

Nitto

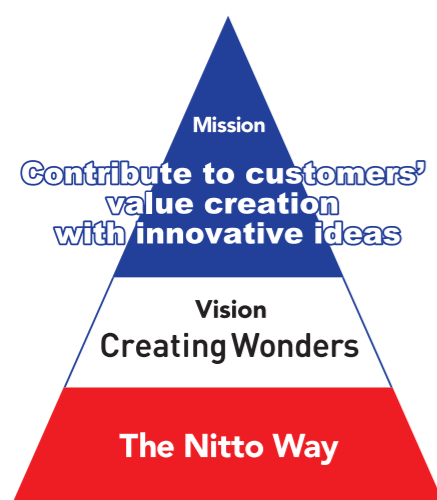
Innovation for Customers



Nitto Group Integrated Report 2019

Nitto Denko Corporation

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.

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.

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

- Achieve zero 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 values.
- 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.
- Refine our strengths, and aim to become the company customers want to consult with first.

■ Take on challenges for new value creation

- Continue to take on challenges, even if we fail in the short-term, rather than do nothing for fear of failure.
- Embrace change, exercise curiosity, and take the first step forward.

■ Act promptly and follow through on your decisions with determination

- Take the first step forward and then 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-Gen-Dai*.
- 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.

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■ Editing Policy

It is with great pleasure that we publish this Integrated Report of the Nitto Group to inform our stakeholders of what we are doing to "simultaneously solve social issues and enhance corporate value." Described in this report are the past, present, and future of the Nitto Group - how it has grown to what it is today and how we will go

about co-creating value into the future - which we hope will give you an overall picture of the Group. Please refer to our corporate website for more details and relevant information. This report is available in Japanese and English and can be found on our corporate website.

Scope

This report covers the business activities of 100 companies including Nitto Denko Corporation and its 98 subsidiaries and one affiliate, as of March 31, 2019.

Time Period

Fiscal 2018 (April 1, 2018 - March 31, 2019) Some performance figures and activities from periods other than the above are also included.

Reference Guidelines

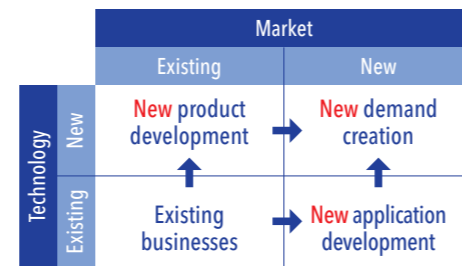
This report has been prepared with reference to the following guidelines: Global Reporting Initiative (GRI) Standards by the Global Reporting Initiative International Integrated Reporting Framework by the International Integrated Reporting Council (IIRC)

What Makes the Nitto Group Unique

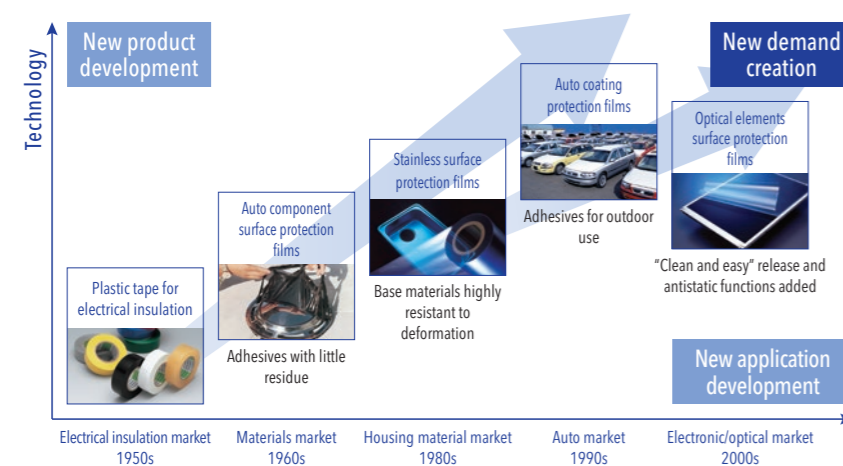
Sanshin Activities

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.




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



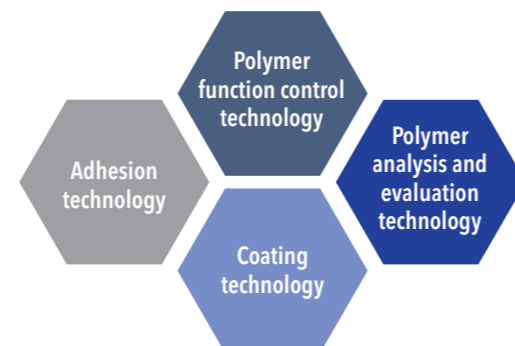
Example of Global Niche Top™ Products

- 1 Polarizing films for displays (NPF®)**

 Offering superb transparency, reliability, and workability, NPF® (Nitto Polarizing Film) is available in a wide variety to meet customer needs for all types of displays, including transmissive, reflective, and semitransmissive displays.
- 2 Thermal release sheets (REVALPHA®)**

 "REVALPHA®" is a unique adhesive sheet that adheres tightly at room temperature but can easily be peeled off by applying heat and contributes significantly to automation/labor-saving of various electronic component manufacturing processes.
- 3 Thin-film metal circuit board for HDD head (CISFLEX®)**

 "CISFLEX®" was developed through the combination of various technologies including Nitto's photosensitive polyimide technology. Keeping the magnetic head floating above the magnetic disk with delicate spring characteristics, this component plays an important role in transmitting signals that prompt HDDs to read/write data.

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.

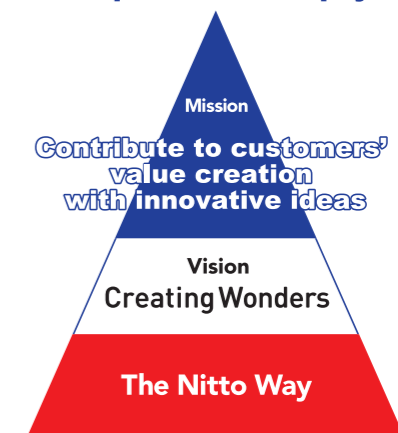


Corporate Culture

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

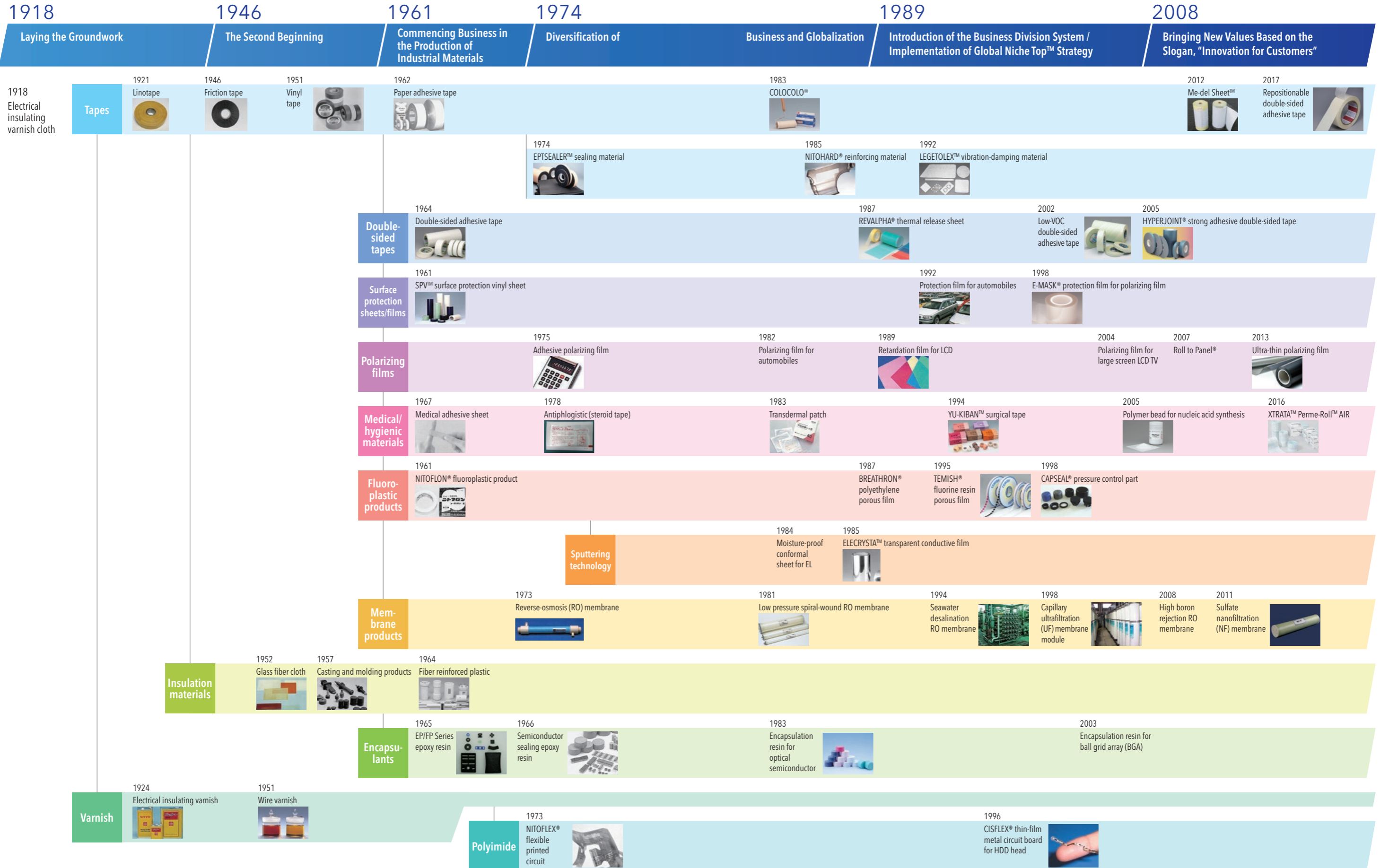
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Corporate Philosophy



History of Technology Innovation

Throughout its century-long history, the Nitto Group has given birth 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.



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.

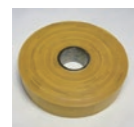
As the world enters a new era, we are witnessing increasingly diversifying and complicated social issues that are changing faster than ever before. Against this backdrop, the Nitto Group hopes to remain an integral part of society as it challenges itself to make people’s lives better and more convenient 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.



Linotape



Electrical Insulating Varnish

1946-1960

The Second Beginning

– Starting over at Ibaraki, Osaka, after WWII –

After the plant in Osaki, Tokyo, was destroyed by air raids, Nitto restarted operations in Ibaraki, Osaka.

Nitto’s company credo, “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* Activities (three new activities), began.



Vinyl Tape



Maxell Battery

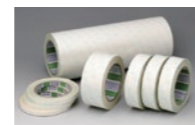
1961-1973

Commencing Business in the Production of Industrial Materials

– Separating off Maxell –

In 1961, Nitto separated off Maxell, the department dealing with consumer goods, aiming to take a leap forward as an industrial materials manufacturer.

In 1962, the Toyohashi Plant, our main production site of adhesive tapes in Japan even at present, began operation. The Kanto Plant also began operation in 1967 in a move to increase production. Overseas, Nitto Denko America, Inc. was formed in 1968, followed by the 1969 foundation of Nitto Denko (Taiwan) Corp. as the first overseas manufacturing site.



Double-sided Tape



Fluoroplastic Tape “NITOFLO”

1974-1988

Diversification of Business and Globalization

– Advancing into the fields of medical care and electronics, commencement of overseas operation, and acceleration of M&As –

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 Belgium N.V. was formed. In 1987, Nitto acquired Hydranautics in the U.S. to implement the membrane business on a global level.

In 1988, when Nitto celebrated the 70th year since its foundation, the company name was changed to Nitto Denko Corporation.



“COLOCOLO” Series



Transdermal Patches

1989-2007

Introduction of the Business Division System / Implementation of Global Niche Top™ 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 1996, Nitto began implementing the Global Niche Top™ 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®*1, a business model which offers new values to customers, including productivity improvement, reduction of packing materials, improved yield of polarizing films, and manpower saving.

*1 Whole polarizing films are brought in to the customers’ production site, where the subsequent processes from cutting, inspection, to lamination of glass are performed seamlessly.



“REVALPHA”



“TEMISH”

2008-

Bringing New Values Based on the Slogan, “Innovation for Customers”

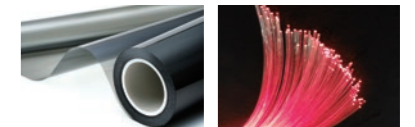
– Further business reform to offer comfortable lives to people –

The economic crisis of 2008 cast a major shadow over countless businesses and Nitto was not an 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 “*Kurumaza*,” a group discussion to come up with ideas or solve problems, achieved major earnings growth thereafter.

In 2013, 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.

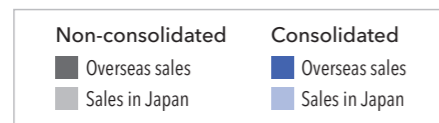
*2 Nitto’s growth plan that centers around substantial reform of cost structure from three points of view: *Mu* (to eliminate), *Gen* (to reduce), and *Dai* (to substitute).



Ultra-Thin Polarizing Film

Plastic Optical Fiber

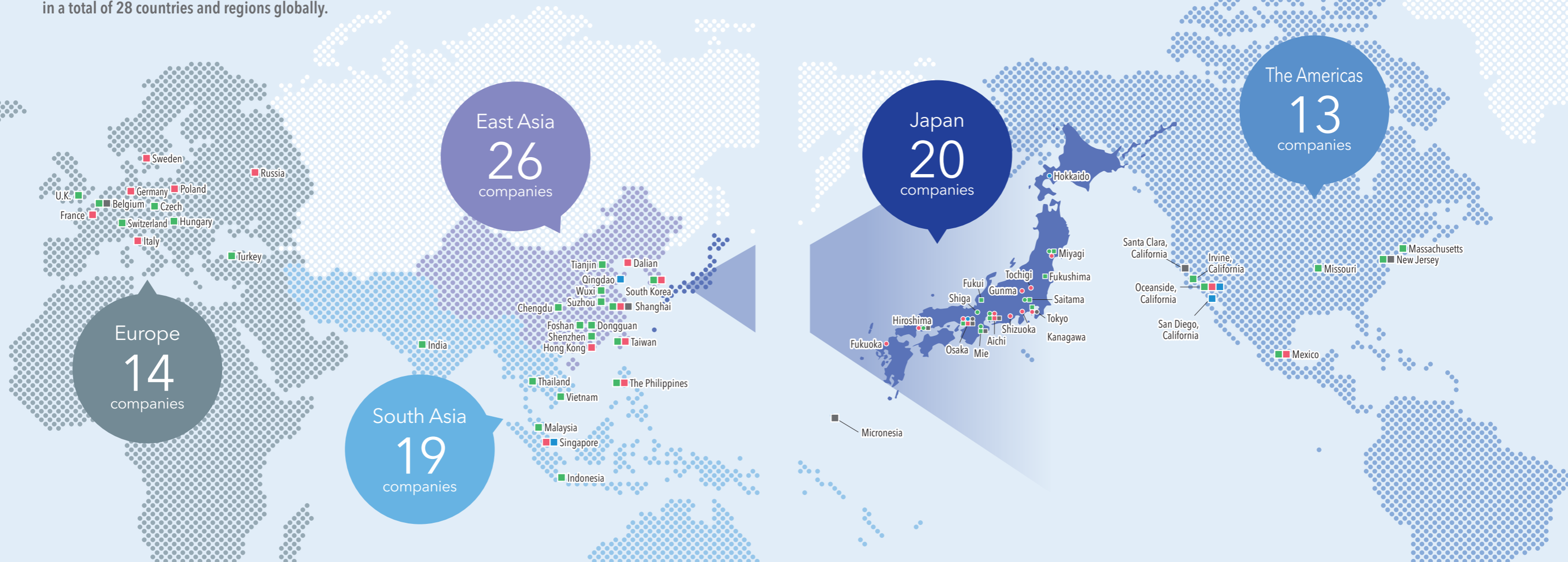
Sales Trends*3



*3 The numbers from FY2014 are for “Revenue,” following the introduction of the International Financial Reporting Standards (IFRS).

The Nitto Group Now

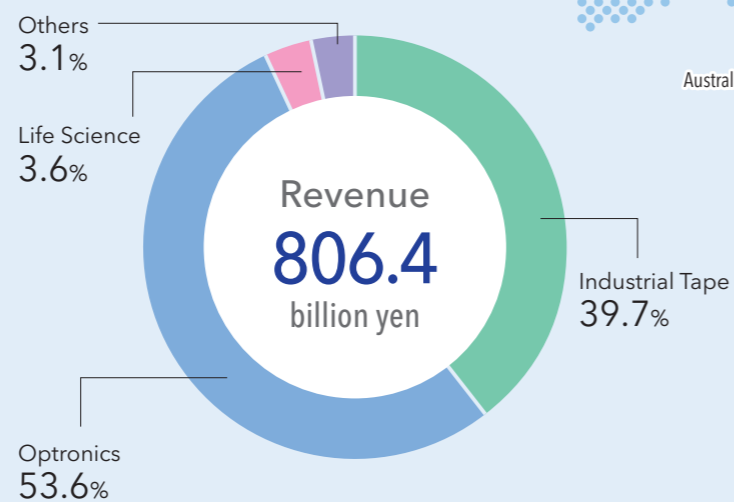
The Nitto Group has sustained its business growth by constantly creating new value through continuous innovations, which is made possible by anticipating upcoming customer demand. The Group now operates in a total of 28 countries and regions globally.



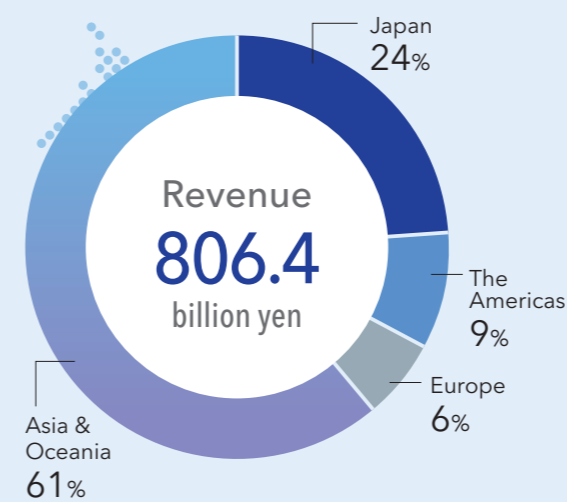
- Nitto's bases (non-consolidated)**
- Manufacturing/Processing
 - Sales only
 - Research and development
 - Others
- Group companies**
- Manufacturing/Processing
 - Sales only
 - Research and development
 - Others

Nitto Group 92 companies*
(current as of March 31, 2019)
* Excluding 8 less significant companies including those under liquidation

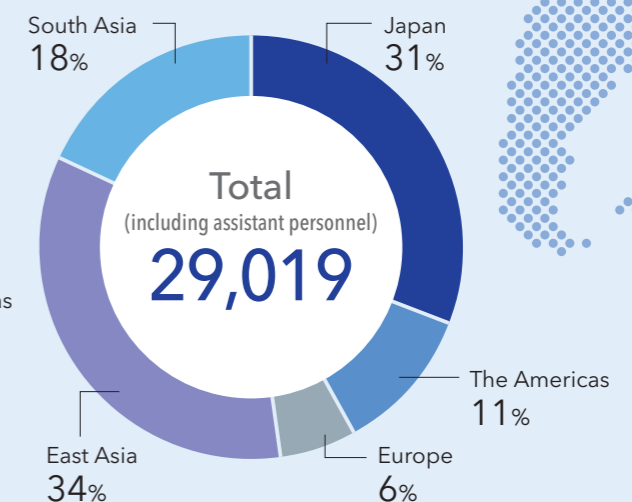
Segment Revenue



Regional Breakdown of Revenue

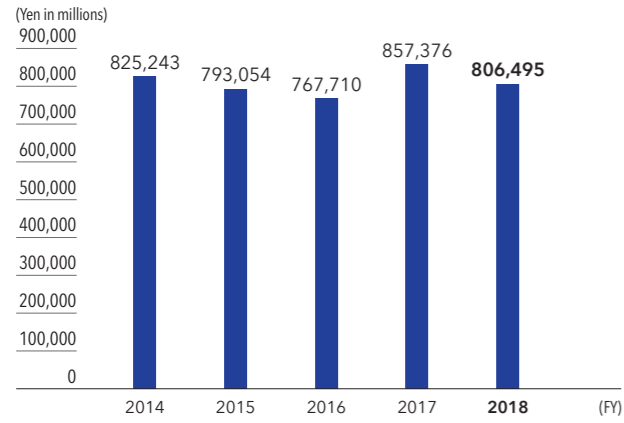


Regional Breakdown of Employees

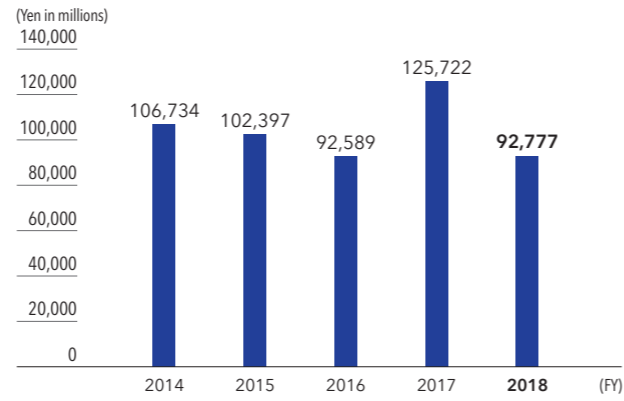


Financial/Non-Financial Highlights

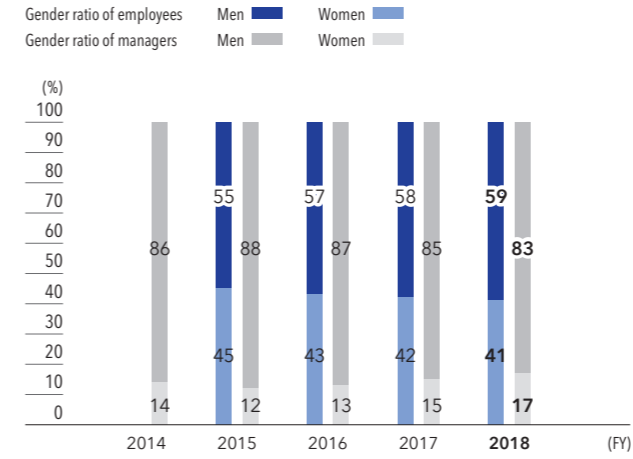
Revenue



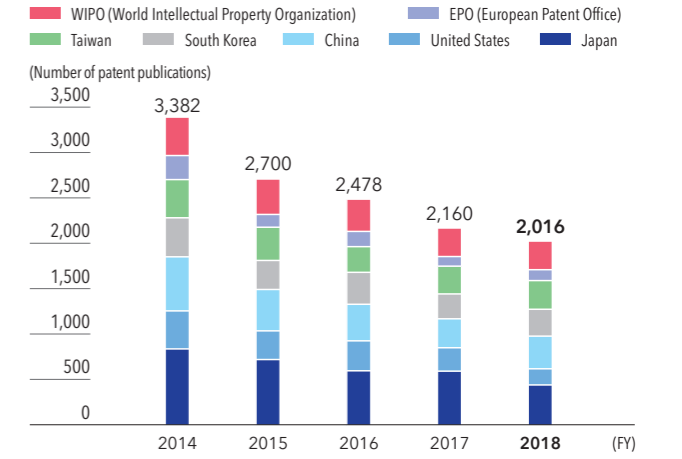
Operating Income



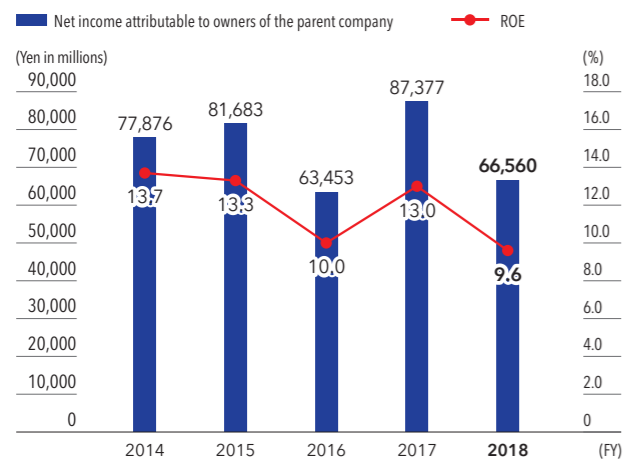
Gender Ratios of Employees and Managers



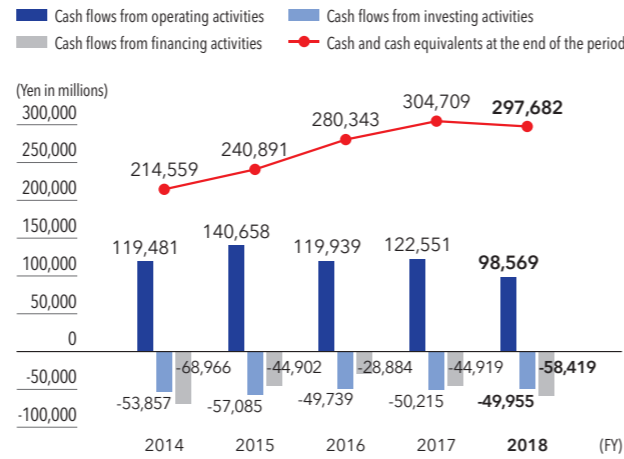
Patent Publications



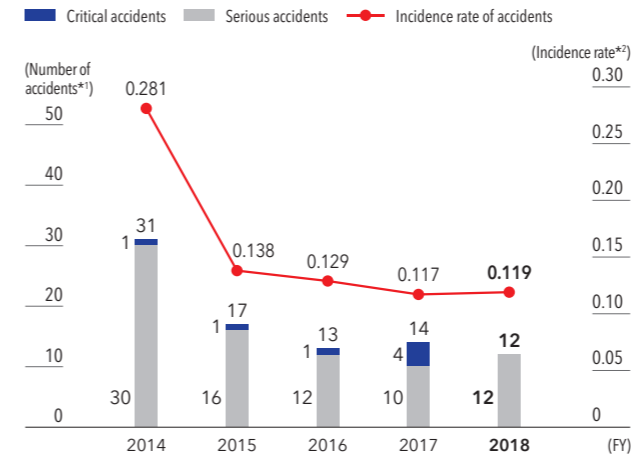
Net Income Attributable to Owners of the Parent Company, ROE



