011 : General Manager of Accounting & Finance Department, Corporate Accounting Division, Corporate Sector and General Manager of Marketing Department  
February 2014 : General Manager of Accounting & Finance Department, Corporate Accounting Division, Corporate Sector, concurrently General Manager of Business Management Division, Information & Communication Technology, Deputy General Manager of Corporate Technology Sector  
April 2016 : Deputy General Manager of Corporate Accounting & Finance Division, Corporate Sector  
March 2016 : General Manager of Corporate Accounting & Finance Division, Corporate Sector  
April 2015 : General Manager of Corporate Accounting & Finance Division, Corporate Sector, concurrently General Manager of Business Management Division, Information & Communication Technology  
April 2018 : Representative Director of Nitto Automotive, Inc.  
July 2018 : Vice President, General Manager of Compliance Division  
April 2019 : Vice President, General Manager of Corporate Sustainability Division  
June 2019 : Corporate Auditor (full-time term) (present)  

**Masakazu Toyoeda**  
Outside Corporate Auditor  
April 1969 : Joined The Sanwa Bank, Ltd.  
January 2002 : President and Representative Director of UFJ Bank Limited  
June 2002 : Chairman of UFJ Bank Limited  
November 2004 : Representative Director of UFJ Bank Limited  
April 2005 : Representative Director of UFJ Bank Limited  
April 2007 : Representative Director of UFJ Bank Limited (present)  
March 2012 : Senior Corporate Auditor of Nitto Denko Corporation (present)  
June 2015 : Outside Director of Nitto Denko Corporation (present)  
March 2015 : Outside Director of Canon Inc. (present)  
June 2016 : Outside Director of Mitsubishi Materials Co., Ltd. (present)  
June 2016 : Outside Director of Nitto Denko Corporation (present)  
June 2018 : Outside Director of Nitto Denko Corporation (present)  

**Mitsuhide Shiraki**  
Outside Corporate Auditor  
April 1990 : Professor, Faculty of Political Science and Economics, Kyushu University  
April 1999 : Professor, School of Political Science and Economics, Waseda University  
October 2009 : Consultant of GLP Pte. Ltd. (present)  
October 2012 : Outside Corporate Auditor of Nitto Denko Corporation (present)  
October 2015 : Chairperson of the Japan Academy of International Business Studies  
November 2012 : Outside Corporate Auditor of Nitto Denko Corporation (present)  
March 2015 : Outside Director of Canon Inc. (present)  
June 2016 : Outside Director of Mitsubishi Materials Co., Ltd. (present)  
June 2018 : Outside Director of Nitto Denko Corporation (present)  

---

59 Nitto Group Integrated Report 2020

---

60
**Corporate Governance**

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

In 2003, Nitto established the Management Advisory Committee that consisted of external members who could relay the opinions from outside the company to management. The makeup of the advisory committee has since evolved to become the present Management, Nomination and Remuneration Advisory Committee with broader functions.

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

---

**Corporate Governance System**

Our system of corporate governance is structured as follows.

