

# NITTO DENKO GROUP CSR & Annual Report 2012



# Introduction

The Nitto Denko Group presents our CSR & Annual Report, which states our purpose and the contributions that we made to society in fiscal 2011, along with our financial statements detailing our 2011 business performance and the strength of our business. We appreciate your understanding of our activities over the course of 2011.

If additional information is required, please refer to our website.

The Nitto Denko Group looks forward to your continued patronage and understanding.

This report relates to the business activities of the 107 companies of the Nitto Denko Group as of 31 March 2012, of which 97 are consolidated subsidiaries and the remaining 9 consist of non-consolidated subsidiaries (accounted for using the equity method) and affiliated companies.

In writing this report, we consulted the *Sustainability Reporting Guidelines 2006* issued

by the Global Reporting Initiative and used them as a guide for the disclosure of non-financial related information.

### Stakeholders Around Us



### Corporate Vision

#### “Creation of New Value”

Guided by “Open, Fair and Best” as the very basis of our actions, Nitto Denko Group will contribute to people’s daily life and industry’s future with its power to generate innovative and unique ideas.

#### Nitto Denko Group will:

- Swiftly create products and services offering new functions that give satisfaction to customers
- Honor autonomy and originality to enhance the working environment with the total freedom for the employees to take on challenges
- Pursue sound business activities and continually earn shareholders trust through appropriate information disclosures and communications
- Always be mindful of corporate social responsibility including sustainability and community relations

### Guiding Principles

**With the pride and resolve of a Nitto Denko Group employee, we will always act with integrity in accordance with “Open, Fair and Best”.**

#### We will:

1. Provide our customers with the highest quality in products and services
2. Place safety before everything else
3. Always act with a challenging spirit
4. Conduct ourselves with good sense, guided by laws and ethics
5. Keep in mind to help protect the global environment and conserve resources

**Disclaimer** This report contains future projections as well as past and present facts related to Nitto Denko Corporation (non-consolidated) and the Nitto Denko 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.

**About Our Trademarks** All logos, product names, and other related names are the trademarks and the registered trademarks of Nitto Denko Corporation and its respective companies in Japan and/or other countries.

**About Data Related to Environment** Figures for the past have been partly changed because the number of group companies covered has increased.

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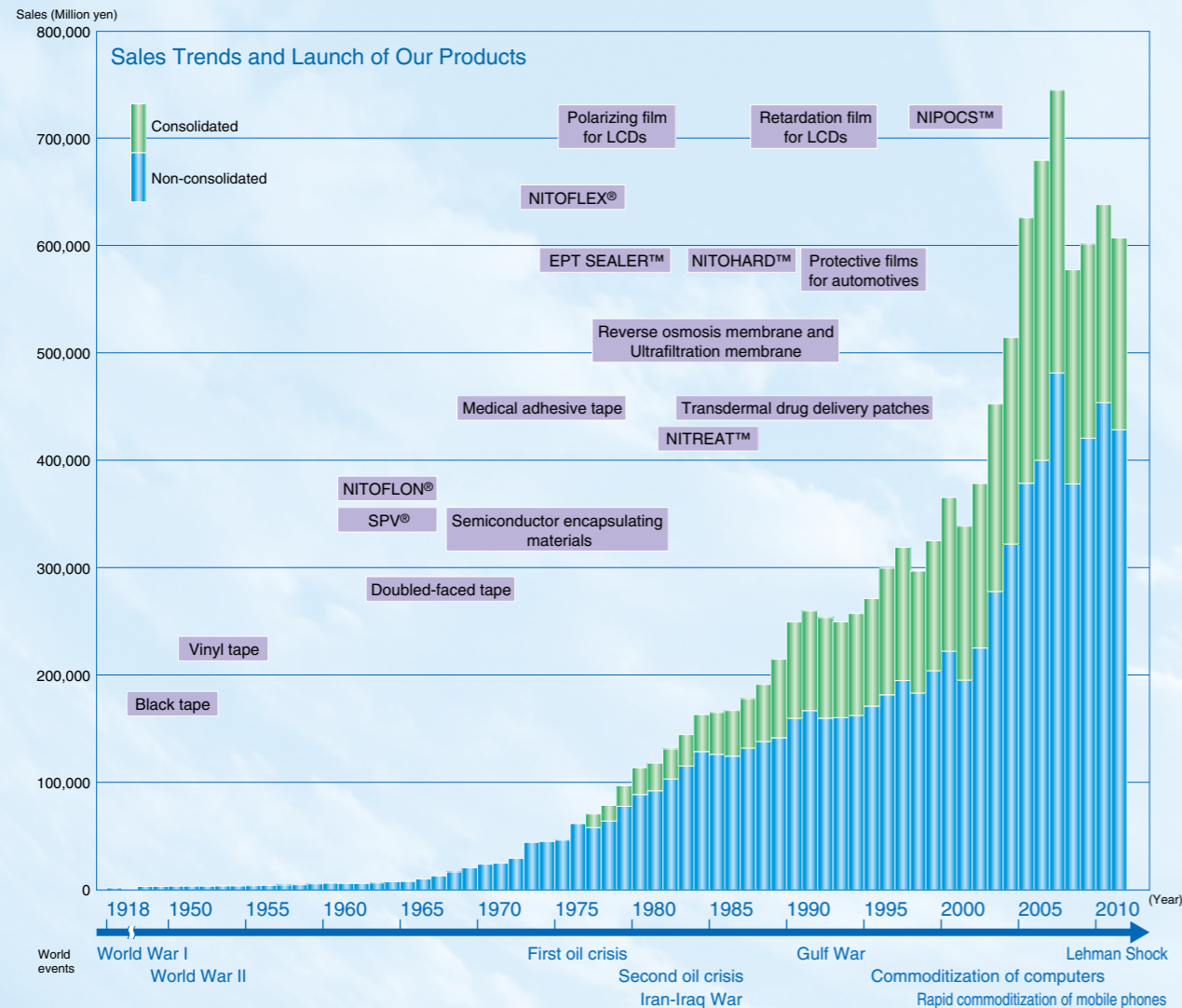
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For further details on matters related to this CSR Report, please refer to Nitto Denko’s website: <http://www.nitto.com/>

Page	Contents	Nitto Denko Website URL
10	“Business Conduct Guidelines”	<a href="http://www.nitto.com/company/environment/env_04.html">http://www.nitto.com/company/environment/env_04.html</a>
10	“Basic Policy on Human Rights”	<a href="http://www.nitto.com/company/environment/humanrights_policy.html">http://www.nitto.com/company/environment/humanrights_policy.html</a>
14 – 15	Acquisition of Quality Standard Certification	<a href="http://www.nitto.com/company/environment/env_0202.html">http://www.nitto.com/company/environment/env_0202.html</a>
16	Procurement (Including Policy)	<a href="http://www.nitto.com/company/materials/index.html">http://www.nitto.com/company/materials/index.html</a>
16 – 17	Acquisition of Occupational Safety and Health Certification	<a href="http://www.nitto.com/company/environment/env_0203.html">http://www.nitto.com/company/environment/env_0203.html</a>
17 – 18	Personnel Matters and the Cultivation of Human Resources	<a href="http://www.nitto.com/recruit/index.html">http://www.nitto.com/recruit/index.html</a>
26	Voluntary Environmental Action Plan	<a href="http://www.nitto.com/company/environment/env_01.html">http://www.nitto.com/company/environment/env_01.html</a>
26 – 31	Acquisition of ISO14001 Certification	<a href="http://www.nitto.com/company/environment/env_02.html">http://www.nitto.com/company/environment/env_02.html</a>
26 – 30	Environmental Data	<a href="http://www.nitto.com/company/environment/pdf/env_data_2005-2009.pdf">http://www.nitto.com/company/environment/pdf/env_data_2005-2009.pdf</a>
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Web	GRI Content Index	<a href="http://www.nitto.com/company/environment/2012/gri.html">http://www.nitto.com/company/environment/2012/gri.html</a>

## Outline of the Nitto Denko Group

- 1918** Nitto Electric Industrial Co., Ltd. forms in Osaka, Tokyo, to produce electrical insulating materials in Japan.
- 1924** Company introduces electrical insulating varnishes.
- 1946** Head Office is relocated to Ibaraki-shi, Osaka. Nitto Electrical begins production of black tape.
- 1951** Company produces first vinyl tapes in Japan.
- 1961** Nitto Electric opens its first overseas office in New York.
- 1962** Company lists common stock on Second Section of Tokyo and Osaka Stock Exchanges.
- 1967** Nitto Electric lists common stock on First Section of Tokyo and Osaka Stock Exchanges.
- 1969** Company forms Nitto Denko Taiwan, its first overseas manufacturing base.
- 1988** Nitto Electric celebrates its 70th anniversary and changes name to Nitto Denko Corp.
- 2004** Company adopts new logo.
- 2005** Invention of method for manufacturing wide-view-angle birefringent film for LCDs receives the Prime Minister Prize.
- 2006** Head Office is relocated to Osaka-shi.
- 2007** Kyoshin Corp. and Nitto Denko Matex Corp. are consolidated into Nitto Denko Corp.
- 2008** High-performance reverse osmosis (RO) membrane element for seawater desalination "SWC®5" receives the 2007 Nikkei Superior Products and Services Awards for Excellence.



## Our Business Activities and Major Products

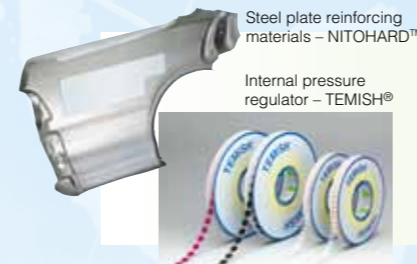
### Electronics

#### New Materials Providing Behind-the-Scenes Support to the Development of the Electronics Industry

The Nitto Denko Group's extensive lineup of electronics-related products, such as optical films, flexible printed circuits and thin-film metal circuit boards, is applied to various devices, including wide-screen LCD TVs, personal computers, smartphones, handheld game consoles, hard disk drives, and so on.



Transparent conductive film - ELECRYSTA™



### Automotives

#### Targeting an Ever Cleaner, Safer and More Comfortable Motorized Society

The Nitto Denko Group's technologies and products, such as reinforcing, vibration-damping and sealing materials, as well as numerous different kinds of adhesive tapes, find active use in every conceivable application.



### Housing & Construction

#### Creating a Comfortable Living Space for Tomorrow - From Residential Homes to High-rise Buildings

Adhesive tapes are used in diverse housing-related applications based on key concepts, such as "air-tightness", "waterproofing", "soundproofing", "masking" and "surface protection".