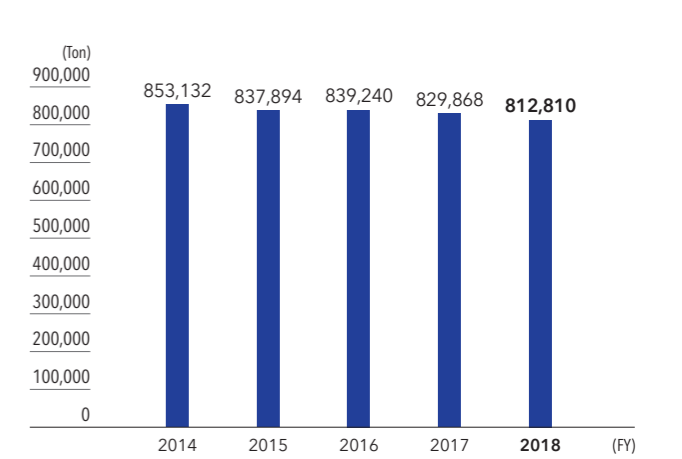
Cash Flows



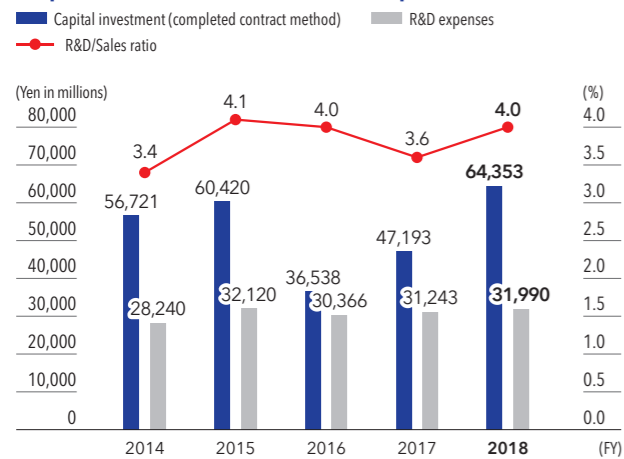
Number of Critical/Serious Occupational Accidents



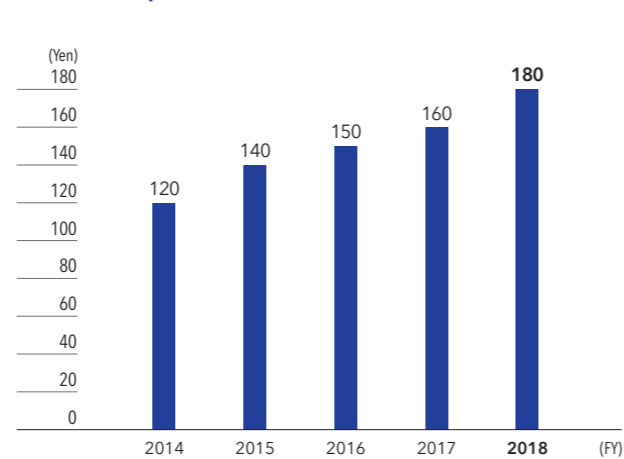
CO2 Emissions (Scope 1+2)



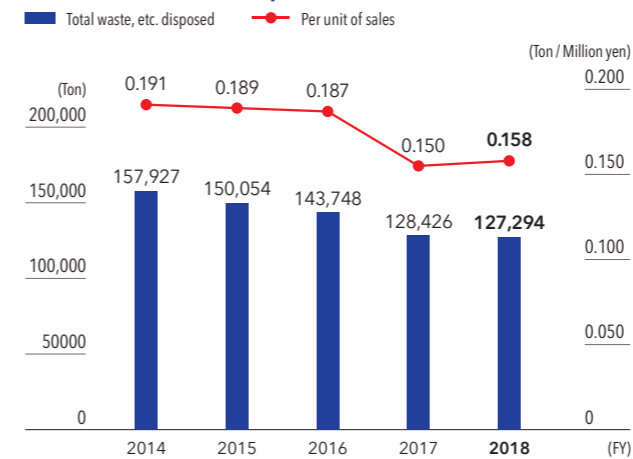
Capital Investment and R&D Expenses



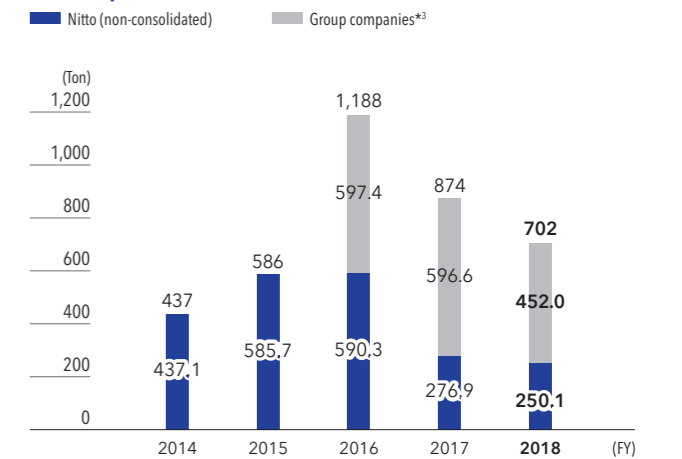
Dividends per Share



Total Waste, Etc. Disposed



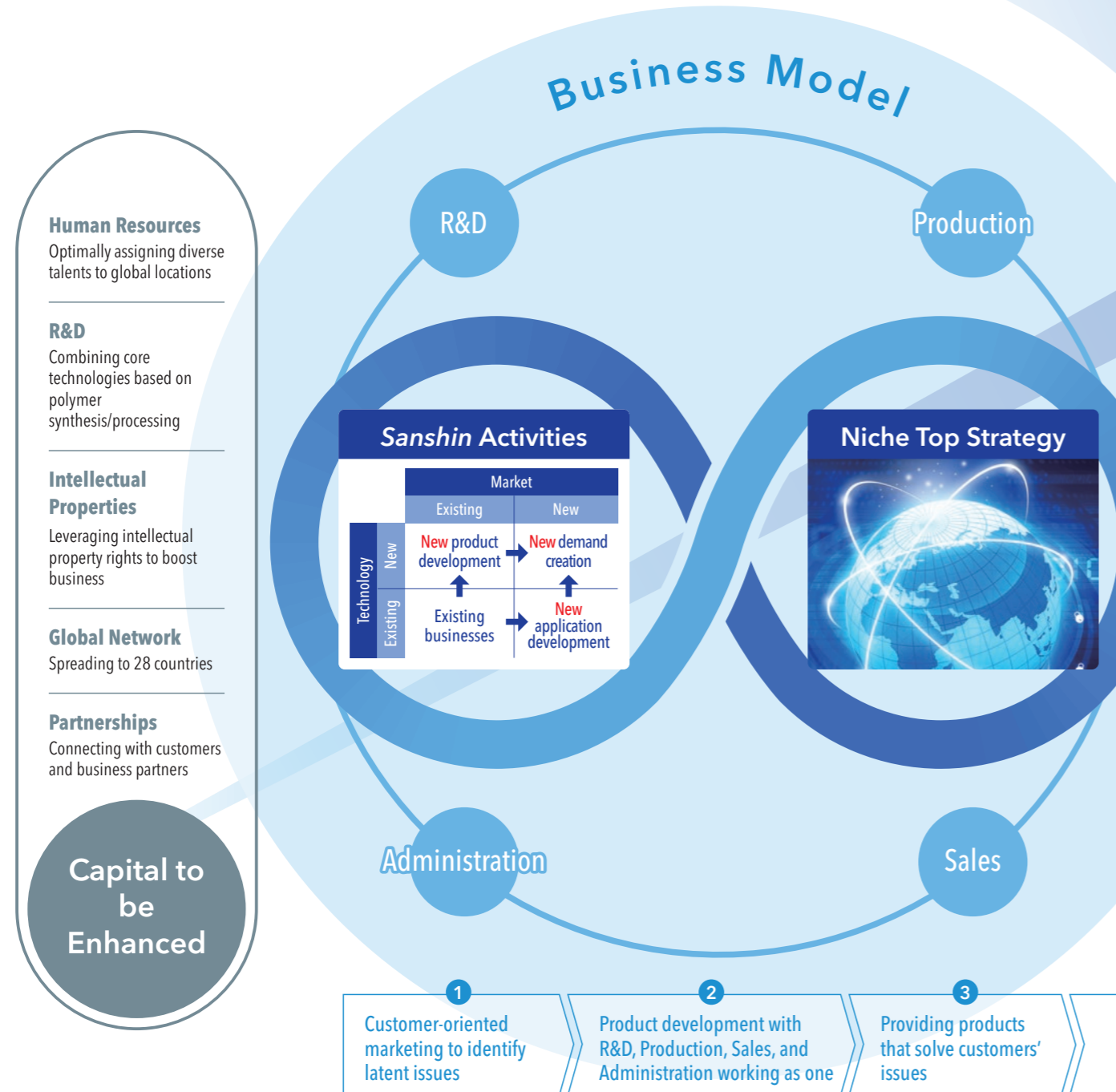
Atmospheric Release of Toluene



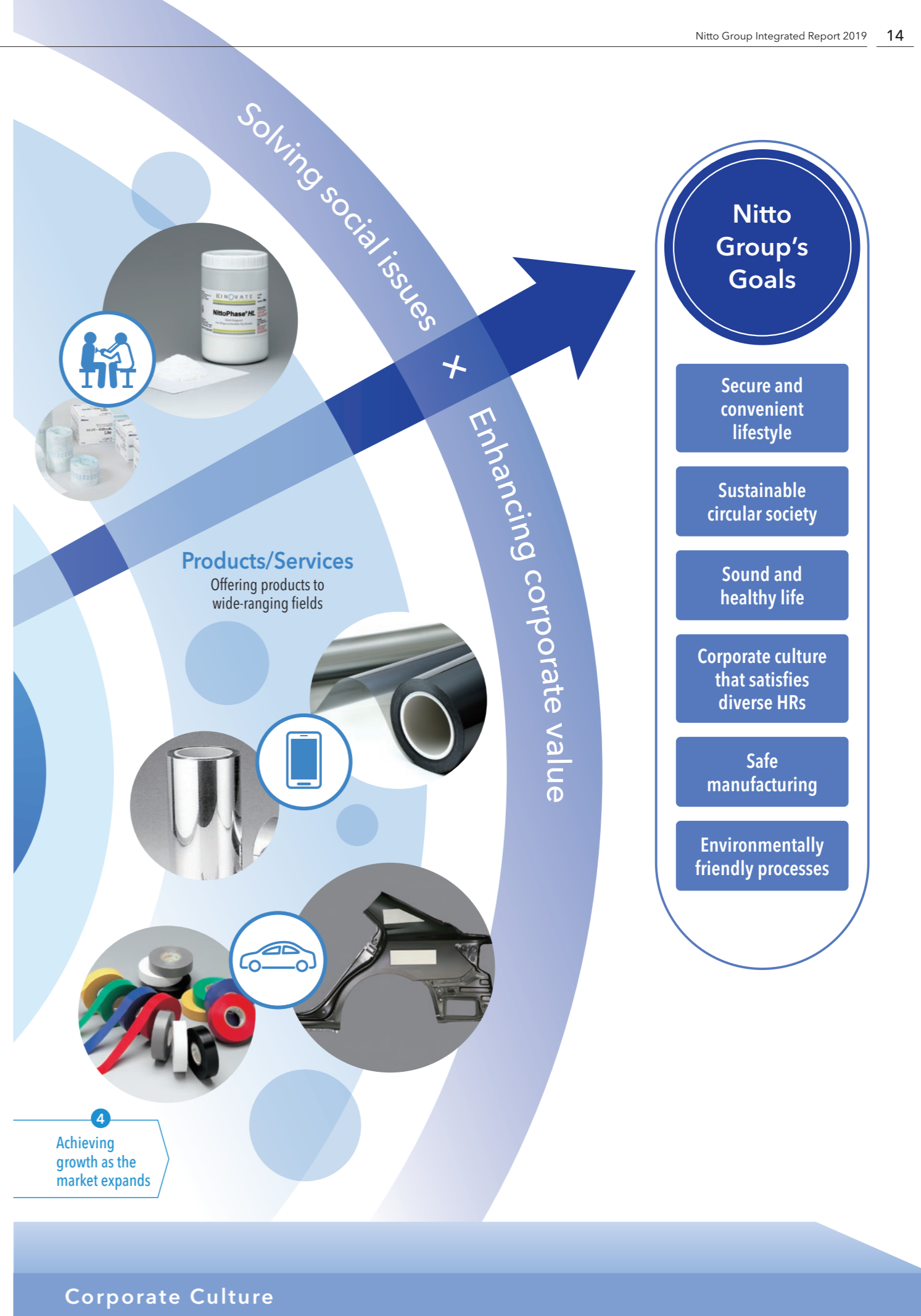
*3 Data for Group companies included from FY2016

Value Creation Process

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.



Corporate Philosophy /



Top Message



Hideo Takasaki
Representative Director, President
CEO
Nitto Denko Corporation

The Nitto Group Will Continue to Support Our Customers and Create New Values for the Next 100 Years to Realize a Sustainable Society

Building on the Nitto Group's "DNA" to Bring about Innovations for the Next 100 Years to Come

The Nitto Group celebrated the centennial anniversary of its foundation in 2018. Reaching a major milestone is invigorating. In our quest to realize our Mission, "Contribute to customers' value creation with innovative ideas," we have identified the opportunities presented by changes in the market and the world at large since the inception of our business, thus creating values unique to the Nitto Group. Underlying this philosophy is a determination shared throughout the Group, that is, each and every employee should demonstrate a sense of ownership and listen with utmost care to what customers have to say to help them to find solutions to their issues. In this sense, all of our employees are in the business of marketing.

In the upcoming 100 years, we will be required to build a sustainable society where people can lead a sound and healthy life. If we - "Nitto Persons" with DNA of the Nitto Group - are to make such a future a reality, we must fulfill the important duty of "challenging ourselves to make innovations over the next 100 years."

Because we are a B2B manufacturer finding ourselves somewhere between upstream and downstream of the value chain, a number of our products may not be visible to consumers. In the next 100 years, however, it will be important to enhance a public perception that the Nitto Group is a company that offers values essential for making innovations happen. For this, we must maintain an excellent reputation among our customers so that they will say, "Because of the Nitto Group's involvement in the crucial part of our development process, we are able to realize products that we want to create." I believe whether or not we can continue to offer such value will hold the key to our growth over the mid- and long-term.

Top Message

Creating Values Only the Nitto Group Can - Age-old Strengths and the Business Model that Make it Possible

On top of the fundamental strengths of corporate culture and core technological prowess based on polymer synthesis and processing technologies that have been honed over the years, the Nitto Group is privileged to have diverse business domains and competitive intellectual property rights that result from said fundamental strengths, as well as a valuable customer base that covers a wide spectrum of industrial sectors. For us to achieve sustainable growth and keep increasing our corporate value over the long term, we must make constant efforts to broaden our business domains, and it is "Sanshin Activities (three "new" activities)" and "Niche Top Strategy" - two of the Nitto Group's original business models - that will make this possible.

Take, TEMISH®, as an example of "Sanshin Activities." This porous resin filter was originally intended for clothing, repelling water but allowing the passage of air. We subsequently developed a "new" application as a vent for auto lamps and a "new" product as a micro filter featuring a new technology, successfully creating broad "new" demands in the form of air filters for clean rooms to mobile phone parts and electrical components for automobiles. Meanwhile, one of the Global Niche Top™ products, REVALPHA® was originally developed as a surface protection film but went on to create a market in which the Nitto Group has a competitive advantage, namely, an application for fixing electronic components at the production process.

The Nitto Group is proud to have a corporate culture of fostering technologies and products with perseverance. For instance, we began research and development of ITO (Indium-Tin Oxide) films, which is one of the essential components for touch panels, more than 40 years ago. They were ahead of their time though, as upon their release in the 1980s there was little demand for them in the market. Yet, we continued to develop new applications, believing that we should retain technologies that are half a step ahead of our customers' needs. Our efforts paid off, and things made a sudden turn for the better with the advent of smartphones in the 2000s.

Indeed, some of our current mainstay businesses started by catering to niche markets. As we produced one new product and business after another, they began to converge to shape the Nitto Group's business portfolio.



Sanshin Activities and Niche Top Strategy - Nitto Group's Unique Business Models to Achieve Sustainable Growth

What is also important is to keep advancing our business from merely selling products (= things) to customers, which we have been so accustomed to, to offering total solutions (= services) by tapping into the Nitto Group's collective strengths in response to changing market environment.

Keeping Evolving Flexibly in the Ever-Changing Business Environment

The market environment that we find ourselves in keeps changing faster than ever before, a good example of which is the auto industry where technological innovation is making rapid progress as symbolized by the acronym, CASE (Connected, Autonomous, Shared, and Electric), while realignment beyond existing industry boundaries is on the cusp of beginning any time, such as between the energy industry and the information communication industry. Added to these are the ongoing progress in digitalization and other scientific technologies, such as artificial intelligence (AI) and the Internet of Things (IoT), the possible impact that the burgeoning protectionism in the U.S. could have on the economic activities of the world, and the intensifying global-scale competition among enterprises, all of which could bring about significant changes to the external environment.

For us to adequately respond to such changes in the world, we need to keep changing ourselves flexibly while moving forward, underpinned by our Corporate Philosophy and corporate culture, The Nitto Way. We will thus meet the expectations of our customers and the general public.

Determining "Material Issues for Sustainability" to Draw up Mid- and Long-Term Management Plans

Now, what values will be in demand among customers and in the future world? To answer this question, we cannot be diverted from the perspective of sustainability. For the Nitto Group to sustain its growth, we definitely need to manage our company with the environmental, social, and governance (ESG) criteria in mind, in other words, "simultaneously solve social issues and enhance corporate value." It is also important what innovations the Nitto Group creates and how it enhances the quality of its management.

This being the case, at the beginning of fiscal 2019 we came up with "material issues for sustainability" which include both issues to be addressed through products and services and issues to be tackled by reinforcing the management foundations, thus clearly defining the significance of ESG in the context of business management and prioritizing our initiatives. Our next challenge will be how we should incorporate such material issues in the mid- and long-term business plans. To do so, the management team needs to set a concrete model and, as the top manager, I will show the way forward and guide our employees accordingly.

Co-creating Value through Innovation (Issues to be Addressed through Products and Services)

In order to contribute to solutions to social issues that face the world, we are required to address them directly through our products and services. Our products are being supplied to a large variety of markets and, from among numerous social issues, we have narrowed the possibilities down to three areas where we can co-create values through innovations based on a matrix of: if a market

Top Message

offers high growth potential that promises business opportunities and if the Nitto Group can demonstrate its strengths in the market.

The first area is infrastructure development for digital equipment that facilitates human mobility by car and other means to reduce the number of accidents and traffic congestion and facilitates the move toward a smart-society. The second area deals with such issues as depletion of energy and resources and contamination. For this, we will reduce negative environmental impact by spreading use of renewable energy, encouraging energy-conservation, and developing products that promotes cyclic use of plastics, metals, water, and other resources. The third area concerns contributions to good health, medical services, and well-being of people. We will also engage in development of oligonucleotide medicines and other pharmaceutical products. By leveraging the Nitto Group's strengths, we will proactively work on these issues.

Enhancing Management Quality for Co-creating Value (Issues to be Addressed by Reinforcing the Business Foundations)

Delivering products of paramount quality to customers is the primary mission of the Nitto Group. However, as recent years have seen growing attention being paid to the quality of manufacturing processes, in addition to quality, cost, and timely delivery, customers and other stakeholders are increasingly interested in the quality of our manufacturing processes. In response, we are surely implementing responsible manufacturing with a focus on product safety, work environment, human rights, and environmental conservation, among others. These activities need to be performed by involving the entire value chain. With the understanding of this by our suppliers and customers, the Nitto Group will fulfill our responsibilities.

At the same time, in order to reinforce the management foundations and bring about innovations, we must give diverse human resources full play. How we can attract able human resources and maximize employees' competency has become a management issue that is more important than ever.

Establishing a Workplace Culture that Respects the Challenging Spirit and Supports Growth of Employees


The Nitto Group cherishes a culture that encourages and supports employees in their attempts to create innovations. One of the unique systems that facilitate such attempts and thus support their growth is a "management fund," whose investment decisions are made quickly. This fund is typically invested in new businesses, as they often require us to move promptly.