---

**Directors, Auditors, and Vice Presidents**

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
<th>Responsibilities</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hideto Takakazi</td>
<td>Representative Director, President</td>
<td>Representative Director, President</td>
</tr>
<tr>
<td>Isao Shimizu</td>
<td>Senior Vice President, CTO</td>
<td>General Manager of Corporate Strategy Management</td>
</tr>
<tr>
<td>Shuichi Matsuda</td>
<td>Senior Vice President, President</td>
<td>General Manager of Business Strategy</td>
</tr>
<tr>
<td>Nobukazu Kobayashi</td>
<td>Senior Vice President, President</td>
<td>General Manager of Corporate Strategy Management</td>
</tr>
<tr>
<td>Yoshio Miki</td>
<td>Senior Vice President, President</td>
<td>General Manager of Corporate Strategy Management</td>
</tr>
<tr>
<td>Seiji Fujita</td>
<td>Director, Senior Vice President, President</td>
<td>General Manager of Corporate Strategy Management</td>
</tr>
<tr>
<td>Yasuo Tsuchimoto</td>
<td>Vice President, Director</td>
<td>General Manager of Corporate Strategy Management</td>
</tr>
<tr>
<td>Akiko Ueno</td>
<td>Vice President</td>
<td>General Manager of Corporate Strategy Management</td>
</tr>
<tr>
<td>Bae-Won Lee</td>
<td>President</td>
<td>General Manager, Korea President</td>
</tr>
<tr>
<td>Naoe Sato</td>
<td>President</td>
<td>General Manager of Corporate Strategy Management</td>
</tr>
<tr>
<td>Katsumi Jla</td>
<td>Vice President</td>
<td>General Manager, Korea President</td>
</tr>
<tr>
<td>Tatsuya Osawa</td>
<td>Vice President</td>
<td>General Manager of Corporate Strategy Management</td>
</tr>
<tr>
<td>Hideaki Hashimoto</td>
<td>Vice President</td>
<td>General Manager, Korea President</td>
</tr>
<tr>
<td>Masayoshi Tanaka</td>
<td>Vice President</td>
<td>General Manager of Corporate Strategy Management</td>
</tr>
<tr>
<td>Tatsuya Nogi</td>
<td>Vice President</td>
<td>General Manager of Corporate Strategy Management</td>
</tr>
<tr>
<td>Kinya Asakura</td>
<td>Finance Director</td>
<td>General Manager of Corporate Strategy Management</td>
</tr>
<tr>
<td>Noriko Nakata</td>
<td>Finance Director</td>
<td>General Manager of Corporate Strategy Management</td>
</tr>
<tr>
<td>Scott Shu</td>
<td>Vice President</td>
<td>General Manager, South Asia and Southeast Asia</td>
</tr>
<tr>
<td>Yukihiro Horikawa</td>
<td>Vice President</td>
<td>General Manager, South Asia and Southeast Asia</td>
</tr>
<tr>
<td>Nobuyuki Aoki</td>
<td>Vice President</td>
<td>General Manager, Human Resources Management Division</td>
</tr>
</tbody>
</table>

---

**Outside Directors**

- 2007: Two Outside Directors appointed
- 2015: Seats of Outside Directors increased to three
- 2018: One additional seat on the board was given to a foreign-national woman
- 2020: Half of the board members are now outside directors.

---

**Corporate Governance System**

Our system of corporate governance is structured as follows.
Corporate Governance

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

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

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

Management, Nomination and Remuneration Advisory Committee

Please see the next section.

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

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

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

Management, Nomination and Remuneration Advisory Committee

Please see the next section.

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

Corporate Governance

Internal Audits

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

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

Structure and roles of Management, Nomination and Remuneration Advisory Committee

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

Activities of Management, Nomination and Remuneration Advisory Committee

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

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

Management, Nomination and Remuneration Advisory Committee

Structure and roles of Management, Nomination and Remuneration Advisory Committee

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

Activities of Management, Nomination and Remuneration Advisory Committee

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

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

Corporate Governance

Internal Audits

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

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

Structure and roles of Management, Nomination and Remuneration Advisory Committee

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

Activities of Management, Nomination and Remuneration Advisory Committee

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

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

Compensation of Full-time (Corporate) Directors

<table>
<thead>
<tr>
<th>Compensation in cash</th>
<th>Bonus for Directors</th>
<th>Performance linked share-based remuneration</th>
<th>Restricted share remuneration</th>
<th>Total amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>By postenure fixed remuneration compensation</td>
<td>The upper limit of the total amount to be approved = 2 - a general meeting of shareholders each year</td>
<td>Shares to be provided in a 10% range from the number of shares in accordance with the achievement of targets to be fixed in the Annual Financial Statements</td>
<td>Shares whose transfer is restricted and to the remuneration committee</td>
<td>The upper limit to be approved as a general meeting of shareholders</td>
</tr>
</tbody>
</table>

*1. In light of the nature of Outside Directors’ roles, which is supervisory management by making important decisions at all Board of Directors meetings and otherwise, the compensation paid to Outside Directors of the Company does not include equity-related compensation, and instead consists of only compensation in cash which is fixed compensation. The upper limit of the total amount was approved at 68 million yen per month at the 137th Ordinary General Meeting of Shareholders.