Waterproof and airproof taping - HYPERFLASH™



Curing tapes



### General Industry

#### Constantly Evolving Tapes in the Field of Boundless Possibilities

The Nitto Denko Group is a provider of a wide range of materials, such as double-coated tapes, sealing materials, masking tapes and surface protection materials, used in diverse segments of industry to assure safety in offices and buildings, in precision machinery, machinery and equipment used in production processes, and on actual worksites.

### Environment

#### Contributing to the Elimination of the World's Water Shortage

The Nitto Denko Group provides diverse application-specific separation membranes mainly comprised of reverse osmosis membranes, particularly for seawater desalination and wastewater treatment and reuse.



Seawater desalination spiral RO membrane element



### Healthcare

#### Concretely Addressing the Wish for "Comfort and Health" among People around the World

The Nitto Denko Group supplies a whole variety of adhesive tapes in the medical and athletic fields. In addition, our "transdermal drug delivery patches", which allow medications to enter the human body through the skin, are used in wide-ranging medical applications, such as asthma and angina treatment, and local anesthetics.

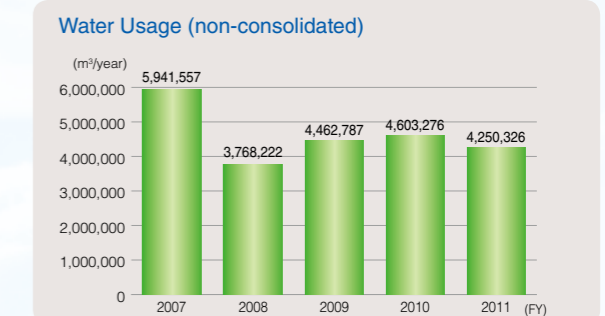
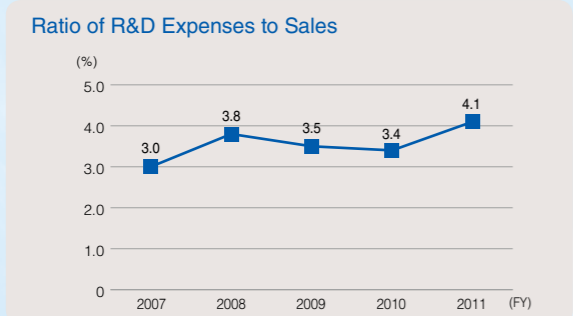
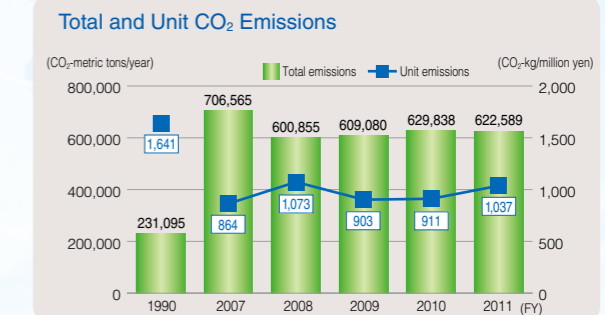
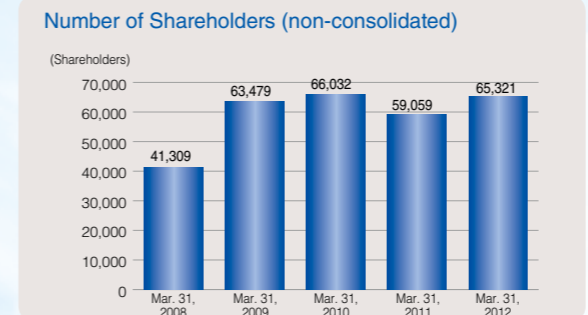
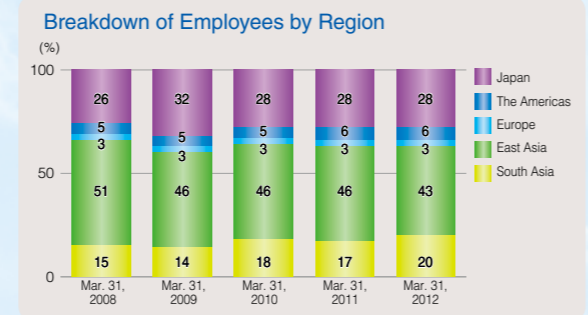
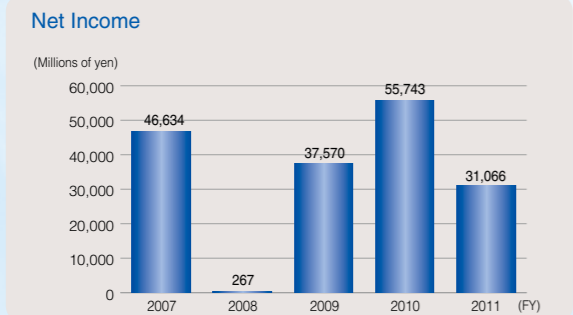
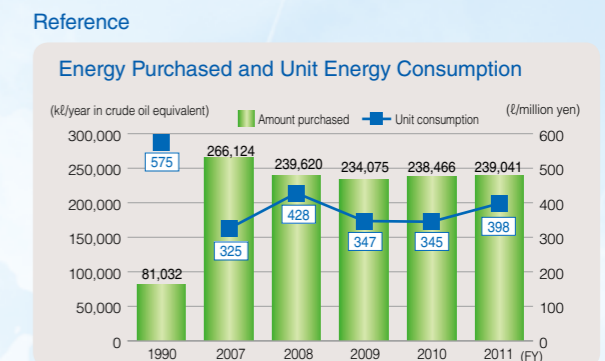
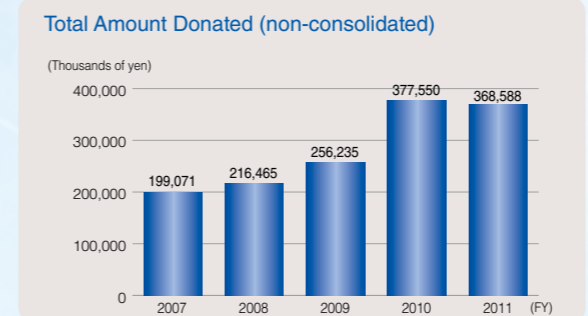
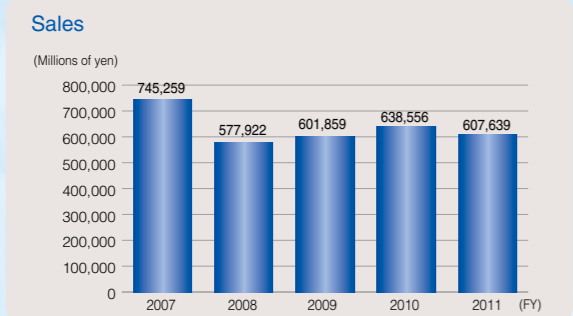
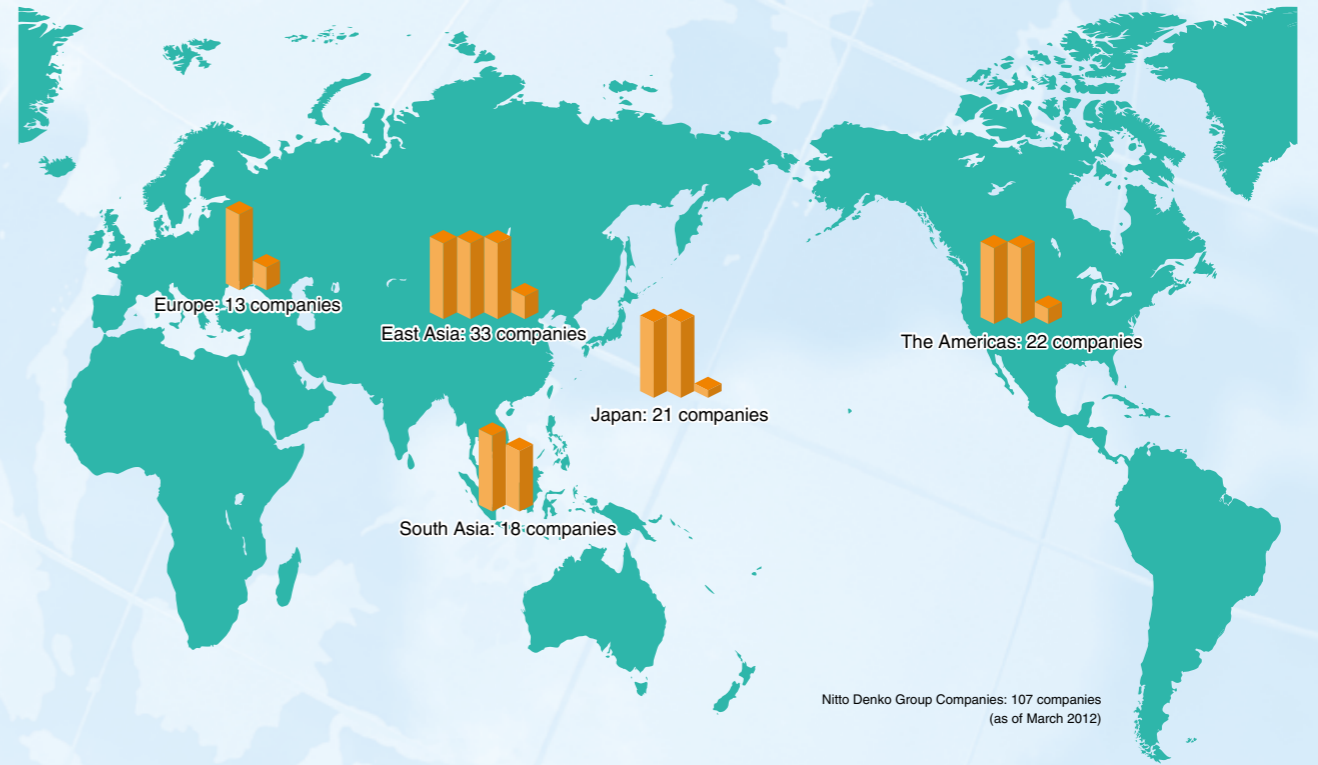


Sales	607,639 million yen
Operating Income	56,491 million yen
Income before Income Taxes	49,848 million yen
Net Income	31,066 million yen
R&D Expenses	25,003 million yen
Capital Investment	33,758 million yen
Depreciation Cost	36,806 million yen

Total Assets	651,908 million yen
Equity	433,541 million yen
ROE	7.3%

Amount per Share	
Net Income per Share	188.90 yen
Dividends per Share	100 yen

Regional Breakdown of Sales	
Japan	194,636 million yen
The Americas	35,739 million yen
Europe	21,189 million yen
Asia & Oceania	356,074 million yen





To Our Stakeholders

**Fiscal 2012 – “Year to Overcome Challenges”**

**By returning to the origins of our business, we will control ourselves and deal successfully with environmental change to create new value to benefit our customers.**



Yukio Nagira  
Board Member and President, Nitto Denko Corporation

I would like to express my appreciation for the understanding and patronage that the Nitto Denko Group continues to receive from our shareholders, investors, customers, business partners and local communities. On behalf of the Nitto Denko Group, this report will outline our fiscal 2011 activities and present our key policies for fiscal 2012.