To raise small buds of research and development and new technologies, it is important to have a Group-wide, long-term perspective, in addition to being able to make speedy decisions.

The "management fund" allows us to make flexible investment decisions for future business growth even in the rapidly changing business environment.

Human Resources are our Most Important Assets - Every Employee is a Representative of the Group

For the Nitto Group, "human resources" are the single most important assets in creating corporate values. The Group has manufacturing, processing, research and development, and sales



The Nitto Group will continue to offer its unique added values to customers in a bid to assist them in the value creation process.

bases in 28 countries and regions, and two thirds of its employees are non-Japanese nationals. Because of this, it has become more important than ever to maintain our unique corporate culture by developing "Nitto Persons" around the world, who, regardless of nationality or gender, comprehend the Nitto Group's Corporate Philosophy, including The Nitto Way.

With this in mind, we have developed an original curriculum and a system for human resources development. At the same time, in order to foster a workplace environment where diverse human resources can work lively, we cannot do without the diversity and inclusion approach. If we can reflect multifaceted perspectives in our business management, I believe that it should be easier for us to create new values.

Every employee is a representative of the Nitto Group. Wherever they go in the world, I hope that they act as a representative of the Group with pride and confidence.

To Enhance "Management Safety"

At the base of the Nitto Group's growth is "management safety." Accordingly, we have implemented a series of corporate governance reforms, including the appointment of outside directors, introduction of stock options as a performance-linked compensation (which was later replaced by the performance-linked share-based remuneration and restricted share remuneration), and establishment of an advisory committee with third-party members. We doubly ensure compliance and carefully maintain the corporate governance structure in order to prevent any wrongdoing or information leakages from occurring. Going forward, we will ensure transparency of our management and constantly seek ways to enhance effectiveness of the sound corporate governance structure.

To Realize the Nitto Group's Goal

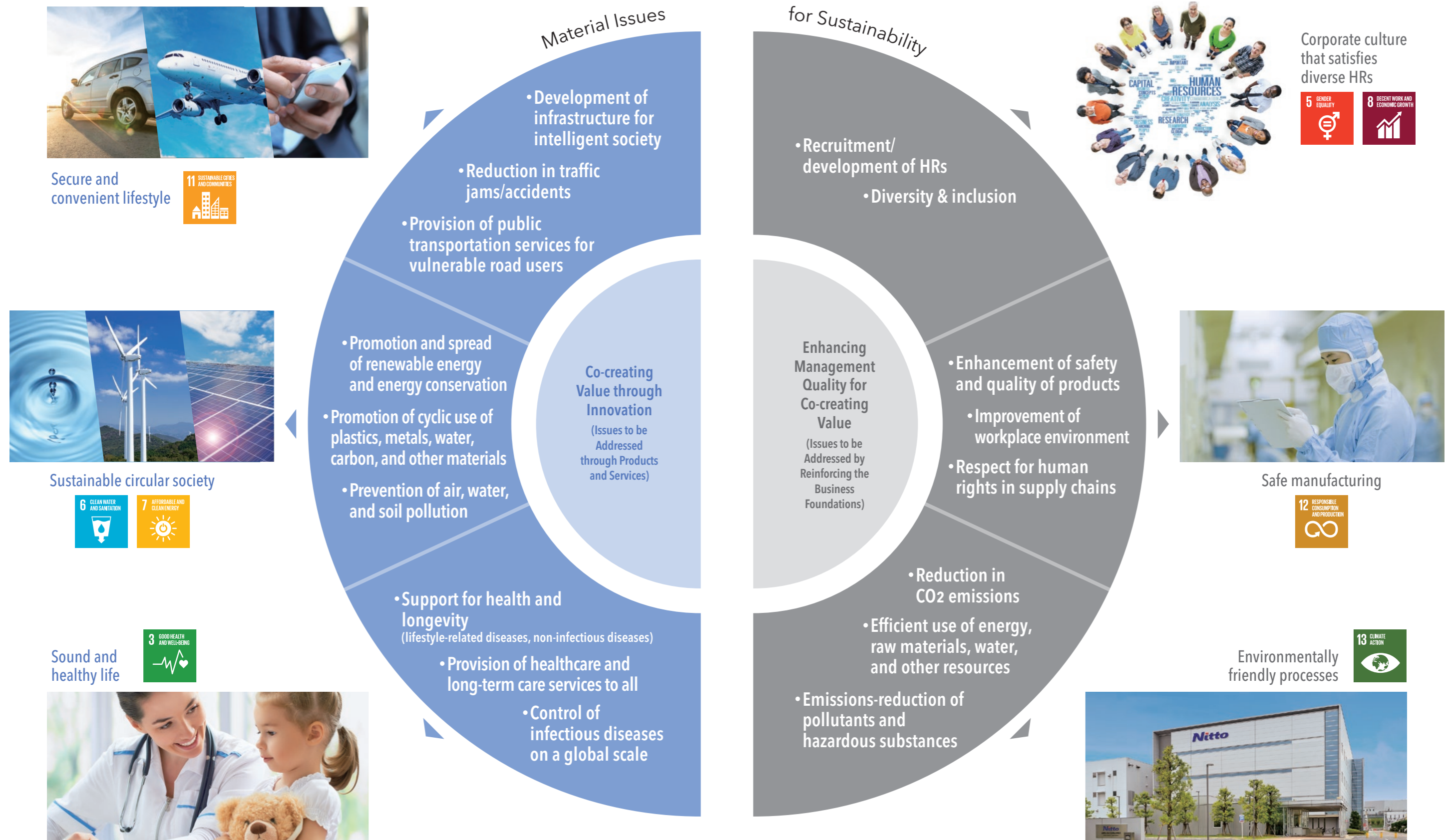
I believe that, as a supplier of intermediate materials, the Nitto Group should continue to aim at the goal of contributing to the establishment of a sustainable society.

Together with our customers, we will continue creating innovations by offering products and services unique to the Nitto Group and work on various issues promptly and honestly while at the same time conducting business with ESG and capital cost in mind.

We will remain committed to creating new values for society, hand in hand with our customers.

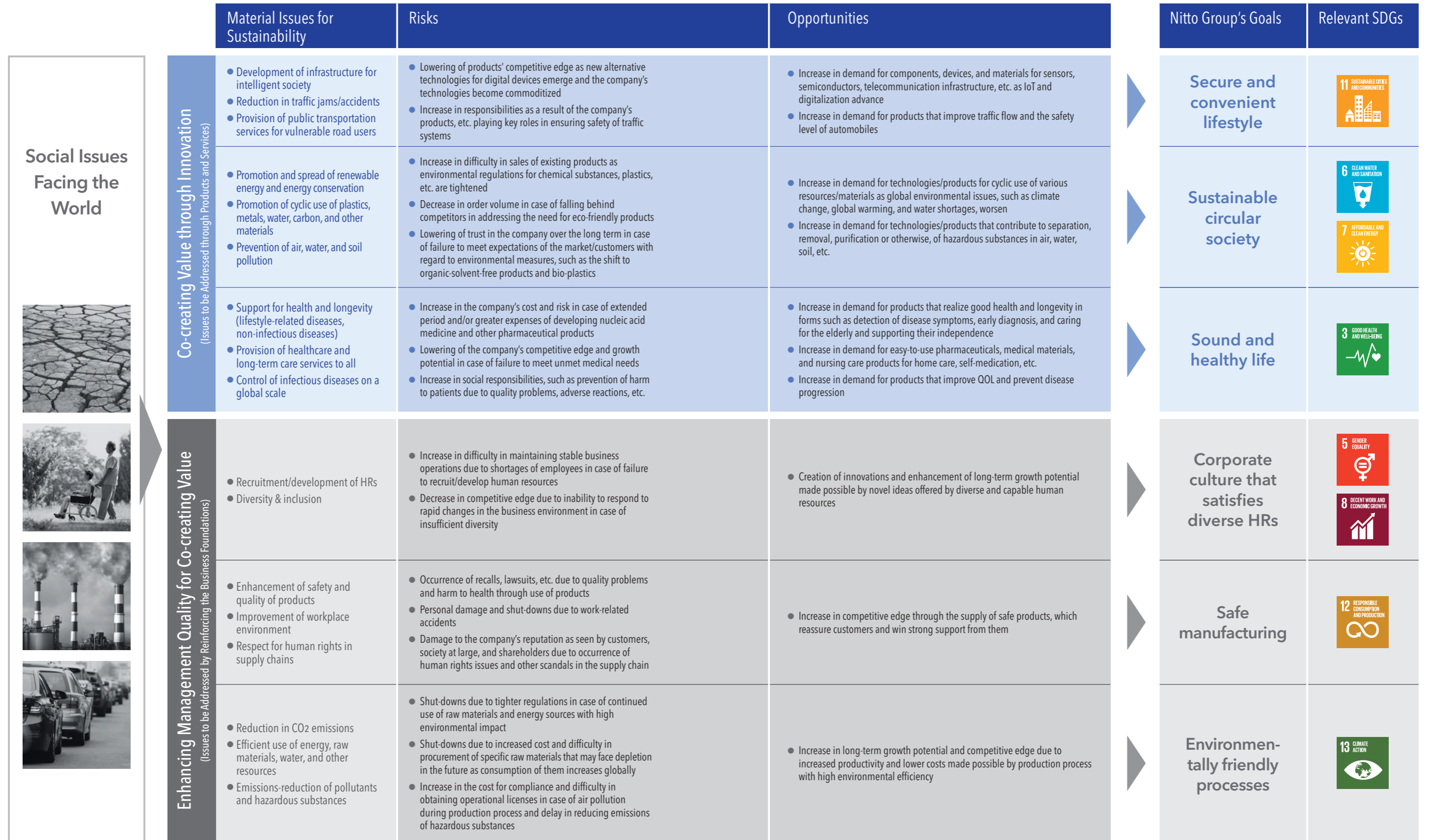
Identification of Material Issues for Sustainability

The Nitto Group has identified material issues for sustainability in order to simultaneously solve social issues and enhance corporate value. Two criteria were used for selection: whether it is for “co-creating value through innovation,” which is achieved through products and services, and whether it is for “enhancing management quality for co-creating value,” which is made possible by reinforcing the management foundations. In addressing these, we begin by recognizing risks and opportunities associated with each issue and feed them back to business plans.



Identification of Material Issues for Sustainability

» Associated Risks and Opportunities

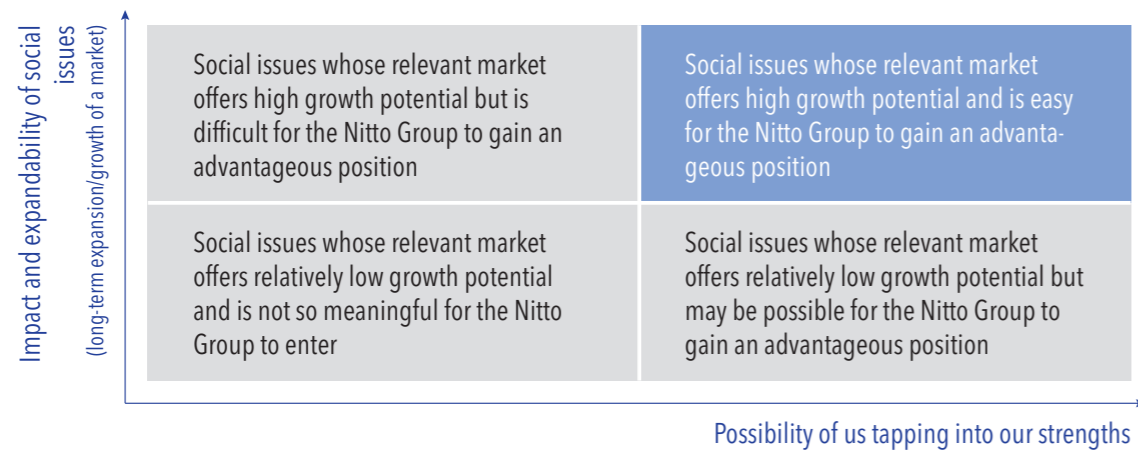
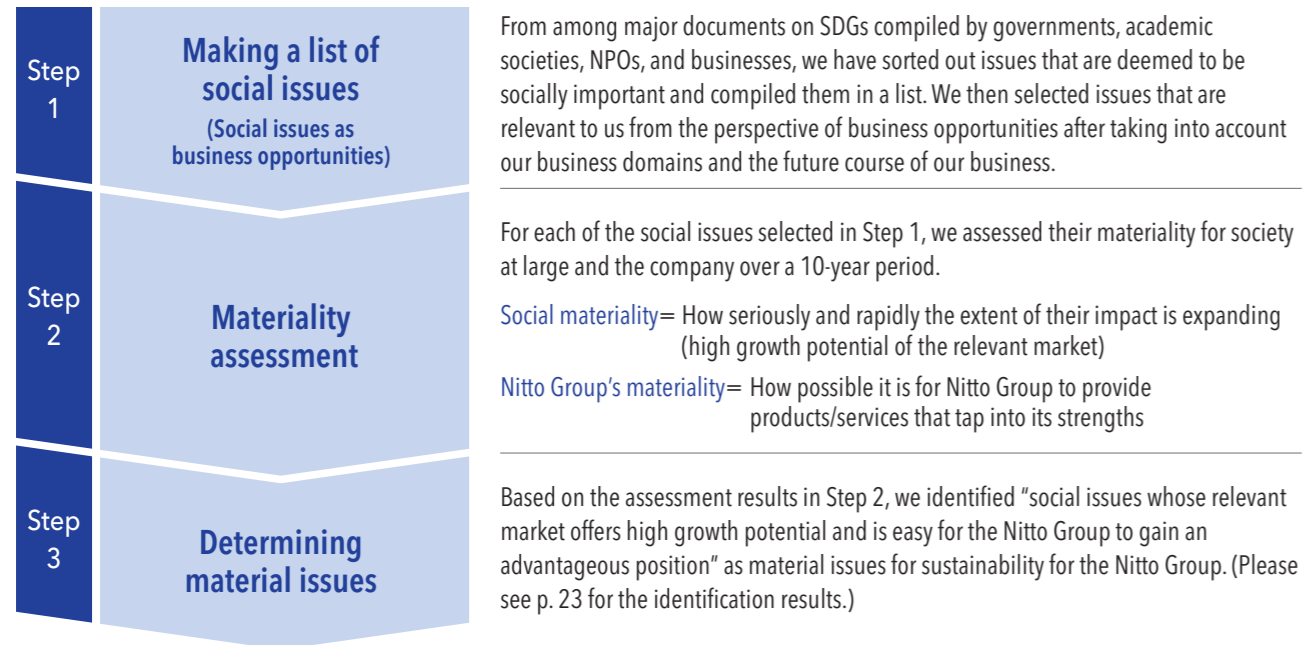


Identification of Material Issues for Sustainability

» Identification Process

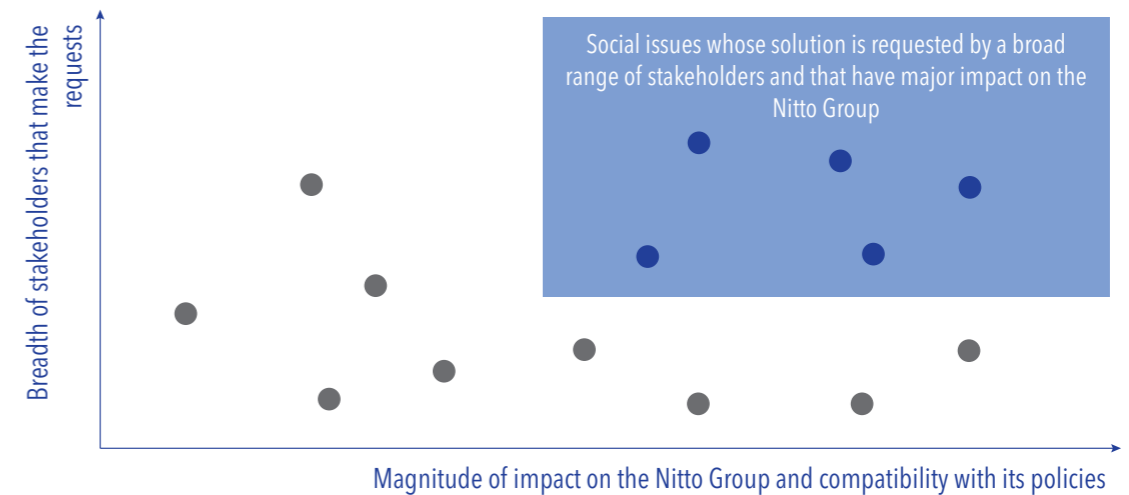
Co-creating Value through Innovation (Issues to be Addressed through Products and Services)

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



Enhancing Management Quality for Co-creating Value (Issues to be Addressed by Reinforcing the Business Foundations)

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



Comments from outside stakeholders



Mr. Keisuke Takegahara
Executive Officer, Deputy Chief Research Officer, Chief Manager of Sustainability Management Office, Corporate Planning & Coordination Department, Development Bank of Japan Inc.

Having gone over the selection process of the Nitto Group's material issues for sustainability, I found the identification process most distinctive. Their laudably elaborate analysis and focus on reproducibility impressed me profoundly. Among stakeholder groups, long-term investors tend to value "robustness (resilience or sustainability)" of a company's business model, and I believe that Nitto Group distinguishes itself from competitors by analyzing and mapping expandability of social issues and markets over a 10-year period. What also makes their approach unique is the fact that they bother to determine materiality of not only issues related to business but also those that concern their business foundations. Going forward, I expect that this framework will be shared by their management and employees alike and will lead to stories of value creation into the future.



Mr. Takashi Nawa
Adjunct Professor School of International Corporate Strategy Hitotsubashi University Business School

Most of the material issues for sustainability identified by the Nitto Group are social issues that have already gained general recognition. In the next step, for the Nitto Group to further distinguish itself, I expect them to consider material issues for sustainability that embody the Nitto Group's Corporate Philosophy, such as creation of a "net positive world," which leads to solutions to latent issues or the joy of society at large. To this end, they need to have open discourse with people from both within and outside the company. I suggest that they consciously go through a process of gathering as many ideas of a different nature as possible by having discussions with C-Level executives, within each business division, with young employees, and with people from overseas. I'm hoping that they will challenge themselves with the creation of new value that only the Nitto Group can offer, above and beyond offering solutions to the ailments (social issues) of the world.

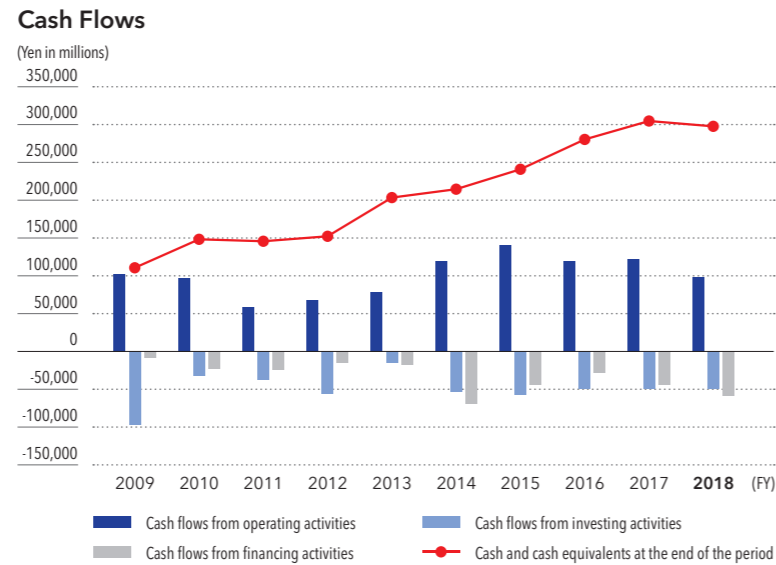
Financial Strategies

Nitto Group's 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.

Our basic financial policy is, with generated ample cash flows from operating activities through development and sale of competitive products, to enhance capital adequacy as we are operating in fields that are changing fast and pose high risks, such as optronics and life science.

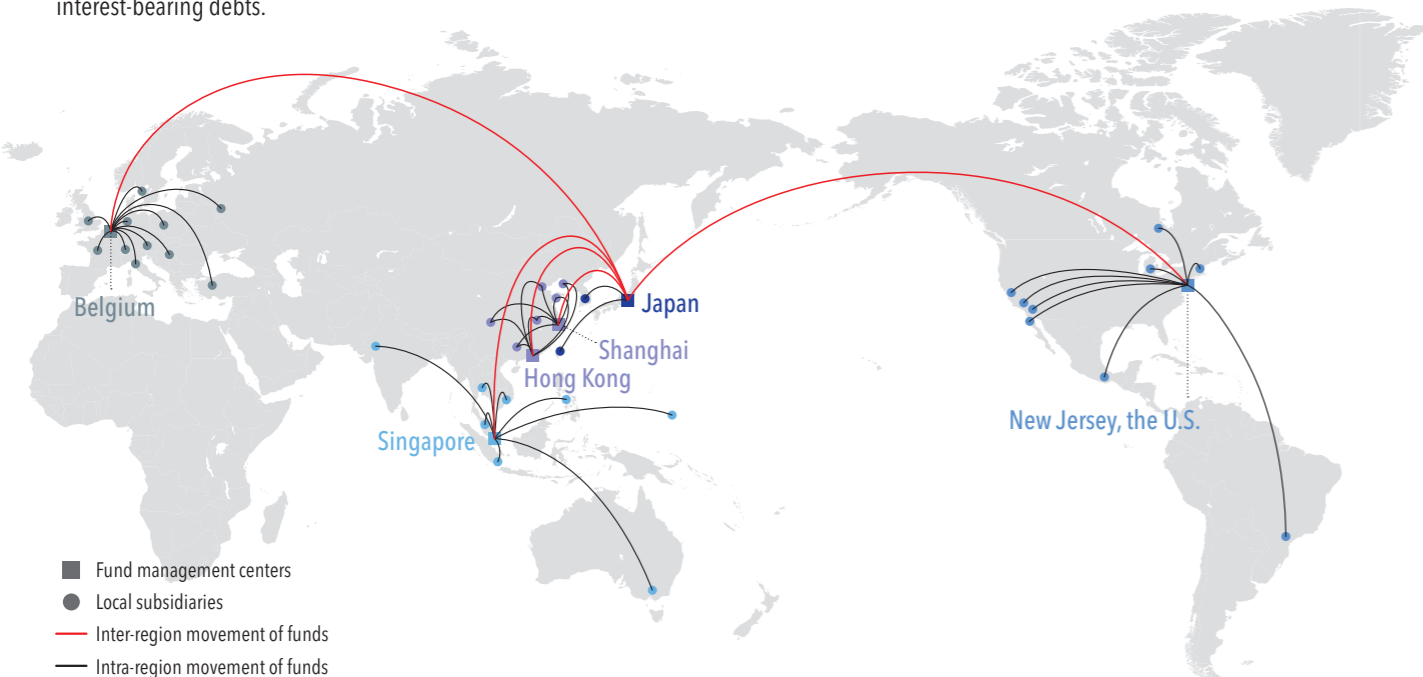
Meanwhile, we consider it important to provide returns to shareholders. Accordingly, we maintain a sound financial base while consistently paying dividends and repurchasing our own shares flexibly.



Cash Management

The Nitto Group has introduced a global cash management system to keep track of any and all funds within the Group in a timely fashion. A fund management center at each region consolidates such funds to increase the efficiency of them.