*2. In light of the nature of Corporate Auditors’ roles, which is to audit and oversee the exactions of its duties by Directors, the compensation paid to Corporate Auditors of the Company does not include any compensation in cash which is fixed compensation. The specific amount of compensation paid to each Corporate Auditor is determined through consultation with Corporate Auditors as to their respective duties and responsibilities.

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

<table>
<thead>
<tr>
<th>Compensation in cash 52.0%</th>
<th>Bonus for Directors 27.0%</th>
<th>Share-based remuneration 21.0%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed compensation</td>
<td>Short-term performance-linked compensation</td>
<td>Mid- and long-term performance-linked compensation</td>
</tr>
</tbody>
</table>

Findings of the FY2019 Nitto Board Effectiveness Evaluation

1. Analysis/evaluation method

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

(1) Prepared a survey questionnaire on the Nitto Board effectiveness with input from a third-party organization

(2) At the December Board of Directors meeting, the Secretariat of the Board explained the purpose of effectiveness evaluation and distributed a survey questionnaire to the Directors and Corporate Auditors.

(3) Collected the questionnaire in mid-January

(4) The Secretariat of the Board parsed the questionnaire results and optional comments by checking them against the analysis results provided by the third-party organization to prepare a report on the effectiveness evaluation survey, which was distributed to the Directors and Corporate Auditors.

(5) At the February Board of Directors meeting, the Directors and Corporate Auditors discussed the Board’s effectiveness based on the report.

(6) The Secretariat of the Board prepared a document summarizing the outcomes of the discussions, which was distributed to the Directors and Corporate Auditors.

(7) At the March Board of Directors meeting, the Board went over the discussion outcomes, reviewed the details of the Board effectiveness evaluation, and approved the timely disclosure document.
Corporate Governance

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

Total of 40 questions

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

3. Overview of the analysis/evaluation findings
1) Conclusions drawn
   It was concluded that the effectiveness of Nitto’s Board of Directors is ensured.

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

   Meanwhile, the Board of Directors confirmed that continued efforts would be made to improve issues that have come to light this fiscal year. These issues include recruitment/development of the right candidates for Board members to ensure the diversity of Board members, enhancement of discussions on the risk management system, improvement of transparency and fairness through the Management, Nomination, and Remuneration Advisory Committee and other optional committees, improvement of the content of shareholder relations reports to facilitate dialogue with shareholders, and administration of the Secretariat of the Board with social trends and requests from shareholders in mind.

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

Compliance

Compliance Promotion System

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

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

Initiatives Focusing on Serious Compliance Risks

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

Educational Campaign

To help Nitto Persons to cultivate their ethical values, we distribute the “Nitto Group Business Conduct Guidelines,” which are available in 16 different languages, to all of our employees with diverse backgrounds of culture, customs, and nationalities, and oblige all of them to receive training on the Guidelines as part of our new employee orientation. In addition, we invite those in managerial positions or otherwise to a CSR workshop every year to encourage them not only to reaffirm their values but also to raise awareness of their role in monitoring and preventing injustices. In fiscal 2019, we conducted a compliance behavior self-check to alert them to the danger of self-justification, and found that “information security” and “harassment” are the two notable compliance risks. We will bring this to the attention of every manager so that they are responded to appropriately. Meanwhile, we beefed up the Guidelines with a focus on human rights, whose protection is stipulated in said Guidelines.

Cultivation of Ethical Values and Prevention of Problems

Whistle-Blowing System

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

Whistle-Blowing System
Risk Management

Risk Management System

The Nitto Group has established the Internal Control Committee and other expert committees to properly manage various business risks and crises that may arise in areas such as the environment, safety, information security, compliance, and quality irregularities, thus preventing damage to corporate value. In times of emergency, we can shift rapidly to an appropriate response that minimizes the impact on human lives, host communities, and business activities.

