

Disclosure Pursuant to TCFD Recommendations



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

Governance

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

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

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

Major Impact Anticipated and Our Responses

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

Strategy

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

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

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

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

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

Please see the table below for analysis results.

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

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

Risk Management

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

Indicators and Targets

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