Through these activities, the Group prevents outflow of costs associated with forex risk hedging from the Group and reduces consolidated interest-bearing debts.



Application of Cash Flows

The Nitto Group uses cash flows generated by its business activities for 1) Capital investment, 2) Dividends, 3) M&As, and 4) Share buyback, by taking into account the balance between business growth and return to shareholders.

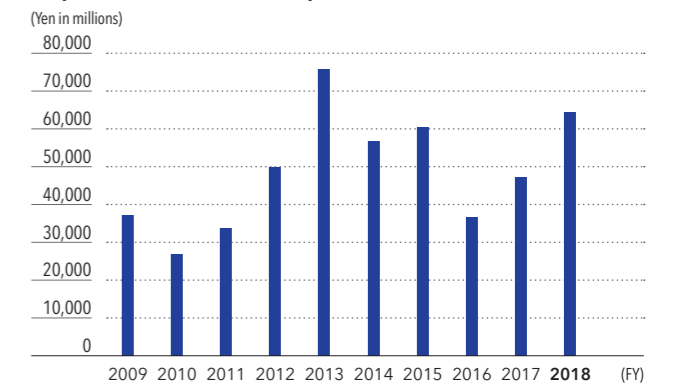
Capital Investment and M&As

The Nitto Group has been constantly investing in equipment and structures and M&As in line with its growth strategy.

When we make capital investment, we aim to enhance our corporate value while maintaining efficiency of assets and financial health and giving due consideration to ESG.

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.

Capital Investment (completed contract method)



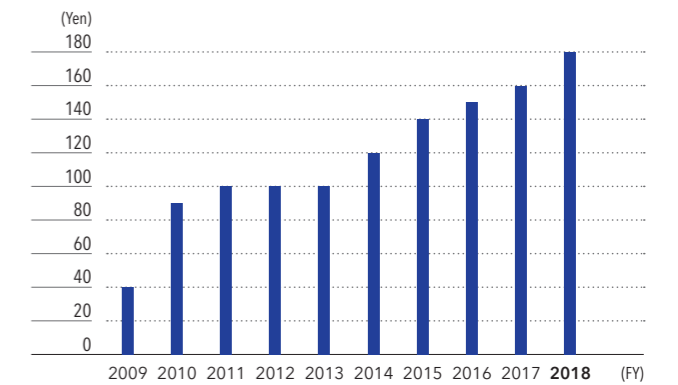
Return to Shareholders

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

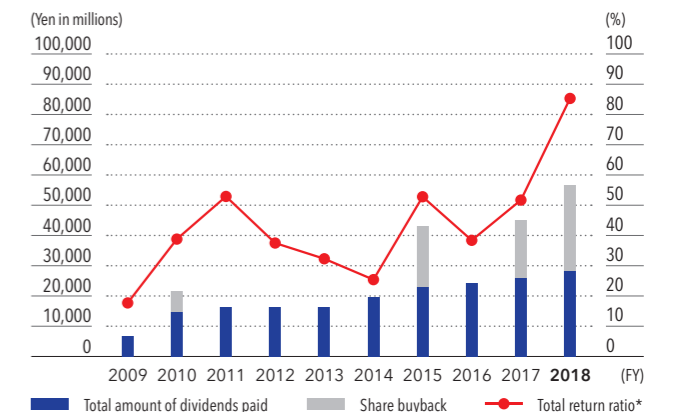
At the same time, it is essential to make proactive upfront investments in research and development and production in order to catch up with rapid technological innovation and meet customer demands in a timely manner. Dividends to shareholders are determined by taking into account various factors, including 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. Between February 2018 and July 2018, we repurchased 5.6 million of our shares for 47.7 billion yen. We also drew up a treasury stock holding policy, that is, to cancel all such shares except those with specific use, such as compensation to directors. Accordingly, we cancelled 15 million shares, including those repurchased previously, in March 2019.

Dividends per Share



Shareholder Return



* (Total amount of dividends paid + Amount of shares repurchased) / Net income attributable to owners of the parent company

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



Experiences at Business Divisions and Corporate Divisions Showed Me the Way

I believe that my primary responsibility as a Chief Technology Officer is to tap into the experiences that I have gained from working for business divisions and corporate divisions, including an R&D organization. This is to say, I see to it that technologies born out of R&D laboratories are interpreted into new businesses without fail and that new values are delivered to customers in a timely manner.

In the past, the Nitto Group was blessed with a virtuous cycle, where we had a number of products developed by tapping into our strengths that boasted a high level of penetration into many different business fields, which then in turn resulted in the creation of new products. Over the past few years, however, our business portfolio has been leaning toward certain fields, with

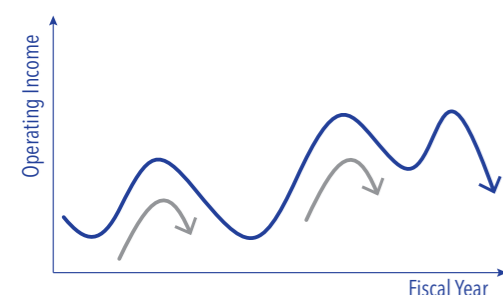
the result that our business has been heavily affected by the movements in those fields.

This being the situation, I decided to do something about intangible assets, such as manufacturing processes and patents, and set about implementing a series of reforms to ensure stable business growth.

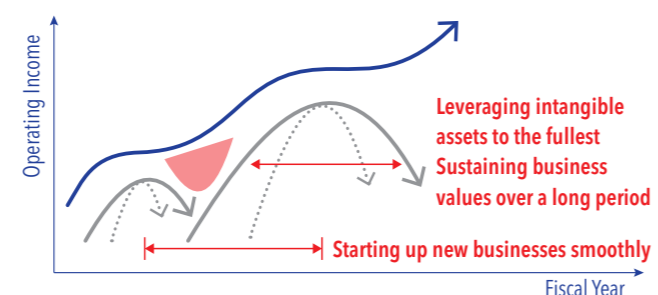
The first initiative was to reinforce the process engineering function. To start up a new business, you have to develop a process that makes it possible for new technologies from R&D labs to be delivered to customers reliably. So, I established a new department within the Corporate Technology Sector to build a system that allows us to launch new businesses smoothly in broader fields. The second initiative was to reinforce intellectual

How We Can Utilize our Intangible Assets to Compete Successfully to Achieve Stable Business Growth

How we competed over the past few years
Heavily affected by ups and downs of certain businesses



How we will compete going forward
Aiming at stable growth by maintaining business values and creating new businesses



property management. What I did was to consolidate intellectual property departments, which used to be under individual business divisions and the Corporate Technology Sector, into one, and I made intellectual property rights held by Nitto visible.

Going forward, I intend to achieve stable growth of the Nitto Group by utilizing our intangible assets to sustain the values of existing businesses over a long period and creating new businesses across a broad spectrum of fields.

Contributing to Business Growth by Putting Intangible Assets to Efficient Use

I first hit upon this idea of creating values out of the Nitto Group's intangible assets in 2009, when I was supervising the optical film-related division. At that time, the business of optical films, one of the essential materials for creating images on LCD TVs, was being engulfed by the waves of rapid commoditization of LCD TVs. Liquid crystal panel manufacturers to whom we were supplying optical films were struggling and on the verge of being unable to continue their business with their conventional production methods. So, my people and I put our heads together and wondered if we could amalgamate production processes previously performed by different companies into one big process, thus reducing losses and making inventory control easier. This is how our innovative business model, "Roll to Panel[®]," came into being.

This is what we did: to produce liquid crystal panels, the Nitto Group had manufactured and processed optical films for such panels, which customers then assembled. We installed optical film processing equipment within customers' assembly processes, so we could take care of the entire process from manufacturing to assembly of the products. To protect this novel business model by way of intellectual property rights, we obtained patent rights pertaining to this. Furthermore, we didn't make the advantages of this business model exclusive to our

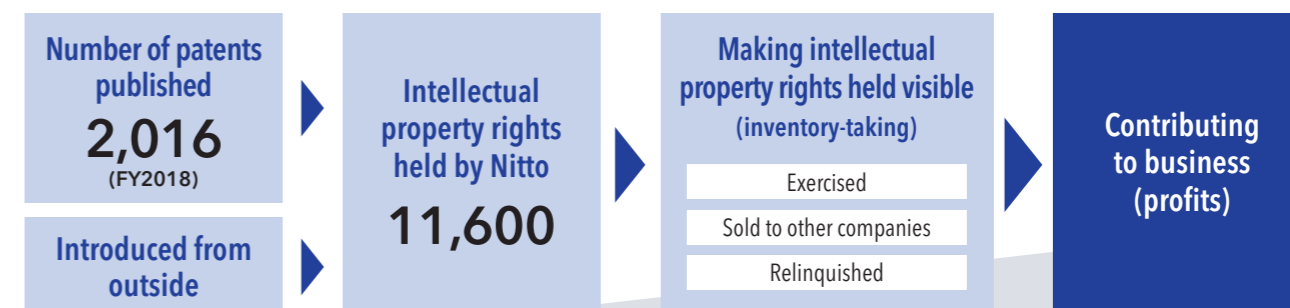
customers and ourselves alone, setting up a system where any party in the liquid crystal panel business could use the process if they paid patent compensation to us. As a result, "Roll to Panel[®]" became the standard process in the industry and made a major difference in the way the Nitto Group does business.

For greater utilization of intangible assets, we are currently in the process of analyzing values of intellectual property rights that we hold, to see if we can create new values by integrating technologies acquired from the outside with the Nitto Group's proprietary technologies, in addition to exercising our intellectual property rights or selling them to other companies. For the development of oligonucleotide medicines, for example, we combined our drug delivery system (DDS) technology with oligonucleotide technology acquired externally to license a set of technologies to pharmaceutical manufacturers.

We are also offering our engineering capabilities built over many years for use by others in the form of services. For example, we offer technical support to overseas manufacturers new to the market of optical films for liquid crystal panels so that they can take advantage of our process engineering for stable mass production of such products.

As detailed above, we will contribute to consistent growth of our business by proactively using our intangible assets.

Maximization of Intangible Assets' Values - Making Intellectual Property Rights Visible -



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

Striving to Create New Businesses that Will Spawn Global Niche Top™ Products

To start up a new business, we need to act proactively to develop new project themes, and this requires us to have a perspective of "convergence." In other words, we need to merge our technologies with someone else's. If we look beyond our own departments and companies to see what is around, we will be more likely to create something that we have never conceived of before (plus alpha).

When we attempt to explore new fields, however, it sometimes takes far too long to get a project approved internally if we go through the ordinary decision-making process. That is why we have set up a "management fund" system, which allows the CTO to approve a project in a timely manner without having it approved by management committee meetings, if the project is deemed to offer future potential. To manage the fund, we set

milestones for individual short-segmented phases to make decisions as to whether we should go about commercializing a project. An indicator for determining future prospects of a project is "necessity." By this, I mean how much of the Nitto Group's strengths, such as core technologies, process engineering, and intellectual property rights, can be tapped into for a new project. If there is a necessity, it is not an act of "recklessness" but a "challenge."

By making the most of our strengths and converging technologies, I am hoping to create numerous projects that will end up leading to Global Niche Top™ products, thereby contributing to the enhancement of corporate value over the mid- and long-term.



We will challenge ourselves by proactively dealing with new projects through "convergence."

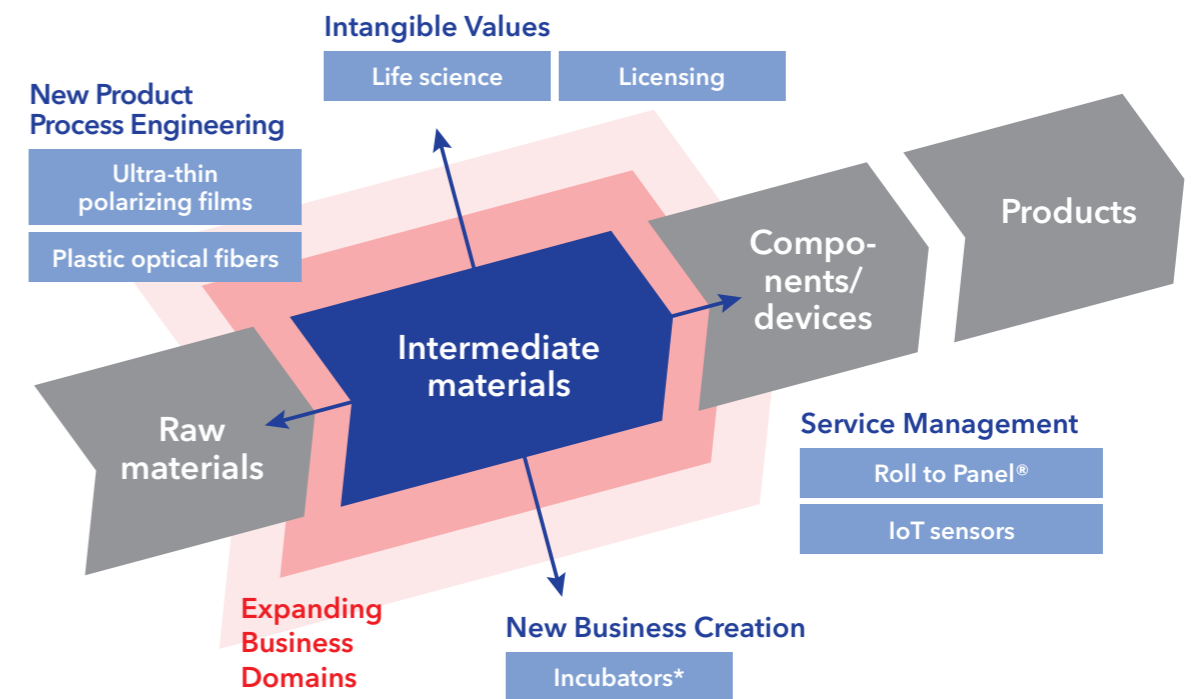
Diversifying "Exits" of Technologies to Expand Business Fields

From now on, we need to transform our business model to one that allows us to create diverse forms of values out of one single technology. With the conventional commercialization process, I have felt that it takes time before a technology evolves because we always have specific businesses or applications in mind. Instead, we should not only provide technologies that we have developed through our product, but change our way of thinking to create a business model with diverse "exits" of technologies in mind, such as sale of intellectual property rights and receipt of payment by exercising options, thereby accelerating technological development and expansion of business fields. When we draw up projects, we will build an intellectual property

network in line with our business strategies, that is, with considerations to what values we should offer and what position we want to reach, and obtain intellectual property rights for any technology thus established.

Because the Nitto Group is a B2B manufacturer, being connected with customers in the supply chain is crucial for delivering values to society. The key to building such a relationship is figuring out how we can convince customers to share their technological roadmap with us and contribute to their goals as one. We will achieve sustainable growth by fortifying ties with our customers and determining optimal "exits" to expand our business fields.

Transforming a Business Model into One that Creates Diverse Values

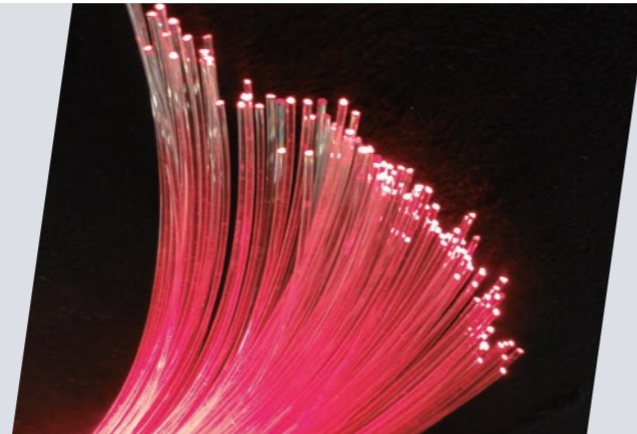


* Companies that help startup businesses

Innovations to Shape the Next Generation

Plastic Optical Fiber Cables

The spread of IoT and the start of ultra-high-definition 8K broadcasting have made it imperative to realize next-generation, high-speed, large-capacity communications. We aim to have Nitto's plastic optical cables adopted for a diverse range of applications, including 8K TVs, data centers, medical equipment, and autonomous cars.



Oligonucleotide Medicines

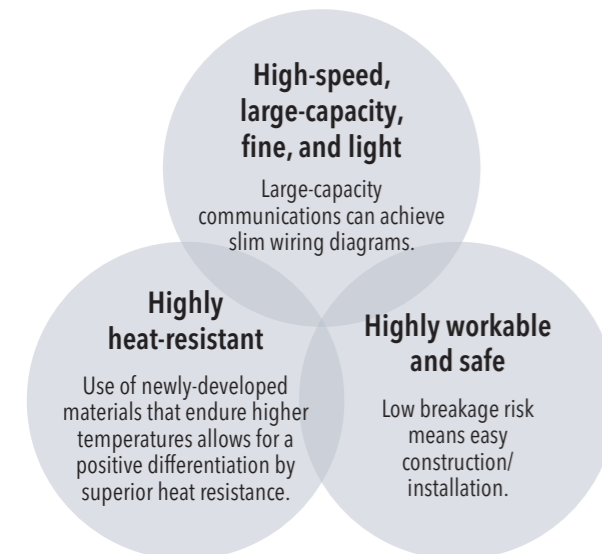
Oligonucleotide medicines are pharmaceutical products made from the structural components of DNA and RNA called nucleic acids. As they directly act on gene expressions that can be causes for illness, these medicines hold great promise for treating hitherto intractable diseases. Holding a leading share in the oligonucleotide contract manufacturing market, Nitto is engaged in R&D of innovative medicines for fibrosis and cancer.



Distinctive Features of the Technology/Product

In October 2017, Nitto established an Optical Cable Joint Research Center together with Keio University. Through the combination of photonics polymer technology accumulated over many years by Keio University and extrusion technology of the Nitto Group, we are now jointly developing new plastic optical fibers that are flexible, light, heat-resistant, and low-noise. By combining optical fibers with optoelectronic hybrid boards, which are being concurrently developed by fusing electrical boards and light guides, we are able to produce thinner, finer, and more compact optical cables.

Strengths and Advantages of Plastic Optical Cables



Nitto's Contributions

Flexible plastic optical cables and highly-secure wired connection allow high-speed, large-capacity communications in all sorts of places, such as private houses, offices, hospitals, and other dwelling spaces, aircraft, automobiles, and other transportation equipment, futuristic robots, and outer space. By developing and mass-producing these plastic optical cables, Nitto is contributing to the realization of an information-communication society, where people the world over are safely and securely connected to each other at all times. We have begun trial production at the pilot line for early start of mass-production.

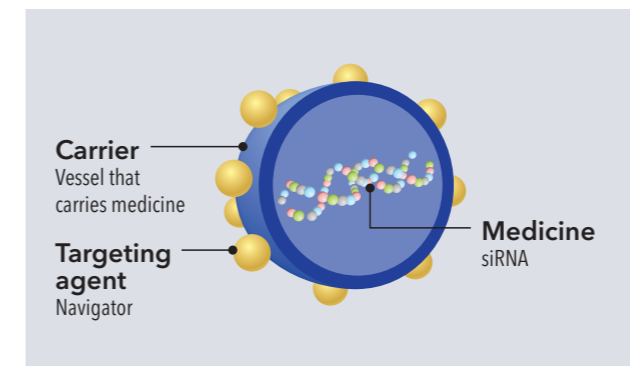
How Plastic Optical Cables are of Service in Multiple Industrial Sectors

- | | |
|---|--|
| <p>Medical equipment</p> <ul style="list-style-type: none"> - An endoscope with a high-definition 8K camera for advanced surgical procedures - Accurate information transmission without radio wave noise interference | <p>Transportation equipment</p> <ul style="list-style-type: none"> - Higher-speed communication - Lighter weight made possible by replacing conventional electric cables - Resistant to vibrations and bending for enhanced safety |
| <p>In-home networks (house wiring)</p> <ul style="list-style-type: none"> - High flexibility increases freedom in cable placing - Easy installation work contributes to overall merits | <p>Displays and video equipment</p> <ul style="list-style-type: none"> - Transmitting information-packed uncompressed 8K signals with one single cable saves space. |

Distinctive Features of the Technology/Product

Nitto is also working to develop the therapeutic drugs using our siRNA *1 technology and the drug delivery system (DDS). The siRNA drugs are a new class of pharmaceutical products that work on mRNA (messenger RNA), the blueprint of proteins, and inhibit production of the disease-causing proteins that cannot be targeted by conventional drugs. The DDS is a technology for delivering a required quantity of oligonucleotide medicines encased in liposomes*2 to target sites within the body. A carrier for oligonucleotide synthesis created through the fusion of the Nitto Group's proprietary technologies in adhesive and polymer design, NITTOPHASE® facilitates high-yield synthesis of highly pure oligonucleotides, which is indispensable for the production of such medicines.

Nitto's molecular target oligonucleotide medicine



Nitto's Contributions

Nitto Group has made the most of its technologies in oligonucleotide drug discovery and DDS to develop treatment for organ fibrosis. In November 2016, Nitto signed an exclusive license agreement with Bristol-Myers Squibb Company (BMS) to develop, manufacture, and commercialize an oligonucleotide medicine "ND-L02-s0201" for targeted therapy in advanced non-alcoholic steatohepatitis (NASH) and cirrhosis. This agreement is expected to accelerate the pace of its development, which in turn will help to deliver the drug to patients in the shortest amount of time possible. We are also conducting a Phase II clinical trial of the "ND-L02-s0201" for the rare disease of idiopathic pulmonary fibrosis. In addition to the development of a fibrosis medicine, Nitto is seeking an inroad into the oncology field. In March 2019, we commenced a Phase I clinical trial in the U.S. for the treatment of KRAS driven tumors in advanced cancer patients. In April 2019, Nitto established a collaborative research department for the development of new nucleic acid drugs in the laboratories of the Local Incorporated Administrative Agency Osaka Prefectural Hospital Organization Osaka International Cancer Institute.

*1 siRNA (small interference RNA) consists of short double-stranded RNA of 21 to 23 residues and inhibits the expression of a target gene by cleaving a significant part of the genes transcript.
 *2 A liposome is a bilayer membrane capsule composed of phospholipids, one of the major components of cell membranes and biomembranes.

Segment Information

Summary of Overall Business

During the fiscal year ended March 31, 2019, the world economy saw heightened uncertainty over the future, stemming from trade conflicts between the U.S. and China, and the slowdown of the Chinese economy that began to emerge toward the end of the period. To compound this, there were growing concerns over the future course of the world economy as a whole, such as the U.S. trade policy and Brexit, to name but a few. Meanwhile, crude oil prices remained at a low level and the long-term interest rates held low in financial markets. Amid this economic environment, demand began declining in the

electronics and automobile industries after the beginning of the second half of the fiscal year under review, which affected the Nitto Group's business.

As a result of the above, revenue decreased by 5.9% from the previous fiscal year (changes hereafter are given in comparison with the previous fiscal term) to 806,495 million yen. Operating income decreased by 26.2% to 92,777 million yen, and net income attributable to owners of the parent company decreased by 23.8% to 66,560 million yen.

performance of transport vehicles, including automobiles, railroad cars, and aircraft. For automotive products, the Group has expanded the product lines for reinforcing materials for aluminum and vent filters for electric/electronic components in anticipation of the need to reduce vehicle body weight and an increase in the number of electric/electronic components used in one vehicle. Meanwhile, in response to the rapid expansion of the market for electric vehicles, the Group is working on insulating materials that meet the need for downsizing and lowering costs for power trains. Furthermore, for enhanced safety of self-driving cars, the Group is creating new values and products through convergence of its key technologies.