**Business Summary for Fiscal 2011**

The business environment throughout fiscal 2011 was on a track to recovery after the initial downturn caused by the impact of the Great East Japan Earthquake. However, due not only to the escalation of the Euro crisis and the yen's sharp appreciation, but also the floods in Thailand, the business environment remained uncertain.

The Nitto Denko Group considered fiscal 2011 as the “Year to Take on Challenges”, striving towards new growth and the creation of new value by means such as the generation of new products and business models. As to materials for liquid crystal displays, we expanded our sales of differentiated and competitive products for smartphones (multifunctional mobile phones) and tablet PCs, whose markets are growing dramatically. Furthermore, in our industrial tape business, we promoted our “Area Niche Top” strategy in developing countries, such as China and India, enhancing global development. However, because of a decrease in production volume of vehicles in the first half of the fiscal year, a slowdown of demand for, and a decline in prices of products used in the electronics industry, and the appreciation of the yen, business was poor. Overall, sales decreased 4.8% to 607.6 billion yen and operating income declined 33.7% to 56.4 billion yen, when compared to fiscal 2010.

**Business Performance in Fiscal 2012**

As to the business environment of fiscal 2012, in spite of the downward economic pressure exerted by factors such as Europe's ongoing debt crisis, escalation of financial problems in advanced countries and rising oil prices, the economies of developing countries have the potential for growth.

Given such circumstances, industrial tape products for the automobile industry are expected to remain strong, in line with a rebound from the impact of the Great East Japan Earthquake and Thailand floods.

Our forecasts suggest that our optronics business, centered on our materials for liquid crystal displays, as well as our tapes for liquid crystal and touch panels, will continue to be strong, in line with the anticipated continuing growth in demand for smartphones and tablet PCs.

In our medical and membrane businesses, we will improve our earning capacity by focusing on fields where we can capitalize on our strengths.

In fiscal 2012 we aim to achieve increases of 8.6% to 660 billion yen in sales and of 25.7% to 71 billion yen in operating income, when compared to fiscal 2011.

**Approaches for Fiscal 2012**

The Nitto Denko Group considers fiscal 2012 as the “Year to Overcome Challenges” and will address three challenges.

The first of these challenges is the “creation of ample business opportunities”. We will come up with a multitude of ideas aimed at creating value to satisfy our customers, then develop those ideas with the greatest potential into

new lines of business. Without being bound to any one nation or area, nor to our unique technologies or resources, we will take advantage of mergers and acquisitions as well as business tie-ups. In particular, we are aggressively creating themes in the fields of “Green (Environment), Clean (Energy) and Fine (Life Science)”, and will enhance such activities in fiscal 2012.

•Examples of “creation of ample business opportunities”

Medical Business February 2011:	Acquisition of Avecia Biotechnology, Inc., a leader in the contract manufacturing of oligonucleotide drugs
Membrane Business June 2011:	Inking of agreement with Statkraft of Norway for the collaborative technological development of osmotic power
Membrane Business October 2011:	Business collaboration with Memstar Technology Ltd, a Singapore-based leading manufacturer of high performance hollow fiber membranes

The second challenge is promoting “the second stage of globalization”. The Nitto Denko Group has developed a “Global Niche Top” strategy. However, under circumstances in which there are drastic fluctuations in the business environment, we also implement an “Area Niche Top” strategy in which we manufacture products taking root in each area of the world, expanding our market share. In fiscal 2012, with the acquisition of Turkey's top tape maker, Bento Bantçılık ve Temizlik Maddeleri Sanayi Ticaret and its subsidiary, Bento Pazarlama ve Ticaret, we will give a boost to the expansion of our tape business in developing countries in regions such as Europe, the Middle East and North Africa.

The third challenge we will confront is “productivity reform”. In addition to maximizing time and cost efficiencies and increasing output, we aim to provide appropriate solutions to various issues raised by our customers in less time. Making use of every resource within the Nitto Denko Group flexibly and effectively, we will reorganize ourselves into an organization which can rightly be called “all-Nitto”, from the standpoints of both markets and customers.

**Profit Allotment Policy**

The Nitto Denko Group management considers the return of profits to our stakeholders to be of the highest priority. As a manufacturer, in order to keep pace with rapid technological innovation and our need to serve our customers in a timely fashion, it is imperative that we make positive prior investments in the fields of research development and production. When determining cash allotments, we comprehensively assess the financial standing of our accounts, profit levels and dividend payout.

The year-end dividend for fiscal 2011 was 50 yen per share, whilst the annual dividend per share was 100 yen, an increase of 10 yen from fiscal 2010. Forthcoming annual dividends are projected to be 100 yen, equivalent to fiscal 2011 and in line with comprehensive calculations regarding future profits and business investment.

**Corporate Social Responsibility**

Fiscal 2011 began soon after the Great East Japan Earthquake. In October, Thailand was inundated with numerous natural disasters which impacted on our business activities throughout the world. The Nitto Denko Group manufactures many global niche top products, such as life-support medical treatment and pharmaceutical products, and products necessary for disaster restoration. Thus, it was a seriously thought-provoking year for us with regards to our responsibility for product supply.

Fortunately, having drawn up a Business Continuity Plan (BCP) for use in the event of earthquakes, the Nitto Denko Tohoku Plant, which manufactures medical care-related products and pharmaceuticals, was able to partially operate and conduct recovery efforts as soon as the electrical power supply resumed. In the case of the Thailand floods, the first floor of the Nitto Denko Material (Thailand) Co., Ltd. building became submerged. However, as we had spread the manufacturing operations for its major products across Japan, the U.S., Europe and Asia, we were able to avoid causing any great inconvenience to our customers as had occurred when the Great East Japan Earthquake struck.

For the Nitto Denko Group, supplying more than 10,000 products to various business fields, responsibility to supply our products to our customers is the most important issue with regards to the support of human life, society and the economy and which therefore requires continuous improvement. We are now reviewing BCP in a comprehensive manner. When great disasters occur, we will, first of all, confirm our employees' safety, then check on the damage to the whole Group, including supply chains. We consider a prompt recovery vital if we are to fulfill our responsibilities to our customers.

In this time of change, we believe that by returning again to our corporate vision of “Creation of New Value” and our guiding principles of “Open, Fair and Best” and approaching sincerely each of our activities with pride and pluck, we will be successful in realizing the expectations of our stakeholders.

The Nitto Denko Group looks forward to your ever deeper patronage and further guidance.

**The Nitto Denko Group aims to be a sustainable enterprise, taking into consideration a balance of “economic efficiency”, “environmental acceptability” and “social adequateness”.**

**Corporate Governance**

Aiming at sound and transparent management  
**<Governance System>**

The Nitto Denko Group believes that to enhance corporate value it is important to implement long-lasting harmonious activities involving all stakeholders. The governance model we use to realize this is illustrated in the diagram below. We have nine directors and five corporate auditors, each committed to maintaining fairness and transparency in the work that they do. Two of the nine directors and three of the five corporate auditors have been appointed to objectively carry out the function of governance with their superior insight.

**<Basic Policy>**

To ensure that the organizational system is proactive, the Nitto Denko Group has introduced policies based on action principles in each particular field of our business. Some of the areas addressed concern: “Basic Policy on Human Rights”; “basic policy of internal control under

corporate law”; “basic policy of internal control relating to financial reporting”; “Disclosure Policy”; “environmental policy”; “quality policy”; and “Basic Information Security Policy”. Not only have we devised these operational policies but we have developed our “Corporate Vision”, “Guiding Principles” and “Business Conduct Guidelines” as common guides for every employee to follow, not only as an employee of the Nitto Denko Group, but also as a member of society.

Through the integration of these common guides and the company’s governance system, governance becomes effective.

**<Education and Training>**

It is imperative that we continue to develop our human resources if the Nitto Denko Group is to continue to earn societal trust. For this reason, we embrace the ongoing training and professional development of all our employees. We conduct CSR training sessions for management-level employees and supervisors, as well as board members of the Group worldwide. Furthermore, we conduct training sessions on CSR and other relevant subject matter for every employee in the Group. We aim to develop and encourage our employees to gain confidence, a

great sense of professional ethics and a wealth of good sense.



Conducting CSR training sessions for management-level employees and supervisors overseas since fiscal 2011

**<Audits and Internal Control>**

The Nitto Denko Group carries out many internal and other audits related to export control, unethical trading, the environment, safety and quality by specialty units. The results of these audits are reported to the department responsible and the relevant management teams. Any problems identified are considered and followed up with strategies initiated to rectify the situation as speedily as possible. We have also implemented the internal control evaluation measures which are outlined in the Financial Instruments and Exchange Act. These measures focus on six areas: “control environment”; “risk evaluation and response”; “control activities”; “information and transmission”; “monitoring”; and the “handling of IT”. We believe that in order to enhance future governance, it is necessary to successfully combine our internal audits with the internal control evaluation measures.

**<Risk Management>**

In order to prevent misconduct, accidents and to keep our losses at a minimum, the Nitto Denko Group actively manages risk. We consider risk management to be an important component of good governance.

Risk management concerns all of our business activities, as well as any accidents and disasters that may occur globally. The CSR Committee investigates any risk areas that may present as serious concerns to management. Any potential risk areas are prioritized and the relevant departments are then engaged in a process focused on putting in place countermeasures aimed at prevention and transformation.

**<Helpline>**

We have two problem-solving avenues available to employees, one of which is internal and the other being a helpline. Every employee is able to utilize

either avenue in situations where the issue concerned relates to the Group. When any violation of the law or corruption is uncovered, the first step undertaken is for the employee to inform and consult their manager. In cases where the situation is not resolvable within the organization, it is then likely for the employee to contact the helpline information desk.

In fiscal 2011, there were some employees who utilized the helpline. We settle issues while ensuring the protection of whistleblowers.