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

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

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

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

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

Retooling BCP/BCM

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

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

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

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

Protection of Intellectual Property Rights

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

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

Assessment and Mitigation of Corporate Risks

Making Risks Visible throughout the Group

We recognize the need to remain aware of risks associated with business activities and make preparations to promptly respond to them (when they surface and develop into a crisis). In fiscal 2019, we conducted a comprehensive survey on the risks to all the business divisions and sales/production sites of the Group in order to investigate and analyze the risk factors that could impact the entire Group, identify issues, and prepare a risk map, which showed where we were in safeguarding against risks and their magnitude and likelihood and helped us to determine critical risks. We will take steps to address such material risks.

Impact of the Novel Coronavirus Disease (COVID-19)

(As of May 31, 2020)

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

Impact on our Business Activities

Formation of a Task Force

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

Prevention of COVID-19

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

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

Business Continuity

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

Impact on Business Performance

The temporary suspension of operations at some overseas Group companies had little impact on our fiscal 2019 business results. Due to the difficulty estimating the impact COVID-19 may have on our business going forward, however, we have withheld our forecasts in this regard.

Social Contributions

Contributions through the supply of unique products and services

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

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

Donations and Aid

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

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

In April, we donated RMB 1 million (approx. JPY 16 million) to the Shanghai Health and Medical Development Foundation in China. In June, we have supported UNICEF’s COVID-19 response with a donation of USD 100,000 (approx. JPY 11 million).

Remaining Alert

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

#### Operating Income

<table>
<thead>
<tr>
<th>Year in Millions</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>417,606</td>
<td>433,541</td>
<td>488,179</td>
<td>523,391</td>
<td>432,385</td>
<td>437,386</td>
<td>579,900</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent company</td>
<td>373,911</td>
<td>407,298</td>
<td>433,150</td>
<td>452,100</td>
<td>335,100</td>
<td>349,100</td>
<td>389,100</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent company per share</td>
<td>2,635.9</td>
<td>2,763.9</td>
<td>2,869.9</td>
<td>2,952.9</td>
<td>2,635.9</td>
<td>2,520.9</td>
<td>2,558.9</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>373.4</td>
<td>388.9</td>
<td>395.5</td>
<td>399.5</td>
<td>373.4</td>
<td>365.4</td>
<td>373.4</td>
</tr>
<tr>
<td>Dividends per share</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
</tr>
<tr>
<td>Number of shareholders</td>
<td>173,758</td>
<td>173,758</td>
<td>173,758</td>
<td>173,758</td>
<td>173,758</td>
<td>173,758</td>
<td>173,758</td>
</tr>
<tr>
<td>Number of employees (Note 1)</td>
<td>50,595</td>
<td>50,595</td>
<td>50,595</td>
<td>50,595</td>
<td>50,595</td>
<td>50,595</td>
<td>50,595</td>
</tr>
<tr>
<td>Total assets (Note 2)</td>
<td>4,286,961</td>
<td>4,321,713</td>
<td>5,021,713</td>
<td>4,680,713</td>
<td>4,458,713</td>
<td>4,786,713</td>
<td>4,901,713</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent company (Note 2)</td>
<td>468,999</td>
<td>432,386</td>
<td>432,386</td>
<td>432,386</td>
<td>432,386</td>
<td>432,386</td>
<td>432,386</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent company per share (Note 2)</td>
<td>3,657.0</td>
<td>3,785.9</td>
<td>4,027.9</td>
<td>4,328.5</td>
<td>4,465.7</td>
<td>4,479.3</td>
<td>4,479.3</td>
</tr>
<tr>
<td>Basic earnings per share (Note 2)</td>
<td>373.4</td>
<td>418.1</td>
<td>418.1</td>
<td>418.1</td>
<td>418.1</td>
<td>418.1</td>
<td>418.1</td>
</tr>
<tr>
<td>Dividends per share (Note 2)</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
</tr>
<tr>
<td>Number of shareholders (Note 2)</td>
<td>160,000</td>
<td>160,000</td>
<td>160,000</td>
<td>160,000</td>
<td>160,000</td>
<td>160,000</td>
<td>160,000</td>
</tr>
</tbody>
</table>