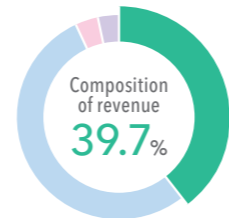
Research and development activities

In a bid to foster the next mainstay business in the market of smartphones and other mobile devices, the Group is making constant efforts to develop more functional products, thereby branching out to a variety of product categories, such as semiconductors, electronic components, sound-passing membranes for devices, housing-related products, and automobile-related products. Going forward, the Group will also focus on the development of sustainable, eco-friendly products, while remaining committed to the development of new products for the mobile device market.

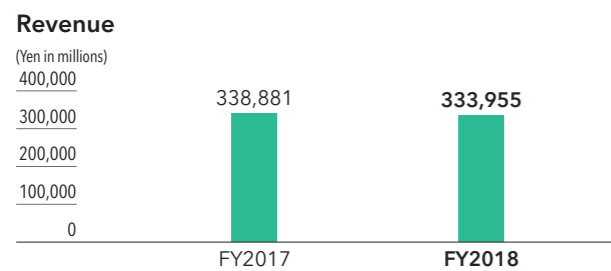
For the transportation business, the Group is forging ahead with the development of new products that help to enhance the

Industrial Tape

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



Operating results



For functional base products, general-purpose industrial materials performed strongly, while filter materials for industrial use, products for smartphones, and process materials for semiconductors and electronic components lost momentum toward the end of the fiscal year under review. The transportation business, which includes automotive products, was affected by the sluggish auto market in the second half of the year, while sales of motor insulating paper and vent filters performed well.

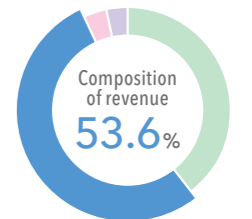
As a result of the above, revenue decreased by 1.5% to 333,955 million yen and operating income decreased by 25.8% to 25,940 million yen.

Issues to be addressed

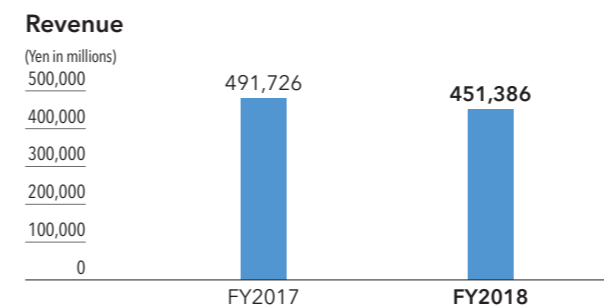
For functional base products, the Group will remain sensitive to market changes and customer needs while at the same time carrying out productivity reform of existing businesses on a global scale. The Group will also attempt to seize the opportunities that the mid- and long-term demand expansion for materials for semiconductor and other industrial processes will present, thus developing new products through collaboration with Optronics and other segments. For the transportation business, the Group will continue optimizing its global supply system in order to improve profitability, while pouring its resources into creation of new products that respond to the ongoing mobility reform known as the acronym CASE (Connected, Autonomous, Shared, and Electric).

Optronics

Main products: Information fine materials, flexible printed circuit boards, and process materials



Operating results



For information fine materials, demand for optical films for smartphones did not reach the level of the previous year, primarily owing to lower-than-expected market growth, with the result that royalty income from general polarizing films and benefits of streamlining were limited and weak.

From the fiscal year under review, royalty income from intellectual properties is included in "revenue," rather than "other income" as was the case previously.

Sales of flexible printed circuit boards continued to grow steadily, driven by models for high-capacity hard disk drives (HDDs) for data centers. Process materials, on the other hand, remained sluggish as their demand for semiconductor fabrication entered a correction phase.

As a result of the above, revenue decreased by 8.2% to 451,386 million yen and operating income decreased by 27.0% to 67,134 million yen.

Issues to be addressed

For information fine materials, the Group will hone its industry-leading technological prowess, while at the same time responding to the changes taking place to displays, such as foldable and rollable models. The Group will also strengthen its product lifecycle management and streamline its operations to expand highly-profitable businesses. With regard to flexible printed circuit boards, the Group aims to enhance its profitability by boosting market share of its HDD application and streamlining the business. In addition, the Group will shake up its portfolio by developing new demands.

Segment Information

■ Research and development activities

In this business segment, the Group is better catering to the market by, for example, developing larger-sized anti-glare polarizing films for improved visibility to accommodate the increase in size of organic electroluminescence displays (OLEDs) as well as liquid crystal displays (LCDs). The Group is also working to increase processing accuracy in response to the emergence of fully-active and shaped mobile displays. To meet the new demand that the debut of flexible OLEDs has brought, on the other hand, the Group is working on solutions to unprecedented requirements, such as conformability to curved or bendable displays.

In the auto industry, analog instruments and other components are increasingly replaced by large-sized displays, and polarizing films are required to have extremely high durability. In addition, as car interiors become more elaborate, uniquely-shaped polarizing films are in demand, and the Group is focused on the development of products that meet these

requirements. The Group has also come up with optical films for display peripherals other than polarizing films, thereby offering value to a broad range of customers.

For flexible printed circuit boards, the Group is experimenting with applications of high-precision circuits, which are formed with photosensitive polyimide and semi-additive copper plating on a metal base, to other markets than the HDD market. For low dielectric porous polyimide, the Group is working on circuit boards that will play a key role with the launch of the 5G high-speed mobile communications market, and is preparing for their mass production.

In the semiconductor field, the Group has developed adhesive films for new processes that have been adopted for NAND flash memories. The Group has also completed the development of materials used for such processes and has seen their sales grow.

In the light-emitting diode (LED) field, the Group has developed highly heat- and light-resistant resin for indoor displays and is expecting to see their markets expand.

new customers. For the drug discovery business, the Group will forge ahead with research and development as well as clinical trials of drugs in such fields as fibrosis and intractable cancer in an attempt to develop them into new core businesses.

■ Research and development activities

For the oligonucleotide medicine contract manufacturing business, the Group has increased development efforts globally in an effort to effectively respond to requests from each customer.

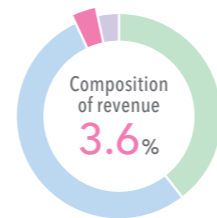
For pharmaceutical products, an additional indication for atrial

fibrillation has been approved for transdermal patches developed for essential hypertension, while at the same time a new drug application has been filed with the regulatory authority for a transdermal patch formulation for the treatment of schizophrenia based on the results of the Phase III clinical trial in Japan.

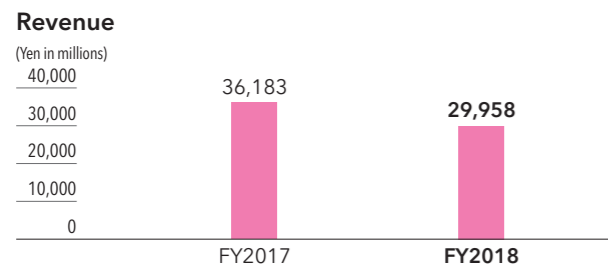
For medical and hygiene materials, an attempt is being made to enter new markets and geographical regions through partnerships with other business sectors/divisions within the Group.

Life Science

Main products: Medical-related products



■ Operating results



An indication for atrial fibrillation has been added to transdermal patches developed for essential hypertension. As for oligonucleotide drug discovery, a clinical trial of a drug for pulmonary fibrosis has been initiated. Meanwhile, the Phase I clinical trial of a small interfering ribonucleic acid (siRNA) formulation for KRAS mutant tumors is underway following

approval by the U.S. Food and Drug Administration (FDA). In the oligonucleotide contract manufacturing business, the impact from the changes in customers' situation regarding new drug development that occurred in the previous fiscal year lingered. Nevertheless, the contract manufacturing business continued to expand, with the development and clinical trials of oligonucleotide medicines remaining active.

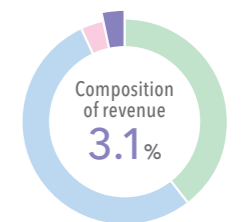
As a result of the above, revenue decreased by 17.2% to 29,958 million yen and operating income decreased by 67.6% to 1,920 million yen.

■ Issues to be addressed

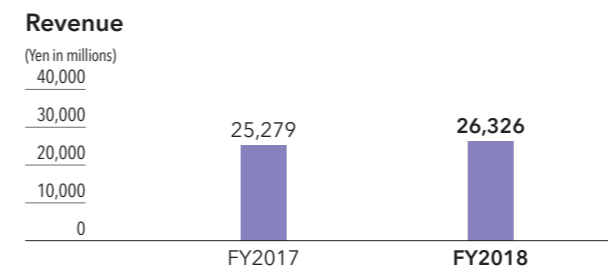
In the oligonucleotide medicine field, where an increasing number of new drugs and clinical trials are approved and conducted, respectively, the Group will expand its share in the oligonucleotide contract manufacturing market by seeking out

Others

Main products: Membrane products, other products



■ Operating results



Sales of membrane products (polymer separation membranes) were steady, backed by brisk industrial demands for the water treatment application, including seawater desalination plants. 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 4.1% to 26,326 million yen and operating loss amounted to 1,970 million yen (operating loss of 192 million yen was reported in the previous fiscal year).

■ Issues to be addressed

For membrane products, the Group will streamline its operations, which includes automation of its production processes, while strengthening its business foundations. The Group will also work to improve profitability of this segment by expanding business in market spaces with high growth potential. 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

Sales of membrane products steadily increased as we successfully responded to the brisk demand for seawater desalination and ultra-pure water production applications. On the other hand, a new product for brackish water desalination was adopted for a large-scale project in South Asia, contributing to sales growth. Because of the differences in the water environment, what customers want from water treatment plants varies. The Group will remain committed to boosting sales of this segment through the development of products that cater to the specific demands in each regional market. The Group will also make continued efforts to realize a circular economy by launching new products for wastewater recycling.

Segment Information

» Key Applications of Nitto Group's Products

Displays

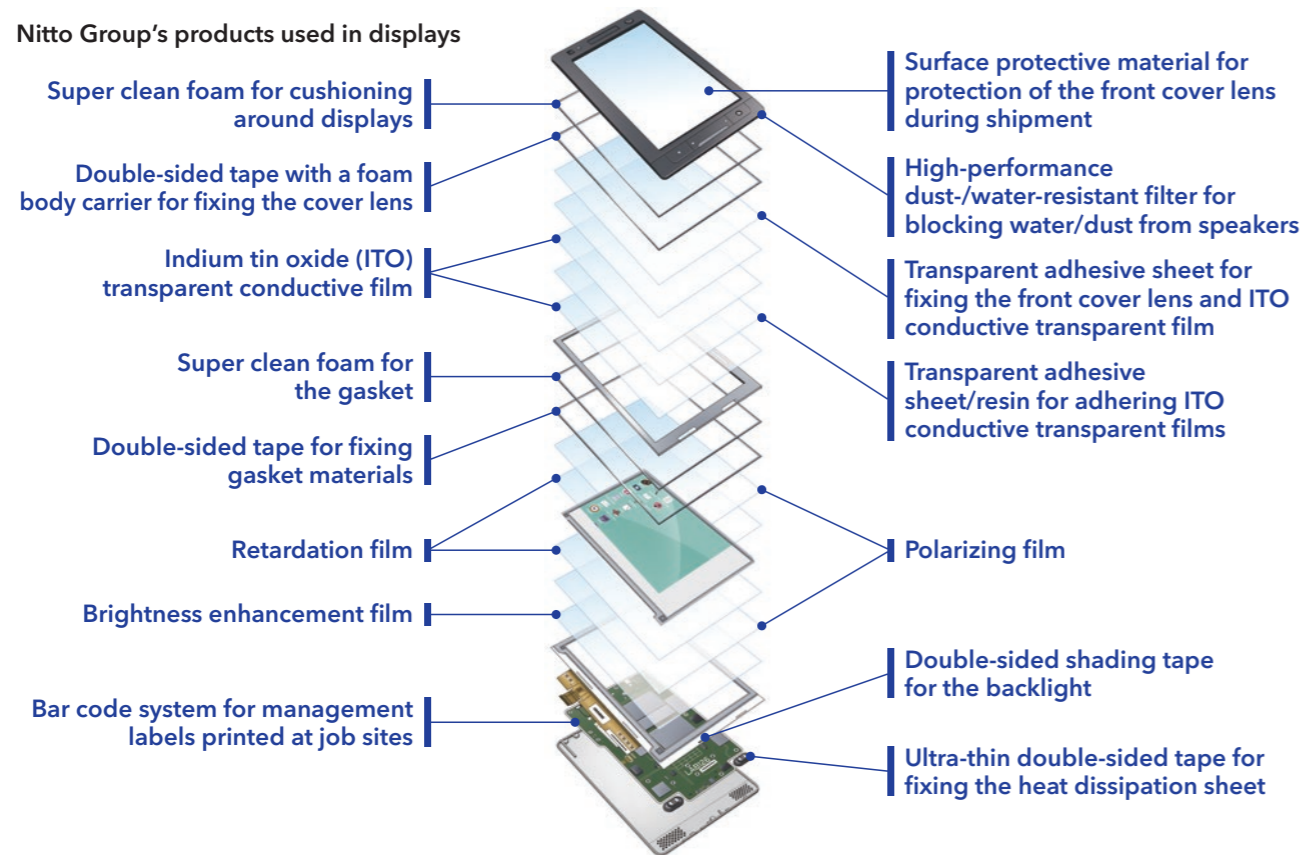
Industrial Tape

Optronics

Our optical films and a myriad of other products can be found in the displays of smartphones, tablet computers, and other information terminals that are essential in this information-driven society.

As with liquid crystal displays (LCDs), Nitto Group's products are a preferred choice of organic electroluminescence displays (OLEDs) as they comfortably meet customer specifications on thinness and flexibility.

Nitto Group's products used in displays



NITTOPHASE®, a Carrier for Oligonucleotide Synthesis

Life Science

Genes, the blueprints of life, are made up of oligonucleotides such as DNA and RNA. Using DNA and RNA for treatment, oligonucleotide medicines have been hailed as next-generation pharmaceuticals, since they are expected to be effective against difficult-to-cure cancers and other intractable diseases. NITTOPHASE®, a carrier* for oligonucleotide synthesis, is indispensable for production of such medicines, as its porous high-performance polymer beads facilitate high-yield synthesis of high purity oligonucleotides.



Polymer beads for oligonucleotide synthesis

* A substance on which other substances are fixed

Automobiles

Industrial Tape

With the four keywords of "environment, safety, design, and comfort" in mind, the Nitto Group offers diverse value made possible by its proprietary technologies in an effort to meet the needs common in automobiles and other kinds of transportation equipment. In addition to the existing lines that contribute to lighter weight for higher fuel efficiency, progress in power

modules for eco-friendly vehicles, and greater electrification of vehicles, we cater to emerging demands for next-generation vehicles.

The Transportation Technical Centers at five locations worldwide are applying various evaluation technologies to come up with total solutions.

Examples of Nitto Group's products used in vehicles



Membrane Products

Others

The Nitto Group's membrane products were created through the combination of multiple technologies, including polymer design/synthesis and thin film formation.

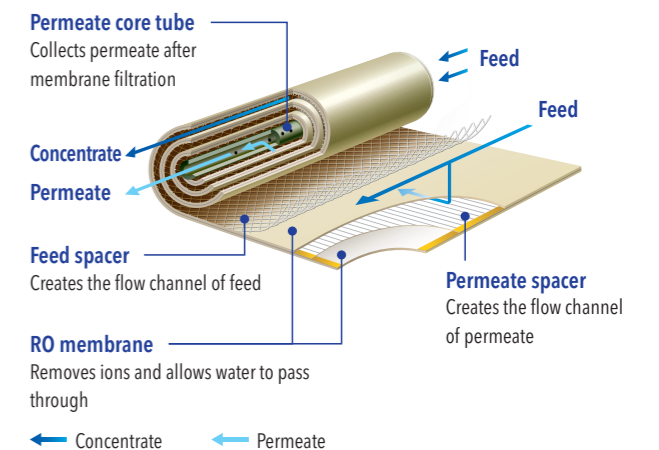
Depending on the size and properties of the substances to be separated, membranes can be divided into microfiltration membranes, ultrafiltration membranes, and reverse osmosis (RO) membranes.

These three types of our membrane products boast a broad range of applications from industrial use to environment/energy domains, such as ultra-pure water production, seawater desalination, wastewater treatment, and secondary recovery at oil wells. The product line continues to expand to include new offerings designed for energy conservation and environmental purification.



Sulfate nanofiltration (NF) membrane

RO membrane element structure



Addressing Social Issues in Each Stage of the Value Chain

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.

Risks and Opportunities to the Nitto Group's Business Operations

Impact on society		Value Chain Stages				
		Procurement of Raw Materials	R&D	Production	Logistics/Sales	Use/Disposal of Products
Impact on society		<ul style="list-style-type: none"> ● Increase in negative impact on the environment due to mining of natural resources ● CO2 emissions stemming from procurement of petroleum-derived materials ● Rising cost for and difficulty in procurement of mineral resources ● Depletion of mineral resources ● Human rights infringement as a result of procurement of conflict minerals ● Labor practices at suppliers ● Ensuring access to resources by procurement of bio-materials 	<ul style="list-style-type: none"> ● Development of technologies for efficient use of energy and raw materials ● Development of environmentally friendly products 	<ul style="list-style-type: none"> ● Emission of greenhouse gases as a result of energy use ● Depletion of water resources as a result of consumption of large quantities of water ● Production of air pollutants, hazardous waste, and wastewater ● Soil/river pollution by organic solvents, etc. ● Damage to neighborhood by fire and explosions 	<ul style="list-style-type: none"> ● CO2 emissions associated with physical distribution of products ● Reduction in CO2 emissions by modal shift ● Reduction in waste by recycling packages 	<ul style="list-style-type: none"> ● Increasing need for reducing raw materials at the product use stage ● Increasing need for conserving energy and reducing CO2 emissions and use of water at the product use stage ● Impact that chemicals in products have on the ecosystem and human health ● Health disorders due to use of pharmaceuticals, medical devices, etc. ● Supply of health- and environmentally friendly products
	Human Resources	<ul style="list-style-type: none"> ● Recruitment/development of HRs ● Diversity & inclusion 	<ul style="list-style-type: none"> ● Intensifying competition for recruitment of HRs with advanced expertise and drain of HRs <ul style="list-style-type: none"> - Necessity of strengthening branding for recruitment - Necessity of strengthening talent management - Need for developing HRs both systematically and effectively 	<ul style="list-style-type: none"> ● Decrease in the working/productive population in Japan <ul style="list-style-type: none"> - Expansion of job opportunities by promoting diversity (elderly employment, empowerment of women, provision of opportunities to foreign national employees, employment of individuals with disabilities, etc.) - Enhancement of motivation to work and increase in productivity by promoting work style reform, etc. 	<ul style="list-style-type: none"> ● Tightening of regulations related to labor laws in general <ul style="list-style-type: none"> - Timely compliance training and enhancement of its system - Creation of sound workplace environments and improvement of occupational health 	
	Product Safety/Quality	<ul style="list-style-type: none"> ● Enhancement of safety and quality of products ● Improvement of workplace environment ● Respect for human rights in supply chains 	<ul style="list-style-type: none"> ● Contamination by regulated substances in raw materials due to deficient chemical management ● Discontinued supply of raw materials 	<ul style="list-style-type: none"> ● Development of environmentally friendly products ● Change of materials (chemical substances) due to tightening of applicable regulations 	<ul style="list-style-type: none"> ● Shut-downs due to occupational accidents ● Reduced productivity due to impact on health ● Shut-downs and fines due to statutory violation ● Increase in business costs to satisfy tighter safety regulations (capital investment, etc.) ● Cancellation of contracts and compensation claims due to fraudulent quality claims 	<ul style="list-style-type: none"> ● Rise in transportation cost for ensuring product safety/quality ● Lowering of orders/suspension of sales due to occupational accidents
Environment	<ul style="list-style-type: none"> ● Reduction in CO2 emissions ● Efficient use of energy, raw materials, water, and other resources ● Emissions-reduction of pollutants and hazardous substances 	<ul style="list-style-type: none"> ● Rapid increase in demand for energy and raw materials and tightening of relevant regulations 	<ul style="list-style-type: none"> ● Development of technologies for efficient use of energy and raw materials 	<ul style="list-style-type: none"> ● Increase in business cost due to carbon credits and carbon taxes ● Greater impact on operations and increase in business cost due to tightening of laws/regulations ● Increase in business cost (capital investment, etc.) to ensure compliance with environmental regulations ● Shortage of usable water resources ● Efficient use of energy, raw materials, and water ● Shut-downs and fines for statutory violation 		<ul style="list-style-type: none"> ● Greater impact on operations and increase in business cost due to tightening of laws/regulations

Human Resources

Reasons for Materiality

The Nitto Group considers human resources to be our most valuable assets. As competition for recruitment of able human resources intensifies across the globe, how we go about recruiting and retaining people 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 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 think globally in their work in an attempt to create new value as they join hands with people of diverse backgrounds without being divided by differences in culture and values. For this to happen, "diversity & inclusion" is an overriding imperative, and we will apply the Group's strengths - the energy and teamwork that results from combining the talents and knowledge of diverse employees - to our business undertakings.

Through our talent management approach, we will also cultivate individuals who remain passionate about growth and eagerly continue to take on challenges, while at the same time developing a corporate culture and programs that exhort people to tackle challenges. We believe that we can achieve sustainable growth of our people and organization as a result of these efforts.

Going forward, we will further advance our global personnel system to find and share solutions to talent management and other personnel issues.

Recruitment and Development of Human Resources

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 70% in fiscal 2018. Going forward, we will make greater efforts to recruit and develop global-minded people who can address the diverse needs in the multipolarizing market from the perspectives of each country and region.

Recruitment of Global-Minded Human Resources

Leveraging internship and other opportunities to triple the number of new recruits from the global job market

In fiscal 2018, we increased the number of new recruits who are poised to take a leadership role globally to more than 100. To prevent a mismatch from occurring after they have joined the company, we offer an internship program that gives prospective employees an opportunity to experience Nitto Group's values, and about 120 students teamed up with Nitto's employees to work on ideas for new businesses. We are also aggressively recruiting people outside of Japan by, for example, inviting a select group of some 50 students who reside in Europe, Japanese and otherwise, to the Nitto ATP Finals in London for an informational session and primary screening, thus engaging in a variety of programs designed to reinforce the younger generation in our workforce and increase the diversity of our organization.



Winners of the new business idea competition among interns

Talent Management

Personal interviews/training to assist individuals in developing their competency

With a focus on "individuals," Nitto's talent management offers a variety of programs for assessing individual competency.

Members from our human resources team meet individually with "employees who have served the company for less than five years," "women in an assistant manager and other managerial positions," and "new managers" to hear about their desires and motivations. The purpose of these meetings is to retain each employee, assist them in their career path, and place them in the right positions. The human resources members are also cognizant of latent issues in various personnel systems and can find solutions to them.

As for the human resource development, we determine what knowledge and skill sets people need to acquire before they advance into a managerial position and incorporate them into a training curriculum so that each employee may choose courses on their own initiative. At the same time, we offer a wide range of training opportunities tailored for each job function, such as

sales, production engineering, and manufacturing, thereby raising the overall competency level of each job function. In addition to such opportunities, we will expedite our efforts to foster a workplace environment and culture in which the entire workplace serves as a vehicle for cultivating human resources.