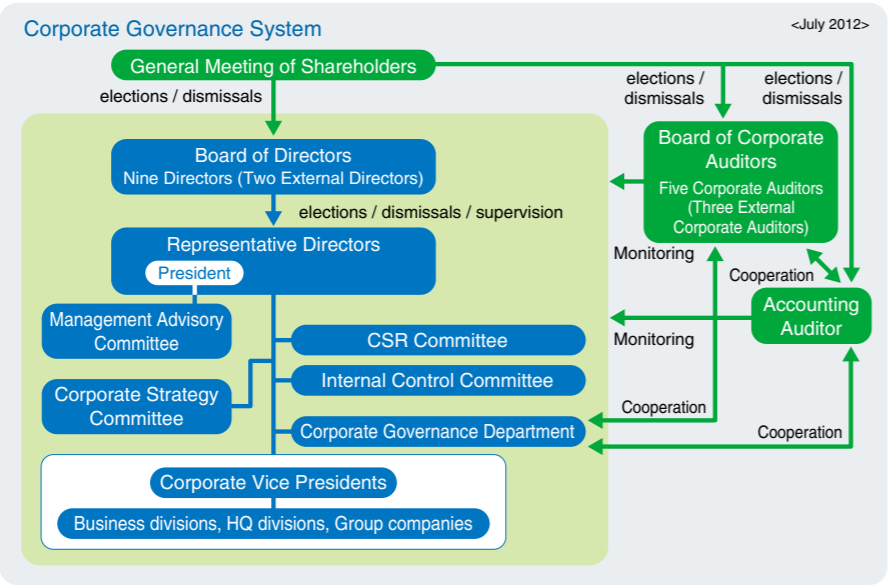
**<Establishment of Business Continuity Plan (Earthquake Edition)>**

On the basis of the experience of the Great Hanshin Earthquake in 1995, a possible Tokai earthquake, the probability of an earthquake occurring somewhere else in Japan in the future, and the official announcement by the Cabinet Office of “Business Continuity Guidelines”, the Nitto Denko Group issued the first edition of a countermeasure manual for use in the event of an earthquake, in 2006. After making improvements to the manual following our experience of the Great East Japan Earthquake on March 11, 2011, we issued a revised edition: Business Continuity Manual (Earthquake Edition) in September of the same year.

Following are the four basic policies contained in the manual:

1. **Respect for human life**  
 We will place maximum priority on ensuring the safety and relief of employees and their family members.
2. **Prevention of secondary disasters**  
 We will work for the prevention of secondary disasters, such as fire or solvent spillage, striving to avoid disrupting the local community.
3. **Responsibility for supplying products**  
 We will provide essential products and services for maintaining the normal functioning of society. We will strengthen supply chains to enable resumption in the manufacture of essential products.
4. **Supporting the local community**  
 We will provide help to ensure the safety, relief and restoration of neighboring regions.

In the future, we will issue editions of the countermeasure manual for use in the event of a massive blackout, flood, or other contingency as needed.



## Associated Business Risks Listed in the Financial Report as of March 2012

Potential risks which may have an effect on our operational results, share price and financial standing are indicated below.

### (1) Optoelectronics Business

Materials produced by our optoelectronics business for LCD-related products constitute the core of the Group's sales. There are many companies participating in this market and competition continues to be stiff. Our relationships with panel manufacturers (our customers), an imbalance between supply and demand in the industry, declining prices, corporate reorganization and the switching of strategy among panel makers, technical innovation, intensified price competition due to new players entering the market, capacity limitations of material suppliers and sharp increases in material costs could all negatively affect the performance of the Group.

### (2) Overseas Operations

The Group conducts business in many countries, actively pursuing possible future global business opportunities. Depending on the country, there are inherent unavoidable risks that can occur. Such risks include: unanticipated changes to or discrepancy in the interpretation of laws and ordinances, taxes and regulations; deteriorating employment relationships; increasing labor costs; transportation delays; power outages; social disorder from political disturbances; and war and terrorism. If such events were to materialize, the performance of the Group could be adversely affected.

### (3) Global Politics and Economic Currents

The Group manufactures and markets its products throughout the world. Therefore, its business is affected by trends in global politics and economics, and financial system instability. Unexpected economic circumstances caused by drastic changes in global politics, fluctuations in exchange rates or a supply deficiency of raw materials such as petroleum oil or rare metals could have adverse effects on the performance of the Group.

### (4) Mergers and Acquisitions

It is indispensable for the Group to construct relationships with other companies with superior technology in diverse ways such as through

acquisitions and affiliations. If such an acquisition did not prove to be as profitable as expected, the performance of the Group could be adversely affected.

### (5) Raw Material Vendors

For some key raw materials, the Group depends on specific vendors. Although it does endeavor to find multiple raw material vendors so as to reduce the risk of being unable to procure key materials, for some raw materials we need to depend on specific vendors. Failure to obtain the necessary key raw materials due to a possible disaster, accident or bankruptcy of a vendor, an imbalance between supply and demand, or a cost increase could adversely affect the performance of the Group.

### (6) Financial Standing of Our Customers

The Group works with customers worldwide who meet its strict financial criteria. However, some customers are in rapidly changing business environments and serious financial problems could occur with such customers with whom the Group has accounts receivable. In particular, LCD-related products represent a significantly large source of revenue compared with other products of the Group. If a default were to occur, the amount involved would tend to be quite significant.

### (7) New Product Development

Aiming at meeting high market expectations, the Group strives toward technological innovation and competitive power of costing across all areas of its business. The Group continues to pursue the development of new technologies, products, goals and markets, with research and development investment necessary for production process innovation, as well as plant and equipment investment based on its "Area Niche Top" strategy, in which we supply products meeting specific needs in an area, in addition to its "Global Niche Top" strategy. However, it is not easy to accurately forecast changes in an industry in which market changes are so drastic. It is possible that another company could unexpectedly develop a new technology or product that renders a product of the Group obsolete. The occurrence of such an event beyond contingency expectations could affect the management of the company.

### (8) Intellectual Property

The Group owns, maintains and manages valuable intellectual property rights. However, there is a

possibility that a third party might claim these rights to be invalid and the Group might not enjoy complete protection. The Group's property may be imitated in some areas and may be involved in lawsuits. Intellectual property rights infringements could negatively affect the performance of the Group.

### (9) Product Defects

The Group manufactures products according to ISO 9000 quality standards and carries out quality assurance management which is trusted by its customers. The business activities of the Group mainly involve the selling of parts to companies engaged in the manufacturing industry. Although the possibility of the Group being forced to directly compensate end users for its products or to conduct a product recall are slim, the Group cannot completely eliminate the risk of liability associated with product defects. If compensation were to exceed the coverage of product liability insurance, this could negatively affect the performance of the Group.

### (10) Environmental Issues

The Group regards environmental preservation measures as one of its key business policies and acts from a position whereby it accepts social responsibility, focusing on reducing waste and preventing global warming and air pollution. The Group has not caused any serious environmental problems to date. To protect the global environment, the Group established a voluntary reduction plan, which it duly observes. However, there exists the possibility that unforeseen environmental pollution caused by an accident or natural disaster, or changes in future laws and regulations resulting in significant expenses due to environmental issues could have adverse effects on the performance of the Group.

### (11) Compliance and Legal Regulations

The Group carries out business not only in Japan, but also overseas. Products of the Group are unique and some of these are patented medicines. Such business is governed by the various laws and regulations of different countries and the Group must abide by them. If these laws and regulations are strengthened or changed significantly, a temporary deficiency in internal control of these issues may occur and the activities of the Group might be impaired, or the Group might incur additional costs which could adversely affect its performance.

### (12) Lawsuits

In the business activities of the Group, there exists the possibility that the Group might become embroiled in legal cases with customers or third parties. In addition, the Group conducts business in various countries and could go into unexpected litigation. The risk that the outcome of litigation does not properly reflect the opinion of the Group, and thus differs from the Group's forecasts, might be ineluctable and this could adversely affect its performance.

### (13) Accidents and Disasters

The Group carries out safety measures to protect itself from accidents and disasters by following a safety first policy. In particular, Japan has a high occurrence of earthquakes. If a large-scale earthquake were to occur in a particular area within Japan, direct damage could result or injury could occur within the production process due to fire or chemicals. The effects of an earthquake, tsunami or flood would not be limited to in-house, but would be wide-ranging, with damage to infrastructure such as electricity and gas supplies, damage to supply chains such as interruption to the procurement of raw materials and the distribution of products and losses or inconvenience to our customers, which could cause an interruption to business. Despite the existence of disaster insurance, coverage would be limited and costs incurred could affect the performance of the Group. Moreover, if there were to be a massive outbreak of new infections affecting human life, depending on the nature of the outbreak, it could not only impact on the global economy, but also the performance of the Group.

### (14) Retirement Benefit Liability

Employee accrued benefit costs and liabilities of the Group are calculated on the basis of assumptions made concerning such things as the discount rate and other actuarial calculations and expected returns of pension assets. When the actual results differ from the assumptions or when the assumptions are altered, effects will accumulate and be systematically recognized in the future. This may generally influence recognized costs and calculated liabilities in the future. If market interest rates decline or investment yields of pension assets deteriorate in the future, an increase in retirement benefit liability and a shortage of funds might occur and thus influence the business results of the Group.

## QES Audit

Quantitatively “displaying” quality, environment and safety degree of each company of the Group after audits

To meet the goal of “Bringing safety to employees, customers and society”, the QES Audit Department audits the activities of each base of the Group in three key areas: quality, the environment and safety. In fiscal 2011, we audited 23 bases and carried out follow-up audits on 13 bases.

The audited items varied widely and it was difficult for subject bases to understand the contents of them. Therefore, in fiscal 2011, we quantified the results of the audits, presenting them ‘visually’ in graph and chart form. This made problem issues and the size of risks clear, so that we could tackle them effectively. In addition, we were able to recognize the degree of improvement at a glance.

A corporation never improves simply by means of carrying out audits. We also offer suggestions for improvement and seek to create a corporation which ensures the safety of our employees, customers and society throughout the whole group.

## Product Risk Management

Aiming at providing safe and useful products to our customers

By means of setting up a “Product Risk Committee”, the Nitto Denko Group aims to clarify risks associated with its products and minimize the effects of such risks.

Section meetings were set up to address the risk

### Dealing with Radioactive Substances from Fukushima Daiichi Nuclear Power Plant Accident

The Nitto Denko Group has established guidelines for dealing with radioactive substances from the Fukushima Daiichi Nuclear Power Plant accident and gives extra consideration to the effects of the accident on our health and environment.

In the case that the amount of radioactive substances in raw materials is beyond the norm specified by the guidelines, we take necessary measures, such as interim storage, in order to prevent the outside dispersal of radiation.