#### Net Income

<table>
<thead>
<tr>
<th>Year in Millions</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total assets</td>
<td>749,854</td>
<td>825,243</td>
<td>793,054</td>
<td>767,710</td>
<td>857,376</td>
<td>806,495</td>
<td>741,018</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent company</td>
<td>72,503</td>
<td>106,734</td>
<td>102,397</td>
<td>92,589</td>
<td>125,722</td>
<td>92,777</td>
<td>69,733</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent company per share</td>
<td>5,182</td>
<td>13.9%</td>
<td>13.9%</td>
<td>14.7%</td>
<td>14.7%</td>
<td>11.5%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Basic earnings per share</td>
<td>5,182</td>
<td>13.9%</td>
<td>13.9%</td>
<td>14.7%</td>
<td>14.7%</td>
<td>11.5%</td>
<td>9.4%</td>
</tr>
<tr>
<td>Dividends per share</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
</tr>
<tr>
<td>Number of shareholders</td>
<td>158,758</td>
<td>158,758</td>
<td>158,758</td>
<td>158,758</td>
<td>158,758</td>
<td>158,758</td>
<td>158,758</td>
</tr>
<tr>
<td>Number of employees (Note 1)</td>
<td>50,595</td>
<td>50,595</td>
<td>50,595</td>
<td>50,595</td>
<td>50,595</td>
<td>50,595</td>
<td>50,595</td>
</tr>
<tr>
<td>Total assets (Note 2)</td>
<td>4,286,961</td>
<td>4,286,961</td>
<td>4,286,961</td>
<td>4,286,961</td>
<td>4,286,961</td>
<td>4,286,961</td>
<td>4,286,961</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent company (Note 2)</td>
<td>468,999</td>
<td>468,999</td>
<td>468,999</td>
<td>468,999</td>
<td>468,999</td>
<td>468,999</td>
<td>468,999</td>
</tr>
<tr>
<td>Equity attributable to owners of the parent company per share (Note 2)</td>
<td>3,657.0</td>
<td>3,657.0</td>
<td>3,657.0</td>
<td>3,657.0</td>
<td>3,657.0</td>
<td>3,657.0</td>
<td>3,657.0</td>
</tr>
<tr>
<td>Basic earnings per share (Note 2)</td>
<td>373.4</td>
<td>373.4</td>
<td>373.4</td>
<td>373.4</td>
<td>373.4</td>
<td>373.4</td>
<td>373.4</td>
</tr>
<tr>
<td>Dividends per share (Note 2)</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
<td>90.0</td>
</tr>
<tr>
<td>Number of shareholders (Note 2)</td>
<td>160,000</td>
<td>160,000</td>
<td>160,000</td>
<td>160,000</td>
<td>160,000</td>
<td>160,000</td>
<td>160,000</td>
</tr>
</tbody>
</table>

#### Notes

1. Full-time employees are included.
2. The exchange rate was JPY109.06 to USD1.00, which was the rate as of FY2019.
3. Effective from the fiscal year ended March 31, 2014, the Company and some of its consolidated subsidiaries changed the method of recognition of revenue to one based on the time of delivery to customers from the year which was based mainly on the time of shipment. The figures for the fiscal year ended March 31, 2013, are those after the retrospective application of the change except for the figures in “Segment information by geographic area.”
4. From the fiscal year ended March 31, 2015, the Nitto Denko Group has implemented the International Financial Reporting Standards (IFRS) to prepare its consolidated financial statements (date of transition to IFRS: April 1, 2013). Accordingly, the financial data for the fiscal year ended March 31, 2014 is also presented based on the IFRS.
### Consolidated Financial Statements

#### Consolidated Statements of Financial Position

<table>
<thead>
<tr>
<th></th>
<th>As of March 31, 2020</th>
<th>As of March 31, 2019 (Reference)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Assets)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>576,056</td>
<td>581,536</td>
</tr>
<tr>
<td>Trade and other receivables</td>
<td>304,722</td>
<td>297,682</td>
</tr>
<tr>
<td>Inventories</td>
<td>134,473</td>
<td>169,768</td>
</tr>
<tr>
<td>Current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Property, plant and equipment</td>
<td>345,843</td>
<td>331,882</td>
</tr>
<tr>
<td>Right-of-use asset</td>
<td>11,793</td>
<td>19,687</td>
</tr>
<tr>
<td>Intangible assets</td>
<td>2,642</td>
<td>412</td>
</tr>
<tr>
<td>Goodwill</td>
<td>96,124</td>
<td>93,985</td>
</tr>
<tr>
<td>Other current assets</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total assets</td>
<td>921,900</td>
<td>913,418</td>
</tr>
</tbody>
</table>

| (Liabilities)  |                      |                                  |
| Current liabilities |                    |                                  |
| Total liabilities | 690,204              | 691,204                          |