Launched in 2011 to foster future senior executives, the Nitto Global Business Academy (NGBA) is driving the Nitto Group forward in the area 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's future identity.

We also provide our employees with opportunities to participate in external training programs, in the hopes that they will grow as they mingle with people from many different walks of life.

Training System for Talent Management

		New employees	General-level employees	Management-level employees
Open competency development training		Language, etc.		
		Logical thinking, career development, finance, productivity enhancement, etc.		Cultivation of direct reports, management, etc.
Corporate Philosophy training		Corporate Philosophy workshop		
Job-function-specific training	Division A	Basic training (safety, Corporate Philosophy, CSR, environment, quality, 5Ss)	Technical training	
	Division B		Technical training	
Objective-specific training		Safety and health training, etc.		
			CSR workshop, etc.	
		Overseas transferee training, etc.		

		New employees	General-level employees	Management-level employees	Executives	
Grade-level training		New employee training	New employee follow-up training	Mid-career employee training	Management-level employee training	Executive candidate training
Selected group training	External	Leadership training			Executive-level training	
	Internal		NGBA-F	NGBA-A		

Global Personnel System

Developing/introducing a new merit rating system and job function grading

In fiscal 2018, we began introducing a new personnel system within the Group and we are planning to complete its introduction to all regions by the end of fiscal 2019. The Group's shared new merit rating system and job function grading should help to make human resources and organizations transparent and underpin talent management.

We are also introducing a unified human resources management system for the Group. In the past, the procedure for day-to-day operations varied among different regions, but we now aim to manage human resources on a global basis as we standardize our operations. To facilitate the introduction, members from the human resource management team of each region met for a series of discussions, and have successfully unified the system to a certain extent.

Human Resources

Diversity & Inclusion

The Nitto Group employs people the world over, who bring diversity to the Group in terms of nationality, cultural background, gender, age, and employment type. Our goal is to cultivate Nitto Persons who contribute to the organization as they develop themselves and to create new values by applying diverse perspectives to business management.

In fiscal 2018, we established a department that promotes diversity and inclusion to drive our efforts in this regard in the global arena. We are also aware of the importance of implementing work style reform to achieve a good work-life balance.

Empowerment of Women

Focusing on motivating female employees More women in management in Japan and Europe

Empowerment of women is among the top priority issues at the Nitto Group. As such, we engage in activities designed to foster and support a pertinent culture for this worthy cause. In fiscal 2018, we motivated female candidates to pursue managerial positions by inviting inspirational women from outside the Group for casual workshops and conducting personal interviews with them.

At Nitto (non-consolidated), the ratio of women in management at the end of fiscal 2015 was 2.5%, but increased to

5% by early fiscal 2019. We are looking to achieve 6% by the end of fiscal 2020. Our plan is to focus on activities in Europe, where the percentage is relatively low, as well as Japan.

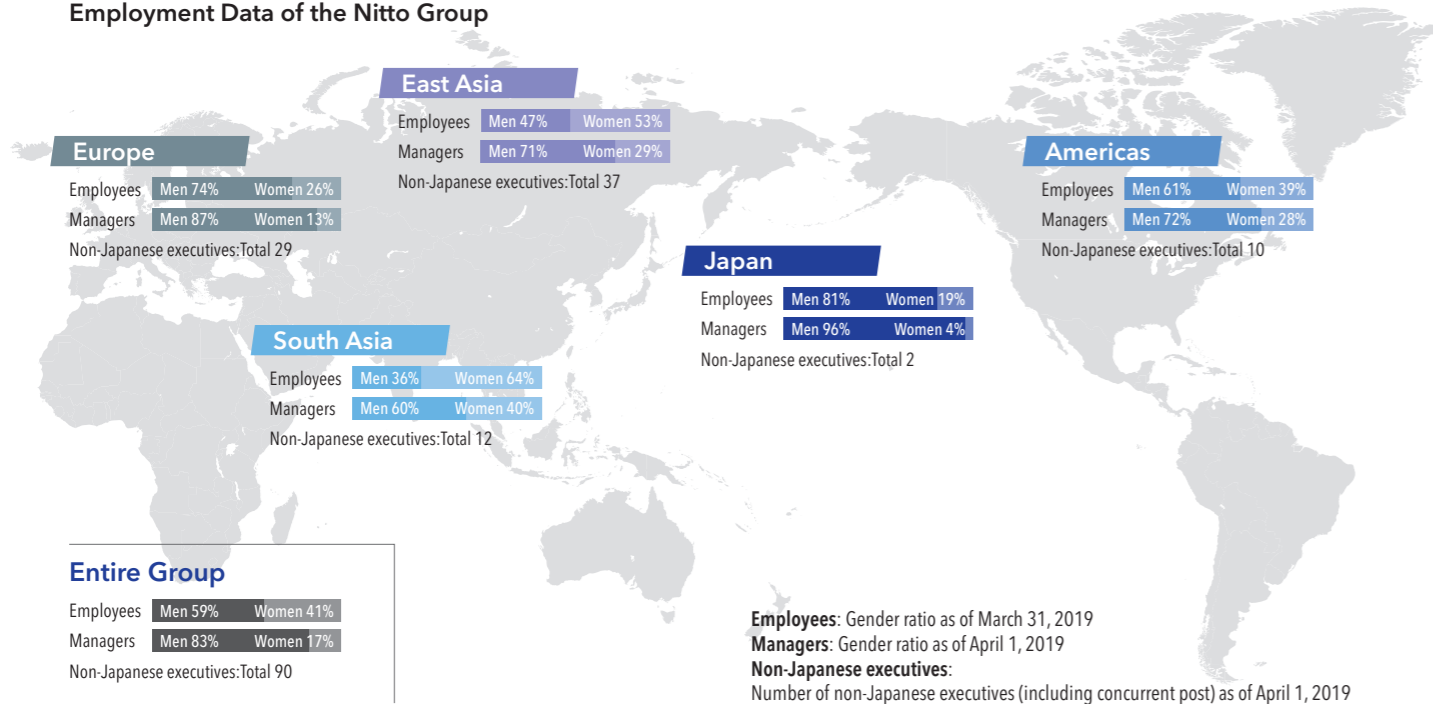
We also offer seamless support for female employees at each of their life stages, including childbirth, so that they can continue their career. Since 2002, a total of about 500 employees have taken a childcare leave and more than 90% of them returned to work. This success is derived from constantly keeping abreast with the nature of support that is needed, and continual improvements are made accordingly, all while employees that have returned to work act as role models.

Promotion of Employment of Individuals with Disabilities

Surpassing the statutory requirement of 2.2% at Nitto Denko Himawari Group companies

The Nitto Group in Japan maintained its percentage of employees with disabilities, most of whom are on the payroll of Nitto Denko Himawari Group companies established around major locations in the country, at approximately 3.0% at the end of fiscal 2018, staying true to the concept of "contributing to society by realizing a company in which independence-oriented individuals with disabilities work together with elderly individuals who understand them and take on the challenge of reaching their own limitless potentials through their work." We will remain active in employment of individuals with disabilities.

Employment Data of the Nitto Group



Product Safety/Quality

Reasons for Materiality

Offering a sense of wellbeing and satisfaction to customers through superior products and services will not only enhance our competitive advantage but help us to earn trust and strong support from stakeholders. However, failure to properly handle chemical substances, which are closely related to a sense of wellbeing, can negatively affect the human body and environment, thus posing a serious risk that could directly result in the loss of credibility and lowering of corporate value of the Group.

We at the Nitto Group consider that it is part of our corporate social responsibility to ensure that human rights are respected and employees' safety and good health are maintained throughout the value chain, while at the same time providing products and services developed with innovative ideas by anticipating changes in society and the market, always asking ourselves what the "best quality" means for customers.

Nitto Group's Approaches

The Nitto Group is making all-out efforts to ensure product safety and quality by assigning people to this task at the corporate quality division, business divisions, and Group companies. To assure quality, environment, and safety, which are essential requirements for good manufacturing, we conduct special audits to locate risks, make constant improvements, and prevent such risks from being actualized, at some 70 sites responsible for manufacturing and design work among the Nitto Group's sites in Japan, Asia, Oceania, the United States, and Europe.

Many of our plants and offices are certified for ISO 9001, IATF 16949, ISO 14001, OHSAS 18001, and other external international standards for management systems. We also have the Environment & Safety Committee manage environment and safety issues for the Group.

Enhancement of Safety and Quality of Products

At the Nitto Group, up to some 4,000 varieties of chemical substances are used. By rigorously managing such chemical substances, identifying and analyzing risks associated with products, and reducing such risks, we deliver products and services that more than satisfy our customers.

Building of an Impeccable Quality Governance System

Designing and implementing on a trial basis a quality governance diagnostic system for enhanced product quality throughout the Group's entire supply chain

Following a series of inappropriate practices by Japanese companies that involved product quality in 2017, the Nitto Group ordered all of its production sites to investigate the status of their quality management to confirm that there were no cases of legal violation. In 2018, we began the process of introducing a quality governance diagnostic system to verify whether processes, systems, and other mechanisms were functioning effectively, in order to start designing a check menu and implementing the system on a trial basis.

In fiscal 2019, we will introduce a quality governance diagnostic system at production sites one by one.

Appropriate Management of Chemical Substances

Reviewing the chemical substances management ranks and centralized information management using IT systems

Appropriate management of chemical substances is one of the most important duties of the Nitto Group. Failure to do so not only results in tangible losses, such as penalties for legal violation and recall procedure costs, but also in the loss of public trust conferred on them, which can threaten the continuity of business. Bearing this in mind, the Nitto Group voluntarily manages chemical substances by standards stricter than the applicable laws/regulations in anticipation of the future course of regulations.

In fiscal 2018, we revised the chemical substances management ranks to establish the following five ranks: "Prohibited substances," "Partially prohibited substances," "Candidates for prohibition," "Managed substances," and "Others." While ensuring legal compliance by applying this ranking system to the management of chemical substances composing raw materials or contained in products, we designed the system in a way that does not unnecessarily limit the scope of our business. We also utilized IT systems to unify data on the composition of raw materials and products and on applicable laws/regulations for centralized management.

Product Safety/Quality

Improvement of Workplace Environment

Members of the Nitto Group share the value of “placing safety before everything else” and engage in their daily business undertakings with this in mind. We believe that it is possible to achieve our goal of zero accidents and injuries if all members of the Group unite together to create workplace environments where everyone can work in good health without anxiety.

Prevention of Critical/Serious Occupational Accidents*

In fiscal 2018, we had no critical accidents, but had 12 serious accidents that might have led to critical accidents, so we are yet to reduce the number of such serious accidents to zero. Taking this situation seriously, we remain alert to such accidents day-in and day-out.

We were able to reduce accidents involving vehicles, which occurred one after another in fiscal 2017, by making it obligatory to separate pedestrian traffic from vehicular traffic within our premises, reviewing forklift specifications and operations, and carrying out a voluntary campaign to raise the awareness of traffic safety in the various countries that we operate in. In order to curb cut and drawing-in accidents which still continue to occur, we revised the Risk Assessment Guidelines and established the Nitto Life Saving Rules in fiscal 2018.

* Critical accidents: Accidents resulting in death or permanent disability
 Serious accidents: Accidents that could develop into critical accidents

Revision of the Risk Assessment Guidelines

Fiscal 2018 also saw us seeking out the hidden sources of hazards that can lead to critical/serious accidents, not just at production and manufacturing sites but other places within our premises. Based on that, we restructured the risk assessment guidelines and revised it into a shared version for the Group so that we can ensure that any such risk is assessed appropriately, reduced, and kept under control. In fiscal 2019, we will assess associated risks throughout the Group in accordance with the revised guidelines.

Establishment of the Nitto Life Saving Rules

The Nitto Group has thus far established rules as appropriate to prevent accidents and injuries. In order to ensure that our employees know what they should be aware of, we have compiled the Nitto Life Saving Rules, which feature icons that are both plain to see and easy to remember. While providing hazard perception training using virtual reality head-mounted displays,

we will foster a safety culture where all the employees of the Group follow the Nitto Life Saving Rules, so that we can eliminate accidents and injuries.

Nitto Life Saving Rules poster



Respect for Human Rights in Supply Chain

Endorsing the Universal Declaration of Human Rights, the Nitto Group has established its own Basic Policy on Human Rights. We recognize that risks associated with human rights should be dealt with by all the parties in the supply chain, rather than just within the Group.

CSR-Based Procurement with a Focus on Human Rights

Revisions of the CSR-Based Procurement Guidelines and CSR Procurement Survey

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

In fiscal 2017, we conducted the CSR Procurement Survey, which evaluated our suppliers' commitment to CSR, and introduced the CSR Procurement Supplier's Evaluation Checklist, which assessed the adequacy of new supplier candidates. In fiscal 2018, we expanded the scope of suppliers to whom the CSR Procurement Survey is sent and reviewed the CSR-Based Procurement Guidelines. The survey results did not find any supplier that could cause a “significantly negative impact” on the environment or society. In fiscal 2019, we plan to finish the revised CSR-Based Procurement Guidelines and conduct a CSR Procurement Survey, which will be revised according to the amended Guidelines.

Environment

Reasons for Materiality

Given the magnitude of impact that environmental efforts have on business management, the Nitto Group recognizes the need to address the three priorities of “reduction in CO2 emissions,” “efficient use of energy, raw materials, water, and other resources,” and “emissions-reduction of pollutants and hazardous substances” through its business activities. In particular, it has become imperative that we adapt to and mitigate climate change, as there are concerns of increasing compliance costs of relevant regulations and being forced to suspend our production due to an increase in the number of natural disasters by climate change.

While mainly tackling these challenges, we believe it also important to tap into our own experiences to bring to society solutions that contribute to environmental conservation.

Nitto Group's Approaches

As a part of the drive to integrate our management objectives with our environmental activities, environmental goals are set in accordance with the Environmental Policy. The environmental goals are drawn up by the corporate environmental division and approved by the Board of Directors or Corporate Strategy Committee Meeting after discussions by the Environment & Safety Committee which includes board members. In order to achieve the goals, environment & safety departments/sections at each operating entity take the lead in implementing environmental conservation activities in accordance with ISO 14001 with the corporate environmental division promoting and supporting such activities.

Furthermore, we are acting more proactively in this regard by introducing state-of-the-art equipment and developing environmental technology, investment in which was previously difficult.

Reduction in CO2 Emissions

The Nitto Group's key platform for tackling climate change is reduction of CO2 emissions, which are mainly attributable to energy consumption and solvent combustion at production processes. We are stepping up our environmental activities accordingly.

	FY2025 target
CO2 emissions	730,000 tons/year

Reduction in CO2 Emissions

In fiscal 2018, we promoted the use of renewable energy, in addition to the introduction of equipment and energy-conserving measures. As a result, CO2 emissions decreased by 17,058 tons from the previous year to 812,810 tons.

Installation of Energy-Conserving Equipment

Nitto's Toyohashi Plant installed the equipment for recycling used organic solvents, which had previously been combusted. They expect this to help them to reduce our CO2 emissions by 1,100 tons/year. Nitto Denko Fine Circuit Technology (Shenzhen) Co., Ltd., on the other hand, replaced its chilling unit with a high-efficiency inverter model and reviewed a control program to maximize energy efficiency of the entire heat source system. As a result, they were able to reduce 150 tons of CO2 emissions in fiscal 2018, which is expected to increase to 1,060 tons/year in fiscal 2019, when the equipment becomes fully operational.

Use of Renewable Energy

Given nearly half of the Group's CO2 emissions are attributable to electricity consumption, we are using renewable energy sources as much as possible. For example, 100% of Nitto Belgium NV's electricity consumption is from “green electricity” and Nitto Bento Bantçılık San. ve Tic. A.Ş. purchases about half of their electricity from such renewable sources. In fiscal 2018, Nitto's Toyohashi Plant began purchasing hydroelectric electricity, which emits little CO2. This should reduce CO2 emissions by 7,460 tons/year. Meanwhile, Nitto's Onomichi Plant and Tohoku Plant, Nitto Shinko Corporation, and Nitto Denko India Private Limited use solar power. Notably, the Tohoku Plant put a solar power generation facility with 100% self-consumption, one of the largest facilities with storage batteries in Japan, into full-scale operation in 2018, thereby cutting their CO2 emissions by 506 tons/year.

Environment

Working to Achieve the Target for FY2025

In order to accelerate the drive to reduce CO2 emissions, we established Group-wide standardized energy-conserving specifications for production equipment. And we will install new equipment that meet such specifications. At the same time, we will check existing equipment to see if their energy conservation performance meets these specifications so that we can take effective action based on the knowledge of how much more CO2 emissions should be reduced. With regard to sources of electricity that we use, we will consider shifting to renewable energy which emits little, or no CO2.

Through these comprehensive efforts, we aim to reduce CO2 emissions by 730,000 tons/year by 2025.

Reduction in Use of HCFCs

Reduction in Equipment Using HCFCs

Pursuant to the Montreal Protocol, the Nitto Group has successfully scrapped approximately 16% of equipment using HCFCs over the past three years. Our goal is to abolish all such equipment in Japan, Taiwan, the U.S., and Europe by the end of fiscal 2020 and in other regions by the end of fiscal 2030. At the same time, according to the Kigali Amendment, we preferentially purchase equipment using refrigerants with low global warming potential.

Efficient Use of Resources

For efficient use of resources, the Nitto Group is taking the 3R (Reduce, Reuse, and Recycle) approach. In so doing, we make it a rule to use our own products and technologies to establish their effectiveness, so that we can pitch such products and technologies to other companies.

	FY2025 target
Waste reduction	21% reduction in per unit production (vs. FY2015 levels)

Reduction / Cyclical Utilization of Waste

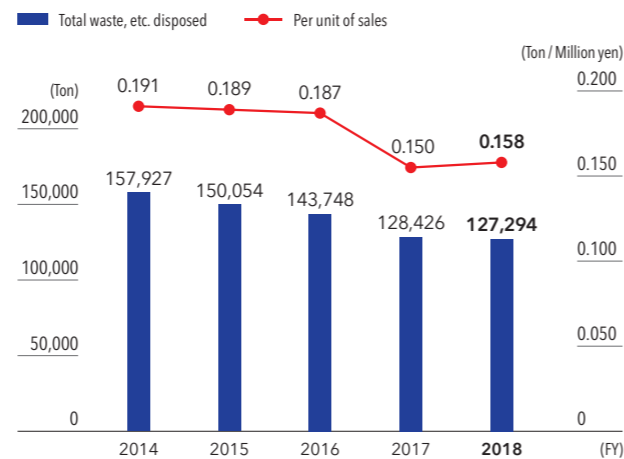
Meeting the Target Earlier by Reducing Liquid Waste

In 2016, Nitto Denko Fine Circuit Technology (Shenzhen) Co., Ltd. introduced new equipment for separating liquid waste, which accounts for a large portion of waste, to reduce 15,210 tons of waste per year.

To reduce residues generated when distilling toluene from used solvents, Nitto's Toyohashi Plant introduced in FY2018 a process where toluene is separated more finely from residues for recycling, thus successfully reducing the residues by approximately 3% per year.

As a result of these initiatives, we were able to reduce waste to 128,426 tons in fiscal 2017, meeting the 2025 target earlier than originally planned, with a further reduction by 1,132 tons to 127,294 tons in fiscal 2018. To maintain this momentum, we are in the process of setting a new long-term target.

Total Waste, Etc. Disposed



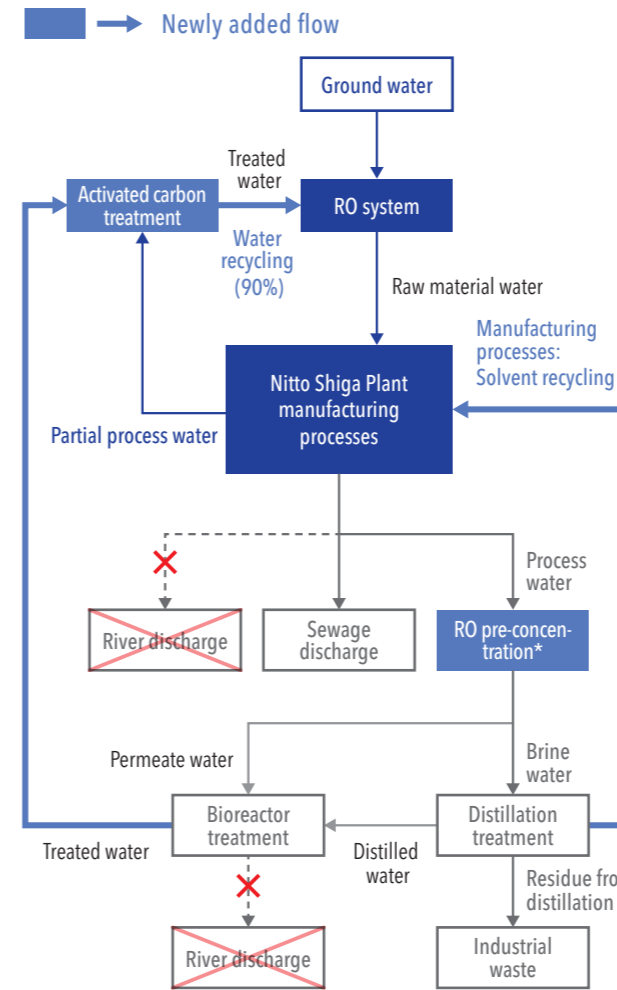
Recycling of Water Resources

Leveraging our proprietary technologies to increase the process wastewater and liquid waste recycling rate at the Shiga Plant to 90%

Given water is absolutely necessary for any production process, the Nitto Group promotes water recycling for its sustainable use.

Nitto's Shiga Plant reduces the amount of water used by recycling it through the application of our proprietary technology of ultrahigh-pressure reverse osmosis (RO) membranes for extracting impurities from wastewater, with the aim of increasing the wastewater recycling ratio to 90% by fiscal 2022. We will apply knowledge and experiences gained at the Shiga Plant to similar processes at other plants.

Water Supply and Drainage System Flow Chart (Plan)



* Anti-fouling and high-pressure resistance properties are required for RO elements

Emissions-reduction of Pollutants and Hazardous Substances

The Nitto Group is trying to minimize the environmental impact (on the surrounding / work environments) by curbing the use of hazardous substances as much as possible and, in the event that they have to be used, managing them appropriately.

Among such substances, the Nitto Group is focused on reducing emissions of toluene, which it consumes in large quantities.

	FY2020 target
Atmospheric toluene emissions (non-consolidated)	200 tons/year

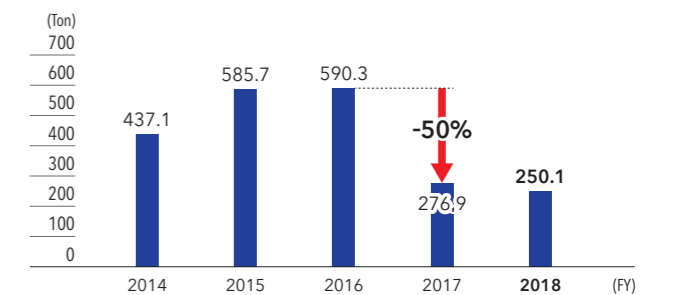
Prevention of Air/Water Pollution

Significantly reducing atmospheric toluene emissions by replacing materials/equipment

Between fiscal 2016 and 2017, the Nitto Group achieved a significant reduction of atmospheric toluene emissions (approximately 300 tons) through a combination of measures, including changeover to solvents with less environmental impact, replacement of coaters, and prevention of leakage from buildings.