In the case that our customers request data as to the radioactive substances in our products, we state in the guidelines that we should give proof of the absence of radioactively contaminated products or lodge measured data.

areas identified throughout fiscal 2011. We will continue to implement risk reduction measures throughout fiscal 2012.

### Product Risk Committee

Section Meeting of Risk	Actual Achievement of Fiscal 2011
Product Liability	<ul style="list-style-type: none"> <li>• Review of contracts with customers</li> <li>• Implementation of conclusion of quality assurance agreement</li> <li>• Prevention of recurrence of serious complaints arising from lack of information on the part of customers</li> </ul>
Chemical Products	<ul style="list-style-type: none"> <li>• Response to REACH (including CLP)</li> <li>• Response to the chemical substances control laws of each country</li> <li>• Response to MSDS in accordance with new JIS</li> <li>• Review of Nitto Denko Group Regulations on Voluntary Management of Chemicals</li> </ul>
Packaging and Product Description	<ul style="list-style-type: none"> <li>• Response to GHS product description (including GHS in China)</li> <li>• Response to physical distribution risks</li> <li>• Establishment of Product Lot Number Standardization Guidelines</li> <li>• Response to indication of source</li> <li>• Response to indication method established by export control order</li> </ul>

### Product Quality Management and Compliance with Environmental Laws and Safety Laws

#### (1) Quality Management in Response to Customer Requests

The Nitto Denko Group mainly manufactures and supplies intermediate function materials. In order to gain customer satisfaction with final products using our products, we have improved rules and guidelines and implemented measures to prevent problems with flaws.

#### (2) Management of Environmental Laws and Safety Laws Concerning Chemical Substances

We considered countermeasures to respect the chemical substances control laws of each country where we do business, as well as EU controls such as RoHS and REACH. Furthermore, we established and reviewed the Nitto Denko Group Regulations on Voluntary Management of Chemicals.

### (3) Compliance with Laws Concerning Packaging and Product Description

We observed laws and regulations covering both inner and external packaging and product marking in product delivery and reviewed and improved issues in transportation.

## Quality and Chemical Substance Management

Manufacturing safe and environmentally-conscious products by making improvements in response to customer feedback

#### (1) Quality

The Nitto Denko Group introduced “Advanced Quality Management” in fiscal 2005 to ensure product quality to the satisfaction of our customers.

Furthermore, in recent years, in order to attune ourselves to globalization, we have adjusted to realize not the satisfaction of customers throughout the world from a Japanese point of view, but the satisfaction of customers in view of the diverse cultures and characteristics in each region of the world.

In the future, we will further develop activities which we have conducted thus far, such as GATE\*1, aimed at a healthy working environment worldwide, and “Customer Satisfaction Assessment”, by listening to the opinions of our customers. In addition, we will improve the satisfaction and safety of our customers with a focus on the unique characteristics of each region.

\*1: GATE is the abbreviated form of “Group Activity Toward Excellence”, which is a small group activity aimed at a healthy working environment and quality improvement in order to enhance customer satisfaction. This year GATE marks its 6th year and is developing activities on more than 600 themes to improve the working environment.



### (2) Chemical Substance Management

In line with the recent worldwide escalation in interest in environmental concerns, the number of customer inquiries about the safety of chemical substances has increased. Our green procurement movement, in which a unique strict standard was established, has been expanded. Aiming at meeting such customer needs, we have consolidated the system to provide information to customers accurately and promptly on chemical substances contained in our products.

On the other hand, the Corporate Chemical Substances Department has self-governing regulations regarding chemical substances. By setting the strict standard of not using chemical substances which are harmful to humans or the environment in not only our products but also raw materials used and materials synthesized in the Group, we administer the management of chemical substances.

In fiscal 2011, we conducted law-abiding activities globally in line with the revision of the “Act on the Evaluation of Chemical Substances and Regulation of Their Manufacture, etc.” in Japan, “Provisions on the Environmental Administration of New Chemical Substances” in China, and REACH\*2 and CLP\*3 in Europe. In particular, regarding REACH Substance of Very High Concern (SVHC\*4), whose lists are updated every six months, we investigate raw materials with our suppliers’ cooperation and provide up-to-date information to them.

By means of the “Nitto Denko Group Chemical Substances Management Database (NCM\*5)” which we implemented in December 2008, we have constructed a system in which we can promptly search for chemical substance information on products when needed. For example, if chemical substances are newly listed as items subject to regulation in a country, the database allows us not only to identify raw materials containing the said chemical substances and products using such raw materials rapidly, but also to disseminate such information.

\*2 REACH: Registration, Evaluation, Authorization and Restriction of Chemicals

\*3 CLP: Classification, Labeling and Packing of substances and mixtures

\*4 SVHC: Substance of Very High Concern

\*5 NCM: Nitto Denko Group Chemical Substances Management Database

## Procurement

Aiming toward fair and honest procurement with an "Open, Fair and Best" spirit

The Nitto Denko Group considers procurement should be done in accordance with "Nitto Denko Group Business Conduct Guidelines", with our spirit of being "Open, Fair and Best". We promote our procurement activities in which each employee should be undeviating from corporate ethics and societal norms and conduct fair and honest procurement.

Furthermore, in order to realize the minimization of environment load and manufacture environmentally-friendly products, we established "Nitto Denko Group Green Procurement Standards" that promote green procurement activities. In addition, we are implementing a fulfillment of CSR and response to environmental change. By use of Nitto Denko Group Chemical Information System (CHI), we conduct research timely and promptly on chemical substances contained in the raw materials which we buy.

Aiming at enriching our suppliers' understanding of our green procurement and research on chemical substances, we held presentation meetings in Tokyo, Toyohashi and Osaka in March 2012, which were attended by 259 participants from 203 companies. We will conduct such activities again in the future to help our suppliers acquire a better understanding of our chemical substances policies and practices.

In fiscal 2012, we will periodically conduct necessary research on purchased raw materials for reasons such as to ascertain whether or not



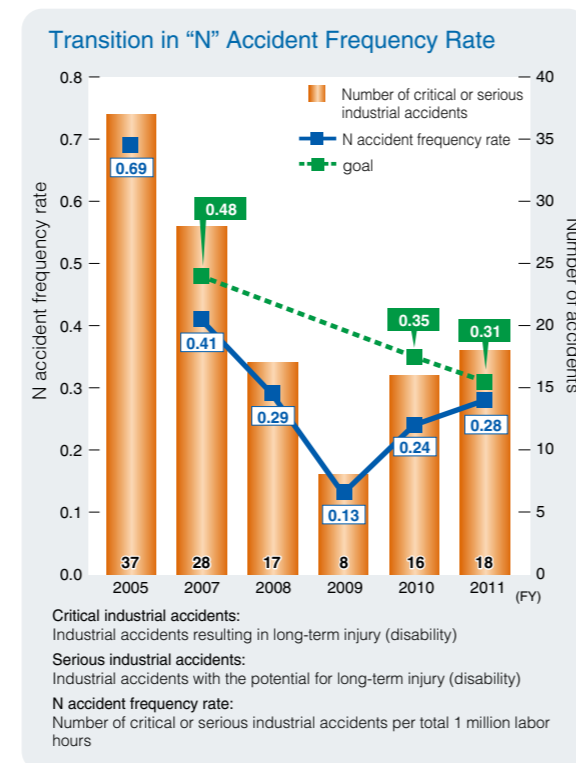
Presentation meeting

they contain substances on the candidate list of SVHC.

## Safety Measures for Employees

"Place safety before everything else"

With the Nitto Denko Group's guiding principle of "Place safety before everything else" in mind, we have continued to take precautions against accidents, aiming to create and maintain a working environment in which every employee can work with peace of mind.



### (1) Occurrence of Accidents

The Nitto Denko Group has continued to implement safety activities in order to achieve our Group's goal of "Zero Critical and Serious Accidents". The occurrence of such accidents has been on a declining trend in the medium and long terms. However, over the past few years, the trend has reversed. Aiming at correcting this, we have conducted inherently safe design\* and proper chemical substances management thoroughly again.

We implement steadily varied risk reduction activities on occupational safety, occupational health, fire protection, disaster prevention and traffic safety, in order to prevent employees from getting injured or sick. In addition, we build workplaces where employees can work in safety.

\* Inherently safe design is a protective measure which either eliminates hazards or reduces the risks associated with hazards by changing the design or operating characteristics of a machine without the use of guards or protective devices.

### (2) Preventing Every Accident

For the purpose of increasing employees' safety awareness, we provide training using experience-based safety training apparatuses to experience danger virtually in the manufacturing process. However, in recent years, accidents such as falling while walking or tripping down stairs while not engaged in production activities have occurred with increasing frequency. Such seemingly minor accidents have the potential to cause a critical accident. Therefore, we are making efforts to further heighten employees' safety awareness by adding experience-based safety training apparatuses for such accidents and providing continuous experience-based safety training.



Training using experience-based safety training apparatuses

## Personnel Matters

Aiming at a personnel system which is appropriate to the next stage of globalization

### (1) Global Conference

In November 2011 and March 2012, Global Conferences were held under the CEO's initiative. The purpose of the conferences were to

communicate directly with leaders working in each country on our policies and vision and to have each of them play an active role as a "Nitto Person", possessing the corporate ethos of the Nitto Denko Group.

After counting off into groups, participants discussed new business ventures and M&A. It was most certainly a productive conference.



Global Conference held in March. Approximately 120 participants attended.

### (2) Construction of Global Personnel System

At present, personnel systems in each area are administrated separately by country and area. We are executing a plan to integrate the systems and such a new system is due to be partially operational in fiscal 2012.

### (3) Ranked 72nd on List of "Best Companies to Work for in Japan 2011"

On a questionnaire, "Best Companies to Work for in Japan 2011", by Nikkei Research, Inc. (a member of the Nihon Keizai Shimbun, Inc. Group), Nitto Denko was ranked 72nd (307th in 2010). The rankings are determined according to the results of a questionnaire on "recruitment and cultivation of human resources", "use of diverse human resources", "improvement of working environment" and "consideration of diverse ways of working". Nitto Denko Corporation received particularly high marks on its "use of diverse human resources".

## Cultivation of Human Resources

### Start-up of new training system for cultivation of "Nitto Person"

In preparation for the next stage of globalization, our training system has been drastically reviewed. In the van, the Global Business Academy (GBA), targeting mid-level managers, began in July 2011.

GBA is a training program aimed at the cultivation and intercommunion of next generation-leader candidates from each area throughout the world. In fiscal 2011, 17 participants (7 from Japan, 2 from Europe, 2 from the U.S., 2 from South Asia and 3 from East Asia), who are the first generation of trainees, that is, inaugural class members, participated in the training program for one week in



GBA Training scene

each of Japan and Singapore. The training was carried out entirely in English.