#### Consolidated Statements of Income

<table>
<thead>
<tr>
<th></th>
<th>April 1, 2019 - March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>741,018</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>519,090</td>
</tr>
<tr>
<td>Gross profit</td>
<td>221,927</td>
</tr>
<tr>
<td>Total expenses</td>
<td>111,348</td>
</tr>
<tr>
<td>Operating income</td>
<td>69,733</td>
</tr>
<tr>
<td>Net income</td>
<td>47,224</td>
</tr>
</tbody>
</table>

#### Consolidated Statements of Cash Flows (Reference)

<table>
<thead>
<tr>
<th></th>
<th>April 1, 2019 - March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash flows from operating activities</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment and intangible assets</td>
<td>-59,797</td>
</tr>
<tr>
<td>Proceeds from sale of investment securities</td>
<td>-1,236</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment and intangible assets</td>
<td>-1,941</td>
</tr>
<tr>
<td>Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>-44</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>-59,991</td>
</tr>
<tr>
<td>Cash flows from investing activities</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>-44</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>-51,637</td>
</tr>
<tr>
<td>Cash flows from financing activities</td>
<td></td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment and intangible assets</td>
<td>-16,701</td>
</tr>
<tr>
<td>Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation</td>
<td>-</td>
</tr>
<tr>
<td>Others</td>
<td>-44</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>-51,637</td>
</tr>
</tbody>
</table>

#### Cash used in acquisition of interests in subsidiaries |                      |
| Proceeds from sale of interests in subsidiaries | -47,771             | -1                              |

#### Consolidated Statements of Changes in Equity

<table>
<thead>
<tr>
<th></th>
<th>April 1, 2019 - March 31, 2020</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance at the beginning of current year</td>
<td>26,783</td>
</tr>
<tr>
<td>Net income</td>
<td>47,156</td>
</tr>
<tr>
<td>Other comprehensive income</td>
<td>-</td>
</tr>
<tr>
<td>Total comprehensive income</td>
<td>-</td>
</tr>
<tr>
<td>Dividends</td>
<td>-29,820</td>
</tr>
<tr>
<td>Changes in treasury stock</td>
<td>-12</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>-</td>
</tr>
<tr>
<td>Balance at the end of current year</td>
<td>26,783</td>
</tr>
</tbody>
</table>

---

Nitto Group Integrated Report 2020

71 72
**The Nitto ATP Finals charitable activities in support of UNICEF**

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

Nitto donated GBP33,574 to UNICEF, which was divided across two vital UNICEF programs: “Waters, Sanitation and Hygiene (WASH)” and “Health.”

Throughout the tournament, Nitto had two different exhibition spaces which were photo booths with replicas of the tournament singles and doubles trophies. A total of 19,000 people visited and experienced these interactive activities, with Nitto receiving donations in these two exhibition spots. We were able to raise GBP3,616 for UNICEF through this activity.

**Disclaimer**

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

**Environmental Data**

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

---

**ESG Indexes**

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

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

In 2020, Nitto was selected as a constituent of the MSCI ESG Leaders Index, the MSCI Japan ESG Select Leaders Index and the MSCI Japan Empowering Women Index (WIN).

**Trademarks**

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

---

**IR Activities**

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

**Ownership and Distribution of Shares**

- **Japanese Corporations:** 3.65%
- **Securities Companies:** 4.25%
- **Japanese Individuals & Others:** 9.99%
- **Foreign Investors:** 36.19%
- **Treasury Stock:** 3.05%
- **Financial Institutions:** 42.87%