Also in fiscal 2018, atmospheric toluene emissions were further reduced by introducing a series of measures, including reinforcing treatment of exhaust from toluene adhesive coaters at the Tohoku Plant, with the result that its emissions were reduced by 26.8 tons/year.

Atmospheric toluene emissions (non-consolidated)



Solvent-Free, Double-Sided Adhesive Tape Receives the Environmental Award

Nitto's solvent-free, double-sided adhesive tape received the "Excellence Award," a category of the 46th Environmental Award (co-sponsored by the National Institute for Environmental Studies, Japan and Nikkan Kogyo Shimbun, Ltd. and supported by the Ministry of the Environment of Japan). Using no toluene and other organic solvents in the manufacturing process, this human- and eco-friendly tape has found diverse applications including automobiles, home electronics, and housing materials.



Completely solvent-free double-sided adhesive tape

Directors, Auditors, and Vice Presidents



Outside Director
Tamio Fukuda

Outside Corporate Auditor
Masakazu Toyoda

Director, Senior Vice President
Yosuke Miki

Director, Senior Executive
Vice President
Toru Takeuchi

Director, Executive Vice President
Nobuhiro Todokoro

Outside Corporate Auditor
Mitsuhide Shiraki

Outside Director
Takashi Hatchoji

Outside Director
Yoichiro Furuse

Corporate Auditor
Masami Kanzaki

Representative Director, President
Hideo Takasaki

Representative Director,
Senior Executive Vice President
Toshiyuki Umehara

Corporate Auditor
Shin Tokuyasu

Outside Corporate Auditor
Masashi Teranishi

Directors, Auditors, and Vice Presidents

Board Members

Hideo Takasaki

Representative Director, President

April 1978 : Joined Nitto Denko Corporation
 June 2008 : Director, Vice President
 June 2010 : Director, Senior Vice President
 June 2011 : Director, Executive Vice President
 June 2013 : Director, Senior Executive Vice President
 April 2014 : Representative Director, President CEO, concurrently COO
 November 2016 : Representative Director, President CEO, concurrently COO, concurrently CTO
 April 2017 : Representative Director, President CEO, concurrently COO (present)

Yosuke Miki

Director, Senior Vice President

April 1993 : Joined Nitto Denko Corporation
 June 2016 : Vice President, General Manager of Information and Communication Technology Sector
 April 2017 : Vice President, Deputy CTO
 General Manager of Information and Communication Technology Sector, concurrently Deputy General Manager of Corporate Technology Sector and General Manager of New Business Development Division
 June 2017 : Director, Vice President, Deputy CTO
 General Manager of Information and Communication Technology Sector, concurrently Deputy General Manager of Corporate Technology Sector and General Manager of New Business Development Division
 June 2019 : Director, Senior Vice President, Deputy CTO
 General Manager of Information and Communication Technology Sector, concurrently Deputy General Manager of Corporate Technology Sector and General Manager of New Business Development Division (present)

Toshiyuki Umehara

Representative Director, Senior Executive Vice President

April 1984 : Joined Nitto Denko Corporation
 June 2010 : Vice President, General Manager of Optical Sector
 June 2013 : Senior Vice President
 April 2014 : Senior Vice President, General Manager of Corporate Strategy Management Division, Corporate Sector, and General Manager of Procurement Business Division
 June 2014 : Senior Vice President, CIO
 April 2015 : Senior Vice President, General Manager of Automotive Products Sector
 June 2015 : Director, Executive Vice President
 April 2017 : Director, Executive Vice President, CTO
 June 2017 : Director, Senior Executive Vice President, CTO
 April 2018 : Director, Senior Executive Vice President, CTO, concurrently CIO
 June 2019 : Representative Director, Senior Executive Vice President, CTO, concurrently CIO (present)

Yoichiro Furuse

Outside Director (Independent Director)

April 1964 : Joined Sumitomo Bank, Ltd.
 June 1989 : Director, Sumitomo Bank, Ltd.
 October 1993 : Executive Director, Sumitomo Bank, Ltd. (retired in June 1996)
 June 1996 : Senior Managing Director, Mazda Motor Corporation (retired in June 2000)
 June 2001 : Director, Sanyo Electric Co., Ltd.
 June 2002 : Representative Director and Vice President, Sanyo Electric Co., Ltd. (retired in October 2005)
 January 2006 : Representative Director, Evanston Corporation (present)
 June 2007 : Outside Director, Nitto Denko Corporation (present)
 September 2010 : Non-Executive & Independent Director, Global Logistic Properties Limited (retired in December 2017)
 July 2015 : Chairman of Japan, Permira Advisers KK (present)
 October 2015 : Director, Sushiro Global Holdings Ltd. (retired in December 2016)
 March 2016 : Outside Director, Nasta Co., Ltd. (present)
 January 2018 : Consultant, GLP Pte. Ltd. (present)

Toru Takeuchi

Director, Senior Executive Vice President

April 1981 : Joined Nitto Denko Corporation
 June 2010 : Vice President, General Manager of Corporate Accounting Division, Corporate Sector
 June 2011 : Director, Vice President, CFO
 June 2014 : Director, Senior Vice President, CFO
 June 2015 : Director, Executive Vice President, CFO
 June 2018 : Director, Senior Executive Vice President, CFO (present)

Takashi Hatchoji

Outside Director (Independent Director)

April 1970 : Joined Hitachi, Ltd.
 June 2003 : 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 : President and Representative Director, Hitachi Research Institute (retired in March 2009)
 April 2009 : Representative Executive Officer, Executive Vice President, and Executive Officer, Hitachi, Ltd. (retired in March 2011)
 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 (present)
 June 2017 : Outside Director, Konica Minolta, Inc. (present)

Nobuhiro Todokoro

Director, Executive Vice President

April 1989 : Joined Nitto Denko Corporation
 June 2015 : Vice President, General Manager of Information Fine Materials Unit, Information Fine Materials Sector
 April 2017 : Vice President, General Manager of Information Fine Materials Sector
 June 2017 : Director, Senior Vice President, General Manager of Information Fine Materials Sector
 June 2019 : Director, Executive Vice President (present)

Tamio Fukuda

Outside Director (Independent Director)

April 1989 : Design Advisor, Samsung Electronics Co., Ltd., South Korea (retired in September 1999)
 October 1999 : Professor, Graduate School of Science and Technology, Kyoto Institute of Technology
 April 2013 : Professor Emeritus, Kyoto Institute of Technology (present)
 June 2018 : Outside Director, Nitto Denko Corporation (present)

Audit & Supervisory Board Members

Masami Kanzaki

Corporate Auditor

April 1978 : Joined Nitto Denko Corporation
 June 2008 : Vice President, Representative Director of Nitto Shinko Corporation
 June 2009 : Vice President, Deputy General Manager of Sales Sector, Manager of Tokyo Sales Branch
 April 2010 : Vice President, CIO
 June 2011 : Senior Vice President, CIO
 June 2013 : Executive Vice President, CIO
 June 2014 : Executive Vice President, General Manager of Sales Management Sector
 June 2015 : Corporate Auditor (full-time service) (present)

Shin Tokuyasu

Corporate Auditor

April 1985 : Joined Nitto Denko Corporation
 July 2005 : General Manager of Accounting Department, Optical Division
 October 2009 : 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 Monitoring Department
 February 2014 : General Manager of Accounting & Finance Department, Corporate Accounting Division, Corporate Sector, concurrently General Manager of Business Management Division, Information Fine Materials Unit
 April 2014 : Deputy General Manager of Corporate Accounting & Finance Division, Corporate Sector
 April 2015 : Deputy General Manager of Corporate Accounting Division, Corporate Sector, concurrently General Manager of Accounting Department, Business Management Division, Automotive Products Sector
 April 2016 : Representative Director, Nitto Automotive, Inc.
 June 2017 : Vice President, 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 service) (present)

Masashi Teranishi

Outside Corporate Auditor

April 1969 : Joined The Sanwa Bank, Ltd.
 January 2002 : President and Representative Director, UFJ Bank Limited
 June 2002 : Director, UFJ Holdings, Inc. (retired in June 2004)
 May 2004 : Representative Director, UFJ Bank Limited (retired in May 2004)
 July 2004 : Honorary Advisor, UFJ Bank Limited
 January 2006 : Honorary Advisor, The Bank of Tokyo-Mitsubishi UFJ, Ltd. (present)
 June 2008 : Outside Corporate Auditor, Nitto Denko Corporation (present)
 June 2011 : Outside Director, Tsukushima Kikai Co., Ltd. (retired in June 2018)

Masakazu Toyoda

Outside Corporate Auditor

April 1973 : Joined the Ministry of International Trade and Industry of Japan (currently the Ministry of Economy, Trade and Industry [METI] of Japan)
 August 2003 : Director-General, Commerce and Information Policy Bureau, METI
 July 2006 : Director-General, Trade Policy Bureau, METI
 July 2007 : Vice-Minister for International Affairs, METI (retired in July 2008)
 August 2008 : Secretary General of the Cabinet Secretariat's Strategic Headquarters for Space Policy (retired in August 2010)
 November 2008 : Special Advisor to the Cabinet Secretariat (retired in August 2010)
 June 2010 : Outside Statutory Auditor, Murata Manufacturing Co., Ltd. (retired in June 2016)
 July 2010 : Chairman & CEO, The Institute of Energy Economics, Japan (present)
 June 2011 : Outside Corporate Auditor, Nitto Denko Corporation (present)
 March 2015 : Outside Director, Canon Electronics Inc. (present)
 June 2016 : Outside Director, Murata Manufacturing Co., Ltd. (retired in June 2018)
 June 2018 : Outside Director, Nissan Motor Co., Ltd. (present)

Mitsuhide Shiraki

Outside Corporate Auditor

April 1990 : Professor, Faculty of Political Science and Economics, Kokushikan University
 April 1999 : Professor, School of Political Science and Economics, Waseda University
 April 2005 : Professor, Faculty of Political Science and Economics, Waseda University (present)
 October 2009 : Vice President, Japan Academy of International Business Studies
 June 2012 : Outside Corporate Auditor, Nitto Denko Corporation (present)
 October 2012 : Permanent Director, Japan Academy of International Business Studies
 August 2013 : President, Japan Society of Human Resource Management (retired in August 2015)
 October 2015 : Chairperson, Japan Academy of International Business Studies (present)

Directors, Auditors, and Vice Presidents

Vice Presidents

Name	Positions	Responsibilities
Hideo Takasaki	Representative Director, President CEO, concurrently COO Chairperson, Internal Control Committee	Management in general
Toshihiko Omote	Senior Executive Vice President Senior Chief Engineer	Special assignments
Michio Yoshimoto	Senior Executive Vice President General Manager, Legal and Corporate Affairs Division General Manager, Export Control Center	Legal and corporate affairs Export control
Toshiyuki Umehara	Representative Director, Senior Executive Vice President CTO, concurrently CIO General Manager, Corporate Technology Sector Chairperson, Information Security Committee	Corporate technology, information fine materials business, medical business, membrane business, IT, procurement, logistics, human resources & training, and business reform
Toru Takeuchi	Director, Senior Executive Vice President CFO Chairperson, J-SOX Committee and Chairperson, Timely Disclosure Committee	Accounting & finance and compliance
Yasushi Nakahira	Executive Vice President General Manager, Quality, Environment & Safety Management Sector Chairperson, Environment & Safety Committee	Quality, environment & safety
Yukihiro Iizuka	Executive Vice President President, Nitto, Inc.	Management of North and South American regions
Nobuhiro Todokoro	Director, Executive Vice President	Functional base products business
Yasuhito Ohwaki	Senior Vice President CPO	Procurement
Sam Strijckmans	Senior Vice President Deputy General Manager, Corporate Accounting & Finance Division President & CEO, Nitto EMEA NV	Management of European region Global finance & auditing
Jun Yamashita	Senior Vice President Director, Nitto Denko (Singapore) Pte. Ltd.	Management of South Asian region
Toshihiko Takayanagi	Senior Vice President General Manager, Sales Management Sector and Tokyo Sales Branch	Sales management & sales support
Kazuki Tsuchimoto	Senior Vice President Deputy CTO Deputy General Manager, Corporate Technology Sector and General Manager, Manufacturing Technology Division	Corporate technology (manufacturing engineering and process technology)
Yosuke Miki	Director, Senior Vice President Deputy CTO General Manager, Information and Communication Technology Sector, concurrently Deputy General Manager, Corporate Technology Sector and General Manager, New Business Development Division	ICT business, transportation business, and corporate technology (new technology)
Hiroshi Fukuhara	Vice President General Manager, Human Resources Management Division	Human resources & training Management of offices/plants
Seiji Fujioka	Vice President General Manager, Medical Division	Medical business
Atsushi Ukon	Vice President President, Nissho Corporation	Management of business companies
Bae-Won Lee	Vice President President, Korea Nitto Optical Co., Ltd.	Information fine materials business
Yasuhiro Iseyama	Vice President General Manager, Corporate Accounting & Finance Division	Accounting & finance
Norio Sato	Vice President General Manager, Functional Base Products Sector	Functional base products business
Katsuyoshi Jo	Vice President Chairman/President, Nitto Denko (China) Investment Co., Ltd.	Management of East Asian region
Tatsuya Osuka	Vice President General Manager, Corporate Sustainability Division Chairperson, CSR Committee	Compliance
Mehrdad Tabrizi	Vice President General Manager, Nucleic Acid Medicine Business Division, Corporate Technology Sector Chairman, Nitto Denko Technical Corporation	Corporate technology (nucleic acid medicines)
Tatsuya Akagi	Vice President General Manager, Information Fine Materials Sector	Information fine materials business
Kenjiro Asuma	Vice President General Manager, Corporate Strategy Management Division	Corporate strategy

Corporate Governance

Our Basic Views on Corporate Governance

We at the Nitto Group make clear our fundamental values and sense of purpose with respect to performance of business in the form of our "Corporate Philosophy." We have also established guidelines (the "Nitto Group Business Conduct Guidelines") for concrete behavior based on this business principle, and spare no effort to make them universally known to our officers and employees.

In order to maximize our corporate value and achieve continuous growth under this "Corporate Philosophy," we believe that prompt and transparent decision making, as well as bold managerial decisions, are necessary. Fully aware of the importance of establishing corporate governance to achieve such decision making, we will not only ensure the effectiveness of our corporate governance system, but also further improve the

system by establishing the "Corporate Governance Guidelines" in accordance with the following basic principles:

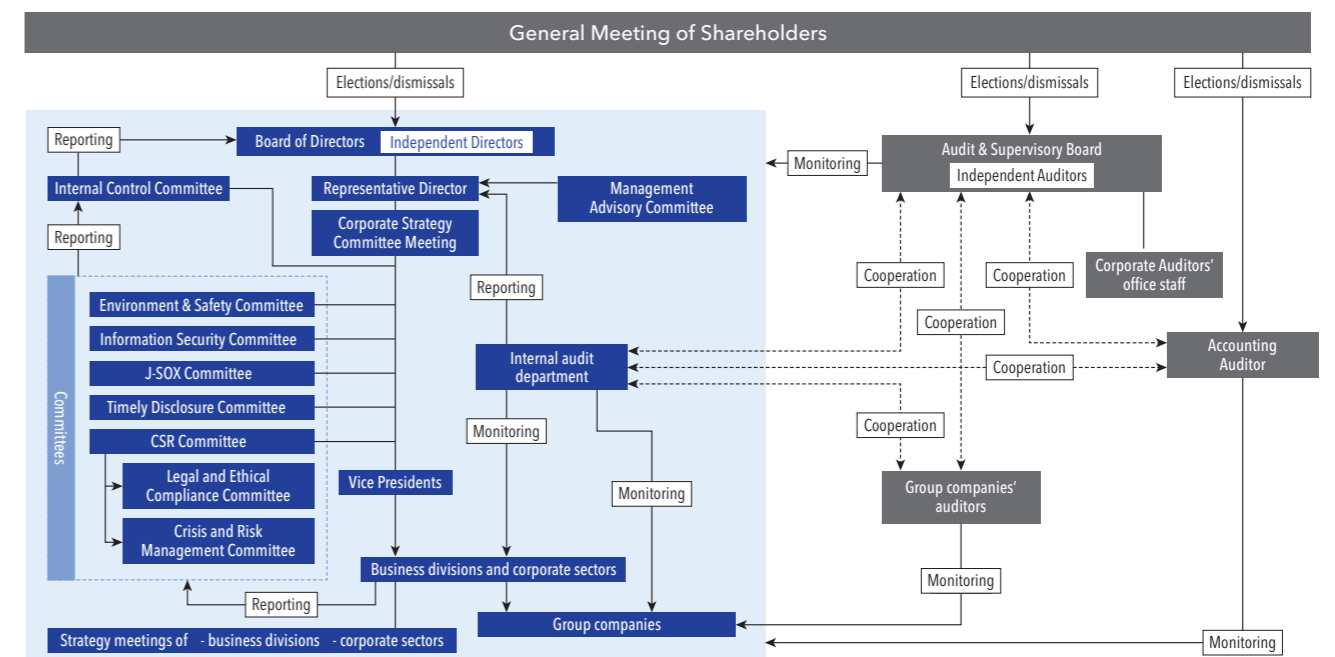
1. We ensure the rights and equality of our shareholders.
2. We collaborate with our stakeholders appropriately.
3. We disclose information appropriately to ensure transparency.
4. We aim to realize the management functions expected of us by our stakeholders.
5. We engage in constructive dialogue with our shareholders.

Overview of the Corporate Governance System

In accordance with the provisions of Article 362 of the Companies Act and Article 100 of the Regulation for Enforcement of the Companies Act, we have established the Basic Policies

Related to Internal Controls and execute operations under the corporate governance system below.

Corporate Governance System



Corporate Governance

Policies and Procedures for Electing and Dismissing Members of the Board of Directors and Board of Corporate Auditors

■ Appropriate Structure of the Board of Directors and Board of Corporate Auditors

Given the current scale of business, the need to facilitate substantial discussions at the Board of Directors meetings and Board of Corporate Auditors meetings and to ensure an appropriate number of outside directors, etc., we believe that the appropriate size of the Board of Directors is not more than ten (10) directors (two (2) or more of whom are independent directors). Accordingly, the upper limit of the members of the Board of Directors is set at ten (10) in the Articles of Incorporation. We also believe that the appropriate size of the Board of Corporate Auditors is not more than five (5) members (half or more of whom are independent auditors), comprised of individuals with appropriate experience and ability, as well as necessary knowledge in finance, accounting, and legal affairs, with at least one (1) member who has sufficient expertise in finance and accounting. Accordingly, an upper limit of the members of the Board of Corporate Auditors is set at five (5) in the Articles of Incorporation.

■ Appointment and Dismissal of the Members of the Board of Directors and Board of Corporate Auditors

The Officer Appointment Standards and Officer Dismissal Standards have been established as follows and are applied when appointing or dismissing a director or corporate auditor. In order to further enhance transparency and fairness in appointment and dismissal of directors, the Management, Nomination and Remuneration Advisory Committee meets and reports the results of its deliberations to the Board of Directors, and the Board of Directors makes the final decision by taking said report into account.

<Officer Appointment Standards>

In addition to the basic requirements of having profound insights and high levels of expertise acquired from past experience, successful candidates should comprehend and live up to our Corporate Philosophy, deliver results, and continue to take on new challenges.

(At Nitto, those meeting such requirements are referred to as "Nitto Persons.")

<Officer Dismissal Standards>

1. An act was committed that was contrary to public order and morality;
2. A violation of the laws and ordinances, the Articles of Incorporation, or any other regulations of the Group was committed, and Nitto suffered a substantial loss or hindrance to Group business operations due to such violation;
3. A material inconvenience was caused to the execution of the duties of an officer; or
4. Any of the quality requirements set forth in the Officer Appointment Standards is no longer satisfied.

■ Nomination of Outside Directors and Outside Corporate Auditors

In addition to the Officer Appointment Standards, the Independent Officer Appointment Standards have been established in order to nominate outside directors and outside corporate auditors, and individuals who are considered to meet these Standards are nominated as such. In order for outside directors and outside corporate auditors to allocate the time and labor required to properly fulfill their roles and responsibilities at Nitto, due attention is paid to ensure that the status of their concurrent positions as officers and other positions at other companies is appropriate.

<Criteria for Independent Outside Directors and Outside Corporate Auditors>

In an effort to ensure the objectivity and transparency of corporate governance, Nitto has set forth the criteria for the independence of outside directors and outside corporate auditors (hereinafter collectively referred to as "Outside Officer(s)"), as seen below.

Nitto considers an Outside Officer or a candidate thereof to have independence if, after conducting an in-house investigation to the utmost reasonable extent, it is deemed that none of the following items is applicable to the Outside Officer or the candidate thereof:

1. An individual who is, or has been an executing person (director, corporate auditor, vice president, or any other employee) of the Company or its Group companies (hereinafter collectively referred to as the "Nitto Group") during the past ten (10) years;
2. An individual who is an important executing person (director, corporate auditor, accounting advisor, executive officer, vice president, or any other important employee; the same applies hereinafter) of a major shareholder of the Company (a shareholder holding ten (10) percent or more of the voting rights of the Company; the same applies hereinafter);
3. An individual who is an important executing person of a company of which the Company is a major shareholder;
4. An individual who is an important executing person of a major counterparty of the Company (for which the amount of payment or receipt for transactions with the Company for the latest fiscal year exceeds two (2) percent of consolidated gross sales);
5. An individual who is an important executing person of a major creditor of the Company (to which the Group's aggregate amount of loans payable at the end of the latest fiscal year exceeds two (2) percent of consolidated total assets);
6. A legal professional, accounting and tax professional, consultant, or research and education specialist who receives a large amount of compensation or donations (for the latest fiscal year, ten (10) million yen or more in the case of an individual and more than two (2) percent of consolidated gross sales in the case of a corporation or an organization) from the Company;
7. An individual who has kinship (being a relative within the third degree of kinship or a relative living together) with any executing person of the Nitto Group;
8. An individual to whom any of the items 2. through 7. above has been applicable within the past five years; and
9. In addition to the above, an individual who has any interest that could be reasonably considered to give rise to any doubt about independence as an independent officer and so risk a conflict of interest with shareholders of the Company.

Policy Related to Remuneration of Directors

At Nitto, directors (excluding outside directors) receive four types of remuneration as described below:

- Fixed compensation in cash;
- Bonus for directors linked to short-term performance;
- Performance-linked share-based remuneration as a form of mid-term performance-linked remuneration (to be provided within the scope of zero percent to 150 percent in accordance with achievement of numerical targets determined by the Company's Board of Directors based on performance targets laid out in the Mid-Term Management Plan and other indicators); and
- Restricted share remuneration as a form of mid- and long-term performance-linked remuneration.

The above types of remuneration are paid for the purpose of motivating directors to contribute to mid- and long-term performance improvement and continual enhancement of corporate value, and by taking into account the balance between fixed and variable remunerations and between compensation in

cash and share remuneration. Each type of remuneration is determined within the range of the total amount (and number of shares issued) that has been approved at a general meeting of shareholders.

In order to enhance the objectivity and transparency of such remuneration, the amount of performance-linked share-based remuneration is calculated by using the prescribed formula and the amount of other remunerations to each director is determined by the representative director(s) in accordance with their duties, responsibilities, and performance, after hearing the views of the Management, Nomination and Remuneration Advisory Committee on remuneration of directors.