A new training system, including GBA targeting senior-level managers and others, will be established within fiscal 2012.

## New Employees Participate in Reconstruction Assistance Activities after Great East Japan Earthquake

As a part of new employee training in fiscal 2011, 42 new employees recruited by Nitto Denko participated in reconstruction assistance activities following the Great East Japan Earthquake.

Forty-two employees were placed into two groups. The first group went to Ishinomaki City in Miyagi Prefecture from November 7 to 10, and the second group from November 14 to 17. Both groups participated in the following activities:

- Scallop farming
- Sorting and cleansing of cans soiled by the tsunami
- Cleaning of an office of a damaged cannery
- Leveling of land by separating sludge and rubble from gardens of private residences

The two groups spent only a short period of time in Ishinomaki City, but some awakened to the importance of bonds (*kizuna*) while others were impressed by the positive attitude of disaster victims. They gained precious experiences.

It was the first time that a social action program was introduced to new employee training. As an approach in which new employees learn the meaning of working as members of society and fostering their consciousness as corporate citizens, such a program will be continued in the future.



Scallop farming



Leveling of land

## Performance in Fiscal 2011 and Future Prospects

Strong Rebound in Spite of Affects of Natural Disasters.  
Investing Aggressively in Globalization and "Green, Clean and Fine" Fields.

### Optical Business

Throughout fiscal 2011, though demand for LCD televisions was affected by a decline in demand in Japan, the U.S. and Europe, and a slump in the price of televisions, we made an effort to secure the some level of production by means of developing the Nitto Denko Group's new business model of a roll-to-panel system (a system that drastically improves productivity at the stage of attaching optical film to panels, by delivering optical films in rolls to LCD manufacturers) in union with LCD manufacturers.

At the same time, multifunctional smartphones and tablet PCs were in brisk demand. In line with the growing size of smartphone and tablet PC screens compared to those of traditional mobile phones, high-definition liquid crystal panels became more commonly installed. Our optical film technology, cultivated in LCD televisions, was utilized in this field and we were able to contribute to the realization of high-definition screens visible from a broad angle. In addition, with touch panels being installed on many mobile devices, ELECRYSTA™, our transparent conductive film, remained strong. The market for touch panels is expected to grow progressively

larger. We will develop our optical business in order to make ELECRYSTA™ an indispensable material in such fields.



Polarizing film

In fiscal 2011, a large TV screen fitted with an organic EL (electroluminescence) panel, a so-called next generation display, was displayed at an exhibition in the U.S., becoming a talking point. Our optical film played an active role here, too.

The Nitto Denko Group's strength is in providing not only materials for liquid crystal panels and organic EL for power range systems but also the materials for touch panels of input systems. Aiming to develop our business into one that continuously produces stable and enduring profits through reinforcing this strength, we will pour our energy into further improvements and innovative product development in the future.

## Launch of "Solution Center" to Create Innovation in Conjunction with Customers

In January 2012, a "Solution Center" was established at the Nitto Denko Toyohashi Plant.

In recent years, in the midst of the rapid advancement of IT technology and globalization, customer demands have become more diversified. Therefore, it is becoming difficult for us to ascertain our customers' true needs and to create new innovation by means of pursuing the Sanshin (literally "three new") activities, our traditional proprietary marketing method.

In order for our customers to understand the technologies, products and history of the Nitto Denko Group, we established the "Solution Center" as a place to experience items first-hand. The center allows customers to be exposed to our extensive technological platform, gain a hands-on feeling for our unique expertise and cherish expectations and potentiality for us as an ideal business partner. This will help achieve new innovation in collaboration with our customers and create new needs; that is, generate new demand under the current strategy of creating many a new opportunity.



Solution Center

**Electronics Business**

In our printed circuit board business, production of hard disc drives (HDDs) was affected by the Thailand floods that occurred in the middle of fiscal 2011 and decreased. In line with the decrease, "NITOFLEX®", a flexible printed circuit board and "CISFLEX®", a thin-film metal base board with high resolution circuit, were weak. In the future, hard disc drives are expected to have increasingly high-capacity as memory devices used not only for traditional PCs but also for storing graphics and audio data. Our super-fine wiring technology will contribute to such evolution.

In our semiconductor encapsulating materials business, we entered into a basic agreement with Hitachi Chemical Co., Ltd. to assign them that part of the business not having to do with optical semiconductors. In response to the agreement, we will create new core businesses by concentrating management resources on the fields of "Green, Clean and Fine (Environment, Energy and Life Science)".

As to sales of electronic processing materials, the market was weak. Semiconductors are expected to become thinner miniature components and optical semiconductors are also expected to develop. We will pour our efforts into the further streamlining of existing products and the development of new products in growing fields in response to our customers' needs by utilizing our polymer synthesis and adhesive tape technologies.

**Tape Business**

Turning now to tapes for the automobile industry, in spite of the impact from the Great East Japan Earthquake at the beginning of the fiscal year and the Thailand floods mid-term, sales remained strong, in line with a recovery of automobile production.

As for hybrid and electric vehicles, with their potential for growth, we are making efforts to develop materials and products utilized in weight saving, silencing and muting, and energy conservation, as well as electrical insulating materials.

With regards to tapes for the electronics industry, sales of double-coated adhesive tapes used for mobile devices such as smartphones and tablet PCs were strong. Mobile devices have the potential to be trimmed further in weight and thickness and we will contribute to such development with our capabilities.

On the other hand, the markets for liquid crystal panels and electronic components were weak because of customers' adjustments in production. Surface protective products for optical elements, tapes used in the production process and shipment of electronic components were also weak.

The Nitto Denko Group has made forays overseas since the 1960s, driving globalization since then. For several years, in addition to existing advanced countries, we have aggressively developed business expansion opportunities in developing countries. In fiscal 2011, we continued to install direct management resources in China. Furthermore, in

order to accelerate the expansion of our business not only in European markets including Turkey and other developing countries in Eastern Europe, but also their neighbors in the Middle East and North Africa, we took over Bento, Turkey's leading manufacturer of industrial tapes. To pursue our growth strategy in developing countries, we are implementing our "Area Niche Top" strategy. We try to differentiate ourselves in not only the quality, price and function of our products, but also in intellectual property, standardization and supply chain management, in areas such as the method of supply, aiming to expand our business.

On the other hand, one of our companies manufacturing transdermal drug delivery patches in the U.S., which had shut down production voluntarily to concentrate on activities to improve quality control, partially restarted production. The effects of the shutdown were profound. Consequently, sales were weak on the whole. The company was ultimately transferred to Apotex Inc. of Canada at the end of March 2012.

Notwithstanding the sluggish sales, our medical business is closely linked to "Fine" (life science) which is one of our three key values: "Green, Clean and Fine". In order to achieve further growth in the future, we are actively developing this area of our business.

In the years ahead, we will continue to expand our medical business by such means as marketing new products in our range of transdermal drug delivery patches, developing next-generation transdermal drug delivery patches and enhancing the field of nucleic acid medicine.

**Medical Business**

In our medical business in fiscal 2011, a base in Osaka City, Miyagi Prefecture producing transdermal drug delivery patches for the domestic market was affected by the Great East Japan Earthquake. However, with concerted recovery efforts we were able to restart production in April, and by responding to a rebound in demand after the quake, sales were consequently strong.

We contributed our efforts to the business expansion of the US company, Nitto Denko Avecia, Inc. which is a leader in the manufacture of oligonucleotide medicine and which joined the Nitto Denko Group in 2010.



Transdermal drug delivery patches for asthma sold in the Chinese market

**Acquisition of Turkey's Top Tape Maker**

Bento Bantçılık ve Temizlik Maddeleri Sanayi Ticaret and its sales subsidiary Bento Pazarlama ve Ticaret became members of the Nitto Denko Group.

<Bento Bantçılık ve Temizlik Maddeleri Sanayi Ticaret>

- Established: 2000
- Sales: USD 95 million (Fiscal 2011)
- Employees: 250
- Description of Business: Manufacture and sale of industrial tapes and hygiene-related products

<Bento Pazarlama ve Ticaret>

- Established: 2008
- Sales: USD 40 million (Fiscal 2011)
- Employees: 9
- Description of Business: Sale of hygiene-related products



Yukio Nagira, Nitto Denko Group CEO (left) and Mehmet Ferudun ERAY, President of Bento

**First Participation in "The 12th Western China International Fair"**

Nitto Denko (China) Investment Co., Ltd. participated in "The 12th Western China International Fair" held in Chengdu, China from October 18 to 22, 2011, for the first time. This fair is one of the most popular of its kind in China, with a



Exhibition gallery

total of more than 600,000 visitors annually and attracts attention from right around the world, including that of the media.

Nitto Denko (China) Investment Co., Ltd. introduced the way in which the Nitto Denko Group contributes to society with our varied technologies and products under our three tenets of "Green (environment), Clean (energy) and Fine (life science)" and had many visitors experience the "Nitto Denko World".

The content of the exhibition was appreciated and received a "Best in Show Award" from the host.

**Membrane Business**

In our membrane (polymer separation membrane) business, amid uncertainty over the economic downturn in Europe, seawater desalination projects abroad were pushed back or curtailed. In addition, a new line, ultrapure water for the electronics industry, slumped in Japan. Consequently, sales on the whole were sluggish.

Our membrane business is linked to the "Green" of our "Green, Clean and Fine" ethos. In addition to our water treatment membrane business with a focus on reverse osmosis (RO) membranes, by boosting our lineup of ultrafiltration (UF) and microfiltration (MF) membranes, we are developing this area into an ever-broader market sector of business. As part of this, we entered into a business collaboration agreement on consignment production and product

supply with Memstar Technology Ltd, a Singapore-based leading manufacturer of high-performance hollow fiber membranes.

Through such approaches, we will extend our water treatment business in the areas of wastewater treatment and industrial applications globally, including in China.

The shortage of water in the world is becoming an increasingly serious problem and we will contribute to the alleviation of this water shortage with our water treatment membranes.

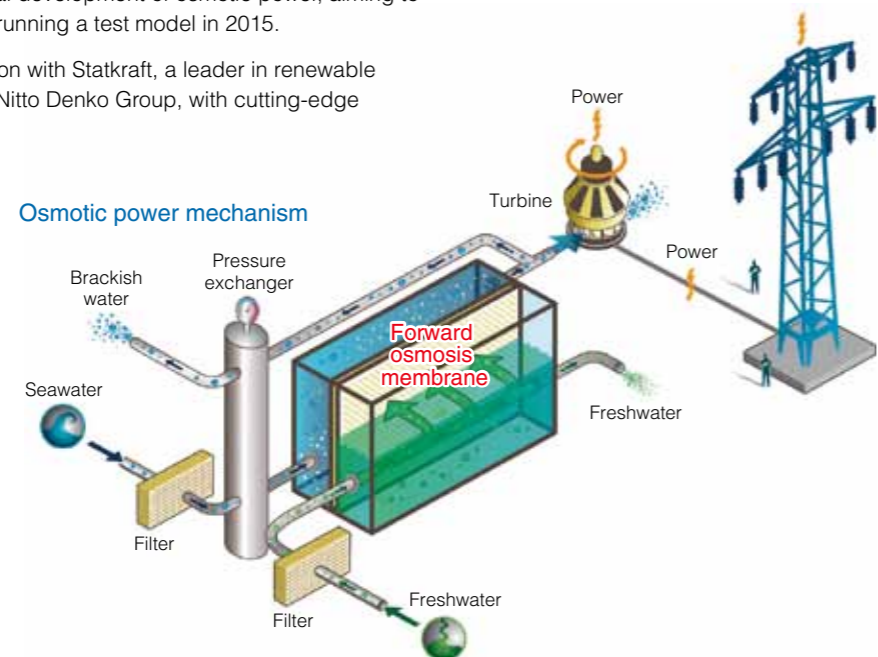


**Inking of Agreement with Statkraft of Norway to Develop and Supply Membranes for Osmotic Power**

In June 2011, Nitto Denko and its wholly-owned subsidiary company, Hydranautics, entered into an agreement with Statkraft, a Norwegian government-run leading power company, for the collaborative technological development of osmotic power, aiming to commence running a test model in 2015.

In cooperation with Statkraft, a leader in renewable energy, the Nitto Denko Group, with cutting-edge

technologies in membrane treatment, is working toward the practical use of osmotic power to produce clean and environmentally-friendly next-generation renewable energy irrespective of weather conditions.



**In the Nitto Denko Group we place an emphasis on "Green, Clean and Fine" as we carry out research and development into products that will reduce social costs, are environmentally friendly and help to make the lives of people more healthy and comfortable.**

**Collaborative Research Center Established at Osaka University**

In October 2011, Nitto Denko Corporation established the Nitto Denko Advanced Technology Cooperative Research Center in the Techno-Alliance and Photonics Center buildings of Osaka University's Suita Campus.

Research concerning organic light emitting diode (OLED) lighting and thin film solar cells is being carried out in the Techno-Alliance building, while biosensor-related research is being carried out in the Photonics Center. As of the end of March 2012, 32 people were working in the Research Center full-time.

By establishing a collaborative research center within the university the company aims to complete major research themes and create new fields of business through inter-disciplinary collaboration. It is also hoped that interaction with university-based researchers and students from overseas will lead to the development of new research themes.



**Intellectual Property Strategy Results in Top 100 Global Innovator Award**

**(1) Thomson Reuters Top 100 Global Innovator Award**

In December 2011, Nitto Denko Corporation received the Thomson Reuters Top 100 Global

Innovator Award.

Thomson Reuters, which is based in New York, selects companies for the award from throughout the world based on four criteria: Success, Global, Influence and Volume. Such companies invent on a significant scale and have outstanding intellectual property management strategies; are working on developments which are acknowledged as innovative by patent offices across the world, and by their peers; and, their inventions are so important that they seek global protection for them. They are also known to have inventions with the potential to influence world markets.

**(2) No.5 on Patent Board Chemicals Ranking in WSJ**

Nitto Denko Corporation rose one place to 5th position on the Patent Board's Chemicals Patent Scorecard published in The Wall Street Journal (WSJ) on February 17, 2012, making it the top-ranking listed Japanese company. The company had maintained 6th position for some time, but is pleased to see that its efforts have been rewarded with its new position.

Both the Thomson Reuters Top 100 Global Innovator Award and the new 5th place ranking come as a result of the Nitto Denko Group's persistent efforts in the realm of intellectual property management over many years.



Intellectual Property Division GM Shozo Inoue (right) receiving the award from Toshiyuki Tomii, Thomson Reuters Professional Representative Director.

## Renewed Participation in Japan's NEDO Research & Development Project

The Nitto Denko Group had previously participated in 11 government research and development projects and in FY2011 participated in a New Energy and Industrial Technology Development Organization (NEDO) project to develop and commercialize a process for the manufacture of flexible CIGS (copper indium gallium diselenide) solar cells.

In this project, high-efficiency, low-cost next-generation flexible solar cells will be manufactured using a ribbon-like substrate in a high-speed thin film manufacturing process conducted in a vacuum. The commercialization of this process is expected to expand the range of applications in which solar cells can be used and make a major contribution to the realization of a low-carbon society.

## Nitto Denko Develops New Optical Touch Screen Sensor for "Smart" Stationery Using Optical Waveguide Technology

### (1) Handwriting Digitization

Many kinds of electronic stationery are sold in an attempt to meet the need for handwriting digitization. However, most of these devices require special pens or paper or need to be input with a scanner or camera, making them clumsy and difficult to use, which is one reason they have never really become that popular.

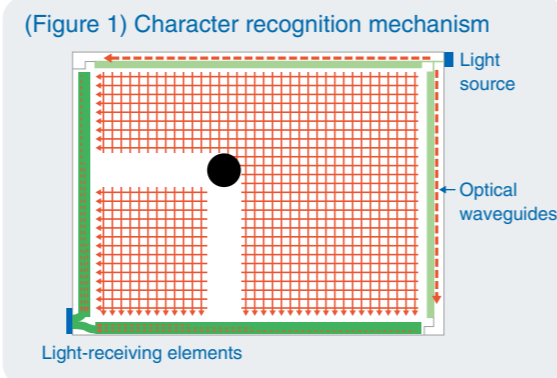
The Nitto Denko Group has developed "smart" stationery with optical touch screen sensors using their optical waveguide technology. Consisting of what looks merely to be a thin frame, when placed on top of a piece of paper and written on, the device instantly transmits wirelessly what is written to any designated computer, etc., in the form of digital data. No special pen or paper is required.

### (2) Position Detected by Interrupting Beams of Light

Optical waveguide technology is used in this optical touch screen sensor. The way this works is that light is emitted from a light source within the frame and

passes along two sides of the frame and through optical waveguides, traveling in a lattice form to the light receiving elements along the other two sides of the frame. When the screen is touched, light passing through the optical waveguides is blocked in that area. This is detected by the light receiving elements, thus enabling the detection of the position touched (see Figure 1). By employing the latest in cutting-edge technology, such as fine-pitch pattern formation technology, lens molding technology and optical design technology, we have managed to create a thin, compact device that is able to accurately detect fine things such as the tip of a pen.

The technology was well received when it made its debut at the 22nd International Stationery & Office Products Fair Tokyo that was held at Tokyo Big Site in July 2011.



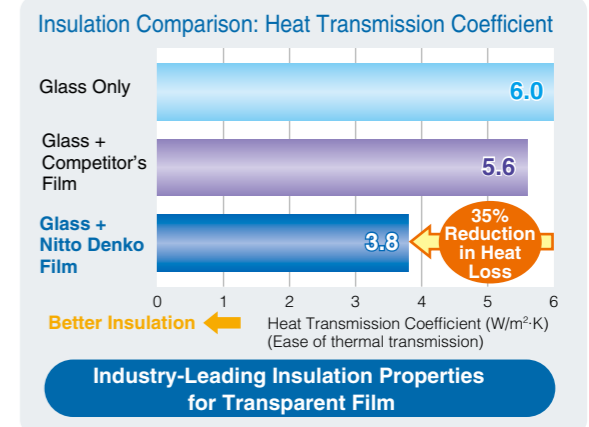
The device is compact enough to fit in a small diary

## Energy-Saving Transparent Window Insulation Film

In recent years, one of the energy-saving measures that have been gaining some attention is the development of energy-efficient types of films for windows, which account for much loss and gain of heat. Although various kinds of energy-efficient window film have been brought to market, many merely reduce the amount of incoming solar energy, which while effective in summer does little to help the outward flow of heat during winter.



Transparent Window Insulation Film

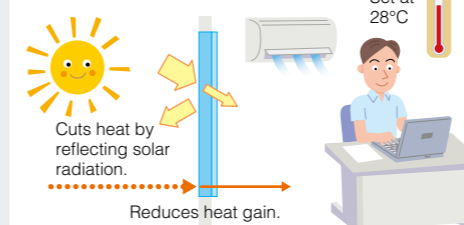


The Nitto Denko Group has therefore developed a transparent window insulation film that improves energy efficiency not merely in the summer, but right throughout the year. This film keeps rooms cool in summer by blocking solar radiation and warm in winter by reducing heat loss. Furthermore, rooms do not become noticeably darker and the film is resistant to scratching.

From FY2012 the company aims to expand the range of applications from the windows of homes and offices to include display chillers and transportation vehicles.

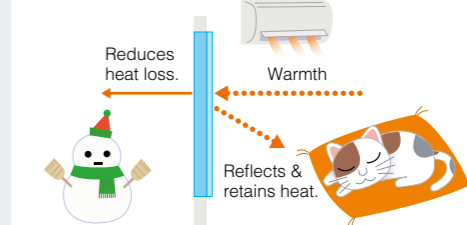
### Four Characteristics of Transparent Insulation Film

#### 1. Cool in Summer (Shielding, Insulation)



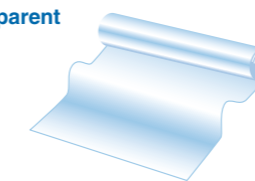
Cuts solar radiation by 40% to block out heat.

#### 2. Warm in Winter (Insulation)



Reduces heat loss by 35%.

#### 3. Transparent



Lets through more than 70% of visible light to maintain brightness.

#### 4. Easy to Apply & Durable



Not easily damaged by scratching.

## Passing Beautiful Earth and Local Environment onto Next Generation

In conformity with our corporate vision and the Nitto Denko Group's Environmental Policy, we implement environmental management to protect the local and global environment through two approaches: a "reduction of environmental load associated with our business activity"; and the "development of business conducive to environmental conservation".

### Concept of Environmental Management

Now that environmental conservation is necessary, we believe that as a member of society, we have a responsibility to minimize the environmental load resulting from our business activity. Therefore, by means of assessing the relationship between the added value created from our corporate activity and environmental load, we implement measures such as a reduction in energy used in production and industrial waste, aiming to reduce environmental load.

We promote the development of environmentally-conscious products in order for our products and

services to realize an overall reduction in the environmental load of our customers' production processes and, in their end products.