Given their roles of overseeing management through important decision making at the Board of Directors meetings, remuneration to Nitto's outside directors does not include any share-based or other performance-linked portions, and instead is comprised solely of fixed compensation in cash.

Remuneration of Directors and Corporate Auditors

	Fixed compensation	Short-term performance-linked compensation	Mid-term performance-linked compensation	Mid- and long-term performance-linked compensation
Full-time (corporate) Directors	Compensation in cash By-position fixed monthly compensation The upper limit of the total amount: 30 million yen/month (3 million yen/month of which is for Outside Directors)	Bonus for Directors The upper limit of the total amount to be approved at a general meeting of shareholders each year	Performance-linked share-based remuneration Shares to be provided in a number within the range of 0% to 150% of the standard number of shares in accordance with the achievement of numerical targets for three business terms The upper limit of the total amount and number of shares: 364 million yen/year 48,400 shares/year	Restricted share remuneration Shares whose transfer is restricted until retirement to be provided in lieu of retirement benefits The upper limit of the total amount and number of shares: 243 million yen/year 32,000 shares/year
Outside Directors	—			

Policy Related to Remuneration of Corporate Auditors

In light of their duties, such as auditing the execution of the duties by directors, Nitto's corporate auditors receive compensation in cash (fixed) only, without any elements of equity-related or other performance-based remuneration. Such remuneration is determined within the range of the total amount approved at general meetings of shareholders.

Remuneration of individual corporate auditors is determined through consultation among themselves in accordance with the duties and responsibilities of each corporate auditor.

Analysis, Evaluation, and Disclosure of the Findings of the Nitto Board Effectiveness

Nitto collects questionnaires from each director and corporate auditor to analyze and evaluate effectiveness of its Board of Directors.

Please visit our corporate website (<https://www.nitto.com/us/en/others/ir/library/disclosure/file/190329.pdf>) for the findings of the FY2018 effectiveness evaluation.

("Findings of the Nitto Board Effectiveness Evaluation," dated March 29, 2019)

Risk Management

Risk Management System

The Nitto Group has established the Internal Control Committee and other expert committees in order to manage various risks for the entire Group in such areas as the environment, safety, information security, compliance, and quality irregularities. In fiscal 2019, we are reviewing what we have been doing in this regard to build an infallible risk management system.

Initiatives to Raise the Level of Risk Management

The Nitto Group distributes questionnaires on business risks to over 2,000 management-level employees every year. The purpose of this survey is to determine risks that concern the entire Group and those specific to individual businesses and regions, as well as to enhance the level of each management-level employee's risk awareness. Based on the survey responses, we determine what actions are being taken to manage risks at each workplace and discuss any other necessary actions at CSR workshops for management-level employees, and then implement at each workplace the actions thus agreed upon, thereby helping each site and Group company to enhance their risk management.

Preparedness for Accidents and Disasters

The Nitto Group deals in intermediate materials, which are supplied to a broad range of industries. We are keenly aware that suspension of our business activities can have a major impact on our customers, as well as the societies we serve. Such being the case, we have drawn up the four basic policies of "respect for human life," "prevention of secondary disasters," "responsibility for supplying products," and "supporting the local community," so that we can continue with our business activities even in case an incident or disaster occurs.

We at the Nitto Group recognize the importance of a prompt initial response for "disaster mitigation (minimizing damage caused by disasters)" and "quick recovery." With this in mind, we

test our emergency systems and provide training regularly. At a time of emergency, we have a system in place that allows us to actively continue with business by promptly setting up a "Nitto Group Disaster Response Headquarters" which are chaired by the CEO of Nitto and an "On-site Disaster Response Headquarters."

In fiscal 2018, Japan was hit by numerous natural disasters, which made us keenly aware of the importance of a Business Continuity Plan (BCP). Learning from this experience, in fiscal 2018 we revised business continuity manual and conducted drills with hazards (risk factors) specific to each site in mind. In fiscal 2019, we will work to enhance our preparedness against accidents and disasters.

Protection of Intellectual Property Rights

Under the following policies, every year the Nitto Group files approximately 2,000 patent applications globally to obtain intellectual property rights for the protection of our products and businesses:

- ① To obtain high quality intellectual property rights
- ② To claim intellectual property rights properly
- ③ To respect others' intellectual property rights

We not only maintain product quality to ensure that our customers can use Nitto products safely without any concern but also work hard to eliminate counterfeit products.

Information Security

For the Nitto Group, information systems play vital roles in every aspect of our business activities. Information systems become increasingly complicated and advanced each passing year and are often a target of cyberterrorism, and we recognize information security poses a serious risk for the Nitto Group. Accordingly, we have established the Basic Information Security Policy and set up an Information Security Committee, which is chaired by the Chief Information Officer (CIO) and consists of members appointed by each technical section and operating entity.

In fiscal 2018, we monitored sites and Group companies that reported a less than satisfactory self-evaluation rating in information security management, in a bid to raise the Group's overall level of information security management.

Compliance

Compliance Promotion System

The Nitto Group takes a strong stance to ensure that each and every one of our members engages in compliance and never overlooks even the smallest doubt that has been reported or otherwise brought to attention.

We have increased our efforts in this regard by establishing a "Legal and Ethical Compliance Committee" chaired by the CSR Committee Chairman to keep an eye on 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 properly addressed. In addition, we

distribute the "Nitto Group Business Conduct Guidelines," which are available in 16 different languages, to all of our employees who have different backgrounds of culture, customs, and nationalities, and oblige all of them to receive training on the Guidelines as part of our new employee orientation.



Whistle-Blowing System

(Internal and Partner Hotlines)

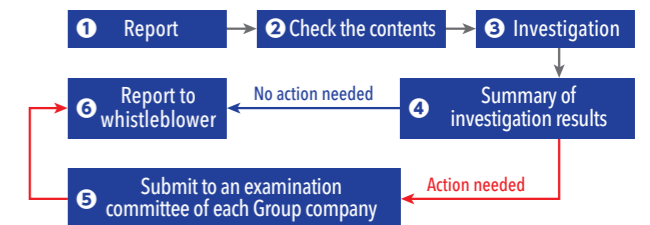
To facilitate early detection of legal violations and ethical issues and ensure instantaneous action against them, we have maintained a whistle-blowing system that allows employees to directly contact our CSR department. Contact information is provided in the Nitto Group Business Conduct Guidelines. All employees of the Group may avail themselves of this service if they find it difficult to consult with their superiors or the relevant departments at their respective Group companies. We also maintain independent reporting systems in countries and regions in order to protect whistle-blowers and respond to their reports appropriately.

Also available is the Partner Hotline, which our business partners may use to seek consultation on cases of noncompliance or suspected noncompliance involving transactions with the Nitto Group.

In fiscal 2018, there were no issues concerning duty of disclosure under the Commercial Code of Japan. However, we did

receive 28 reports concerning labor disputes, human rights violations, and dishonesty through this system. We have settled these issues after carefully interviewing the parties involved, while also ensuring the protection of all whistle-blowers.

Whistle-Blowing Processing Flow



Recurrence Prevention of Labor / Human Rights Issues

Should a report be made that concerns labor and human rights within the Group, not only those involved but also everyone at the workplace is given guidance and training. In fiscal 2018, an awareness questionnaire and training were given at a total of six sites and Group companies where such reports were made in order to ensure that similar issues do not recur by fostering awareness of everyone at the workplace.

Deepening Our Understanding of Compliance

By including compliance as one of the topics for CSR workshops for directors and management-level employees, we encourage participants not to stop at merely practicing compliance, but also to play an active role in monitoring and preventing injustice. In fiscal 2018, a total of 144 workshops were held in 20 countries, during which 2,351 attendees deepened their understanding of such topics as "institutionalized fraudulence" and "harassment" through case studies and group discussions.

Also, we ask our business partners to thoroughly observe compliance in the CSR-Based Procurement Guidelines. We monitor the status of their compliance by way of CSR Procurement Surveys and CSR Procurement Supplier's Evaluation Checklists.

Business Results: 10-Year Summary

		Japanese GAAP				
		Yen in Millions				
		2009	2010	2011	2012	2013
Statement of income						
Revenue		601,859	638,556	607,639	671,253	749,835
Operating income		56,086	85,245	56,491	68,482	72,254
ratio to revenue		9.3%	13.3%	9.3%	10.2%	9.6%
Ordinary income		58,833	85,143	58,436	67,182	71,658
ratio to revenue		9.8%	13.3%	9.6%	10.0%	9.6%
Net income attributable to owners of the parent company		37,570	55,743	31,066	43,696	51,018
ratio to revenue		6.2%	8.7%	5.1%	6.5%	6.8%
Segment information by geographic area						
Japan	Revenue	203,982	218,528	194,636	192,600	186,320
	Operating income	34,897	64,376	39,571	44,338	43,263
Americas	Revenue	37,766	36,116	35,739	40,014	52,085
	Operating income	2,012	-289	-1,363	1,768	1,198
Europe	Revenue	26,933	23,245	21,189	31,057	38,834
	Operating income	1,147	1,471	480	898	3,104
Asia & Oceania	Revenue	333,177	360,665	356,074	411,942	472,594
	Operating income	17,952	19,032	15,514	20,258	22,158
Per share information						
Equity attributable to owners of the parent company per share		2,320.9	2,540.3	2,635.9	2,961.9	3,172.0
Basic earnings per share		225.5	337.4	188.9	265.5	309.3
Dividends per share		40	90	100	100	100
Shares outstanding (thousands of shares)		173,758	173,758	173,758	173,758	173,758
Number of shareholders (people)		66,032	59,059	65,321	49,234	55,009
Balance Sheet						
		Yen in Millions				
Total assets		624,992	653,961	651,908	740,949	781,352
Equity attributable to owners of the parent company		386,664	417,606	433,541	488,179	523,391
Ratio of profit attributable to owners of the parent company to total assets (ROA)		6.4%	8.7%	4.8%	6.3%	6.7%
Return on equity attributable to owners of the parent company (ROE)		10.1%	13.9%	7.3%	9.5%	10.1%
Ratio of equity attributable to owners of the parent company to total assets		61.9%	63.9%	66.5%	65.9%	67.0%
Capital investment (completed contract method)		37,147	26,883	33,758	49,807	75,814
Depreciation expense		44,810	39,940	36,806	36,467	43,188
R&D expenses		20,876	21,949	25,003	27,573	28,573
Number of employees (Note 1) (people)		31,288	33,192	32,198	30,382	31,504

<Note>

1. Part-time employees are included.

2. The exchange rate used was JPY110.57 to USD1.00, which was the rate as at March 31, 2019.

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 prior one 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.

		IFRS					IFRS
		Yen in Millions					U.S. dollars in Thousands (Note 2)
		2013	2014	2015	2016	2017	2018
Statement of income							
Revenue		749,504	825,243	793,054	767,710	857,376	806,495
Operating income		72,503	106,734	102,397	92,589	125,722	92,777
ratio to revenue		9.7%	12.9%	12.9%	12.1%	14.7%	11.5%
Ordinary income		-	-	-	-	-	-
ratio to revenue		-	-	-	-	-	-
Net income attributable to owners of the parent company		51,892	77,876	81,683	63,453	87,377	66,560
ratio to revenue		6.9%	9.4%	10.3%	8.3%	10.2%	8.3%
Segment information by geographic area							
Japan	Revenue	185,990	189,779	180,987	186,979	200,556	194,087
	Operating income	44,112	70,322	60,793	51,979	75,982	53,545
Americas	Revenue	52,085	59,451	75,344	80,123	82,568	75,967
	Operating income	1,373	-1,725	12,241	16,570	12,225	7,928
Europe	Revenue	38,834	43,041	42,750	40,521	45,578	45,683
	Operating income	3,025	2,729	3,081	3,727	4,218	3,071
Asia & Oceania	Revenue	472,594	532,971	493,972	460,085	528,672	490,757
	Operating income	23,874	36,573	24,410	22,905	32,793	26,065
Per share information							
Equity attributable to owners of the parent company per share		3,159.9	3,706.0	3,785.9	4,027.6	4,328.5	4,465.7
Basic earnings per share		314.6	471.8	495.2	390.9	539.0	423.5
Dividends per share		100	120	140	150	160	180
Shares outstanding (thousands of shares)		173,758	173,758	173,758	173,758	173,758	158,758
Number of shareholders (people)		55,009	35,014	37,694	29,742	35,847	37,684
Balance Sheet							
		Yen in Millions					U.S. dollars in Thousands
Total assets		783,583	855,433	825,905	879,899	937,796	913,418
Equity attributable to owners of the parent company		521,385	612,016	614,425	653,772	693,278	700,443
Ratio of profit attributable to owners of the parent company to total assets (ROA)		6.8%	9.5%	9.7%	7.4%	9.6%	7.2%
Return on equity attributable to owners of the parent company (ROE)		10.5%	13.7%	13.3%	10.0%	13.0%	9.6%
Ratio of equity attributable to owners of the parent company to total assets		66.5%	71.5%	74.4%	74.3%	73.9%	76.7%
Capital investment (completed contract method)		75,814	56,721	60,420	36,538	47,193	64,353
Depreciation expense		43,223	45,662	48,537	48,556	49,283	45,904
R&D expenses		28,444	28,240	32,120	30,366	31,243	31,990
Number of employees (Note 1) (people)		31,504	31,997	30,007	29,617	29,704	29,019

5. From fiscal 2018, "royalty income," which was previously included in "other income" on the consolidated statements of income, is included in "revenue." Accordingly, the above numbers for fiscal 2017 have been reclassified to reflect the change.

6. The above 10-year Summary is presented based on the International Financial Reporting Standards (IFRS). The term based on the Japanese standard for "Revenue" is "Net sales," "Net income attributable to owners of the parent company" is "Net income," "Equity attributable to owners of the parent company per share" is "Net assets per share," "Basic earnings per share" is "Net income per share," "Equity attributable to owners of the parent company" is "Equity," "Ratio of profit attributable to owners of the parent company to total assets" is "Return on assets," "Return on equity attributable to owners of the parent company" is "Return on equity" and "Ratio of equity attributable to owners of the parent company to total assets" is "Equity to total assets."

Financial News

Consolidated Statements of Financial Position

Yen in Millions		Yen in Millions		
	Amount		Amount	
	As of March 31, 2019	As of March 31, 2018 (Reference)	As of March 31, 2019	As of March 31, 2018 (Reference)
(Assets)			(Liabilities)	
Current assets	581,536	622,027	Current liabilities	158,478 187,436
Cash and cash equivalents	297,682	304,709	Trade and other payables	96,887 110,114
Trade and other receivables	169,768	192,120	Bonds and borrowings	448 4,049
Inventories	93,985	95,068	Income tax payables	5,073 19,270
Other financial assets	412	8,815	Other financial liabilities	21,609 13,362
Other current assets	19,687	15,398	Other current liabilities	34,458 40,379
Subtotal	581,536	616,112	Subtotal	158,478 187,175
Assets held for sale	—	5,914	Liabilities directly associated with assets classified as held for sale	— 260
Non-current assets	331,882	315,768	Non-current liabilities	53,752 56,364
Property, plant and equipment	267,133	248,417	Other financial liabilities	503 1,183
Goodwill	6,834	6,927	Defined benefit liabilities	50,320 46,227
Intangible assets	12,393	12,355	Deferred tax liabilities	619 612
Investments accounted for using equity method	194	338	Other non-current liabilities	2,309 8,339
Financial assets	8,428	9,361	Total liabilities	212,231 243,800
Deferred tax assets	26,548	28,295	(Equity)	
Other non-current assets	10,349	10,073	Equity attributable to owners of the parent company	700,443 693,278
Total assets	913,418	937,796	Share capital	26,783 26,783
			Capital surplus	50,319 55,981
			Retained earnings	622,025 665,561
			Treasury stock	-11,081 -69,867
			Other components of equity	12,395 14,819
			Non-controlling interests	744 716
			Total equity	701,187 693,995
			Total liabilities and equity	913,418 937,796

Consolidated Statements of Changes in Equity

Yen in Millions		Yen in Millions		
	April 1, 2018 - March 31, 2019		April 1, 2018 - March 31, 2018	
	Share capital	Capital surplus	Retained earnings	Treasury stock
Balance at the beginning of current year	26,783	55,981	665,561	-69,867
Cumulative effects of changes in accounting policies	—	—	430	—
Adjusted balance as of April 1, 2018	26,783	55,981	665,992	-69,867
Net income	—	—	66,560	—
Other comprehensive income	—	—	—	-4,550
Total comprehensive income	—	—	66,560	-4,550
Share-based payment transactions	—	54	—	-48
Dividends	—	—	-26,928	—
Changes in treasury stock	—	-5,716	-81,423	58,786
Transfers from other components of equity to retained earnings	—	—	-2,176	2,176
Total transactions with owners	—	-5,661	-110,527	58,786
Balance at the end of current year	26,783	50,319	622,025	-11,081

Consolidated Statements of Income

Yen in Millions		Yen in Millions	
	Amount		
	April 1, 2018 - March 31, 2019	April 1, 2017 - March 31, 2018 (Reference)	
Revenue	806,495	857,376	
Cost of sales	564,608	574,879	
Gross profit	241,886	282,497	
Selling, general and administrative expenses	120,576	118,421	
Research and development expenses	31,990	31,243	
Other income	8,594	4,594	
Other expenses	5,137	11,703	
Operating income	92,777	125,722	
Financial income	1,195	1,185	
Financial expenses	1,917	752	
Equity in profits (losses) of affiliates	-144	12	
Income before income taxes	91,910	126,168	
Income tax expenses	25,293	38,704	
Net income	66,616	87,463	
Net income attributable to:			
Owners of the parent company	66,560	87,377	
Non-controlling interests	56	85	

Consolidated Statements of Cash Flows

Yen in Millions		Yen in Millions	
	Amount		
	April 1, 2018 - March 31, 2019	April 1, 2017 - March 31, 2018	
I Cash flows from operating activities			
Income before income taxes	91,910	126,168	
Depreciation and amortization	45,904	49,283	
Impairment losses	41	52	
Increase (decrease) in defined benefit liabilities	725	2,338	
Decrease (increase) in trade and other receivables	23,148	-18,493	
Decrease (increase) in inventories	362	-6,860	
Increase (decrease) in trade and other payables	-14,227	-4,471	
Interest and dividend income	1,089	1,047	
Interest expenses paid	-357	-419	
Income taxes (paid) refunded	-41,835	-35,153	
Others	-8,192	9,059	
Net cash provided by (used in) operating activities	98,569	122,551	
II Cash flows from investing activities			
Purchase of property, plant and equipment and intangible assets	-59,628	-48,466	
Proceeds from sale of property, plant and equipment and intangible assets	331	99	
Decrease (increase) in time deposits	6,689	-2,811	
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	2,634	—	
Others	17	963	
Net cash provided by (used in) investing activities	-49,955	-50,215	
III Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	-374	74	
Repayment of long-term loans payable	-3,000	—	
Decrease (increase) in treasury stock	-28,547	-19,354	
Cash dividends paid	-26,928	-25,166	
Others	430	-472	
Net cash provided by (used in) financing activities	-58,419	-44,919	
IV Effect of exchange rate changes on cash and cash equivalents	-1	-270	
V Cash and cash equivalents included in assets held for sale	—	-2,780	
VI Reclassification of cash and cash equivalents included in assets held for sale in the opening balance	2,780	—	
VII Net increase (decrease) in cash and cash equivalents	-7,027	24,365	
VIII Cash and cash equivalents at the beginning of the period	304,709	280,343	
IX Cash and cash equivalents at the end of the period	297,682	304,709	

Shareholder/Stock Information (as of March 31, 2019)

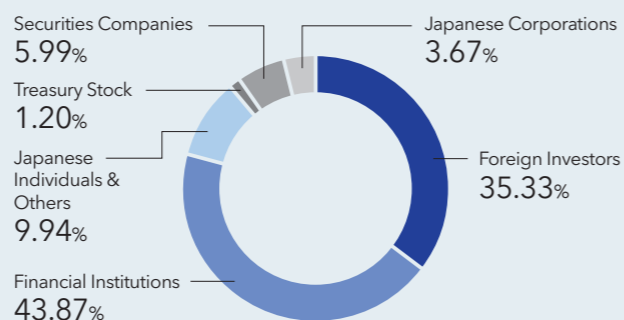
Number of shares authorized to be issued
400,000,000 shares

Number of shares issued
158,758,428 shares
(Amount of treasury stock held 1,908,766 shares)

Number of shareholders
37,684

Share unit 100 shares

Ownership and Distribution of Shares



Major shareholders (top 10)

Name	Number of shares held (Thousands of shares)	Ownership percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	28,250	18.01
Japan Trustee Services Bank, Ltd. (Trust Account)	15,159	9.67
Trust & Custody Services Bank, Ltd. (Securities Investment Trust Account)	3,485	2.22
Japan Trustee Services Bank, Ltd. (Trust Account 5)	2,963	1.89
Japan Trustee Services Bank, Ltd. (Trust Account 7)	2,908	1.85
State Street Bank West Client - Treaty 505234	2,617	1.67
JPMorgan Chase Bank 380634	2,473	1.58
JPMorgan Chase Bank 385151	2,411	1.54
The Bank of New York Mellon 140044	2,307	1.47
State Street Bank and Trust Company 505223	2,114	1.35

* The ownership percentage has been calculated based on the number of shares issued, excluding treasury stock.

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.

	The 152nd meeting (held on June 16, 2017)	The 153rd meeting (held on June 22, 2018)	The 154th meeting (held on June 21, 2019)
Number of attendees at the Ordinary General Meeting of Shareholders	482	481	467



The 154th Ordinary General Meeting of Shareholders

Events	Target Audiences	Frequency
Company information meetings	Japanese/overseas institutional investors	Twice/year
Financial results information meetings	Japanese institutional investors / analysts	Four times/year
Overseas roadshows	Institutional investors in North America, Europe, and Asia	Five times/year
Conferences, etc. sponsored by securities houses	Japanese/overseas institutional investors	Ten times/year
Information meetings for private investors	Private investors	Twice/year

In addition to the above, the CEO and CFO join IR meetings with shareholders.

The Nitto ATP Finals charitable activities in support of UNICEF

Nitto engaged in various charitable activities at the 2018 Nitto ATP Finals, which took place from November 11 to 18, 2018. 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 and Nitto group employees who supported the charity concept donated GBP£33,171* to UNICEF, which was divided across two of their important programs; "Water, Sanitation and Hygiene" and "Health".

Nitto also did the fund-raising activities in the exhibition booths in the O2 Arena, throughout the tournament.

We donated 14 mascot spaces for children to escort the players to the court before the start of each match. UNICEF UK asked children from their "Right's Respecting Schools" to fill these places, providing a memorable experience for children who would not normally get this opportunity.

For more information please visit the website below;
<https://www.nitto.com/jp/ja/press/2019/0225.jsp>

* The amounts indicated are calculated based on the exchange rate as of February 2019.



Fundraising activities at the Nitto booths.



Mascot kids escorting the players

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 activity 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.

Business Performance and Financial Information

As we have applied International Financial Reporting Standards (IFRS) from fiscal 2014, business performance and financial information from fiscal 2014 described in this report are based on IFRS.

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.

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

In 2018, Nitto was selected as a constituent of the MSCI Japan ESG Select Leaders Index, the MSCI Japan Empowering Women Index (WIN), the MSCI ESG Leaders Indexes, and the MSCI SRI Indexes.



Nitto Group Integrated Report 2019

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