### Environmental Management Index

The Nitto Denko Group is implementing environmental load reduction activities aimed primarily at the prevention of global warming. An example of this is the establishment of a unique environmental efficiency index and its target values.

The "Environmental Management Index" (Environmental Impact Value-added Productivity) established by the Nitto Denko Group is an index

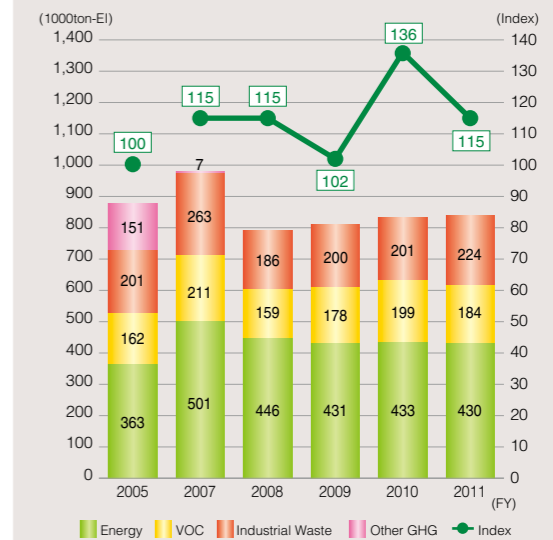
which indicates the environmental load from corporate activity vis-a-vis the added value created from that activity. It is obtained by dividing the added value\*<sup>1</sup> created from corporate activity by Environmental Impact\*<sup>2</sup> entailed in the creation of the added value. By using the fiscal 2005 Environmental Management Index level as a benchmark, we aim to double our environmental efficiency by fiscal 2015.

The "Environmental Management Index" declined to 115 in fiscal 2011, compared to 136 in fiscal 2010. The ratio of sales to Environmental Impact was almost unchanged, but the added value decreased compared to the previous year because material and energy costs increased. We will seriously address the deterioration in the index. Moreover, in order to realize the target value for fiscal 2015, we will improve the development of more energy-efficient processes and products not using organic solvents and of those low in their generation of industrial waste. In addition, we will increase our efforts to create high value-added products.

\*1 Added value (unit: million yen) = sales amounts - (material costs+outside order expenses+energy costs)

\*2 A unique unit utilized by the Nitto Denko Group, indicating Environmental Impact (quantity of CO<sub>2</sub> emission equivalent), into which we convert energy purchased, industrial waste generated, VOC purchased and the like through the use of a coefficient.(unit: ton-EI)

Environmental Impact and Environmental Management Index (consolidated)



Environmental Management Index\* (consolidated)

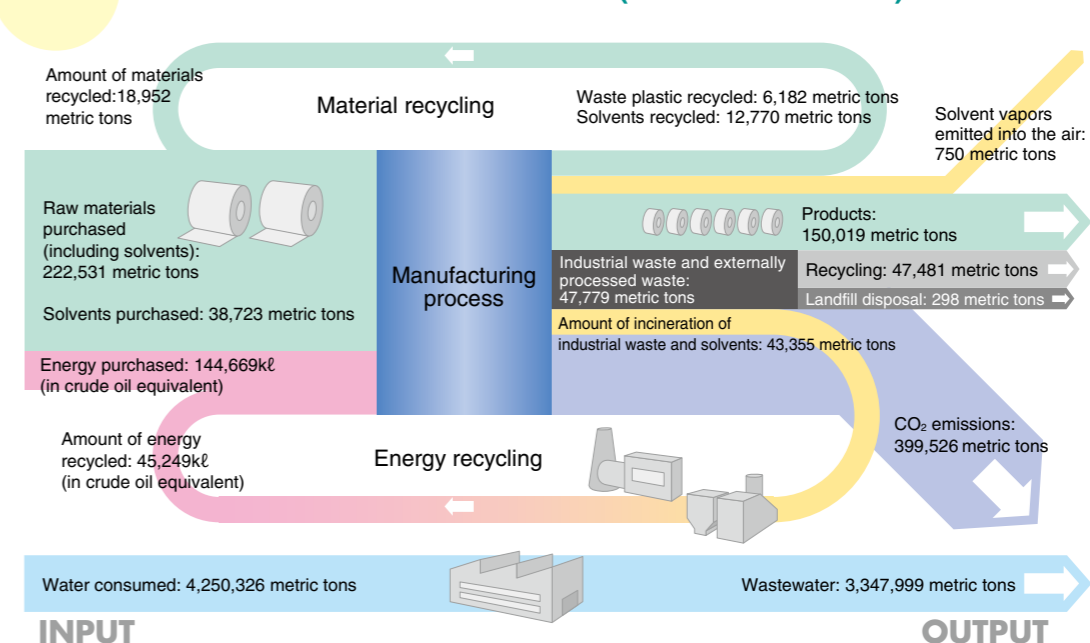
FY	2005	2007	2008	2009	2010	2011
Added Value (million yen)	318,098	410,835	328,264	298,890	409,971	348,278
Environmental Impact (ton-EI)	876,846	980,608	790,200	809,100	832,300	837,900
Index	0.363	0.419	0.415	0.369	0.493	0.416
Relative Index	100	115	115	102	136	115

\*Added Value / Environmental Impact

### Nitto Denko Group's Approach toward Environment



### Material Flows in Business Activities (non-consolidated)

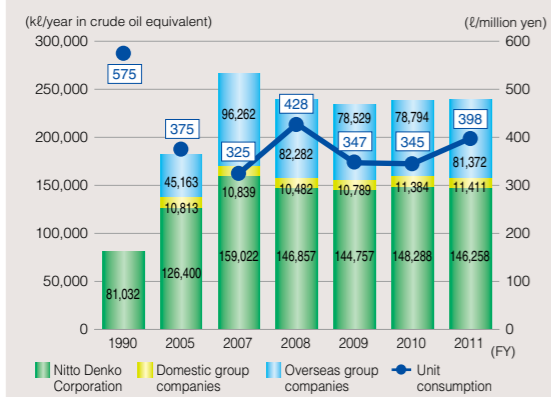


## Environmental Performance Data – Working to prevent global warming –

The Nitto Denko Group is taking steps to reduce CO<sub>2</sub> emissions associated with our business activities in order to prevent global warming. As energy use is almost invariably accompanied by the generation of CO<sub>2</sub>, we actively strive to improve our energy efficiency and implement energy-saving activities.

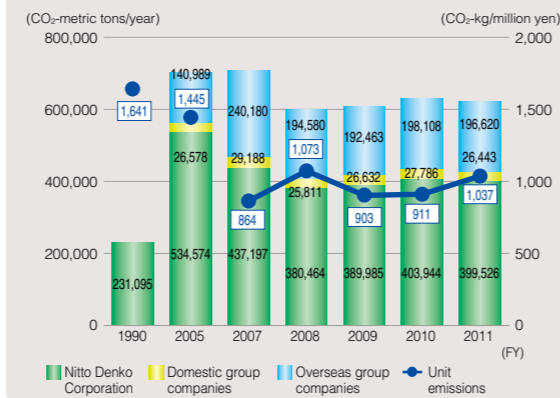
Total CO<sub>2</sub> emissions in fiscal 2011 remained the same level as fiscal 2010. However, our unit CO<sub>2</sub> emissions (CO<sub>2</sub> emissions per 1 million yen of production output) decreased because of a loss of production output. Compared to fiscal 2005, total CO<sub>2</sub> emissions declined by 11% (approximately 80,000 metric tons), but we will still have to implement further reduction activities. We are now

### Energy Purchased and Unit Energy Consumption (consolidated)

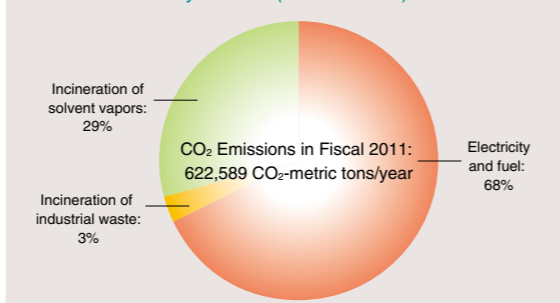


tackling the development of products and processes which will be energy-efficient at the time of manufacturing. UV polymerization, employed efficiently with less energy using ultraviolet light and emulsion polymerization promising an improvement in drying efficiency, are such examples. We will implement further reductions of CO<sub>2</sub> by means of introducing environmentally-conscious technologies.

### Total and Unit CO<sub>2</sub> Emissions (consolidated)



### CO<sub>2</sub> Emissions by Source (consolidated)



## Environmental Performance Data – Effective utilization of resources –

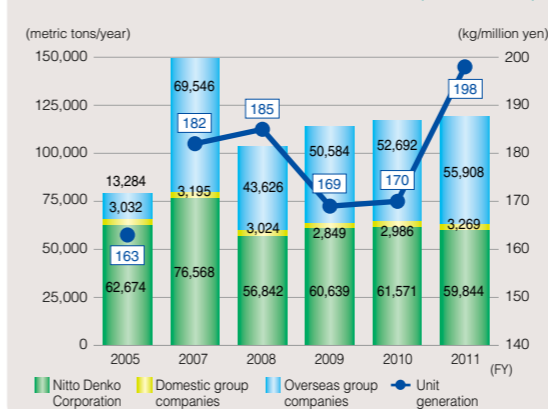
The Nitto Denko Group is implementing activities to reduce industrial waste generated from production activity. The total amount of industrial waste and unit generation of industrial waste (industrial waste per 1 million yen of production output) in fiscal 2011 increased compared to fiscal 2010. By region, the amount of industrial waste at overseas group companies increased. We will continue to reduce losses generated in the manufacturing process, aiming at the effective utilization of invested resources at all of our bases.

In consequence of our implementing the effective utilization of industrial waste with the aim of recycling, mainly at domestic bases, the effective utilization rate (the ratio of the amount of scrap materials to the total amount of industrial waste) of industrial waste remained the same level of fiscal

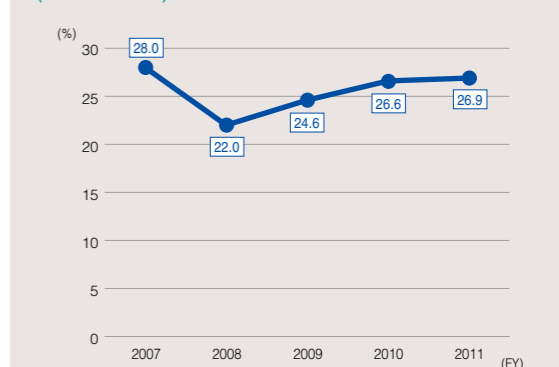
2010. Scrap materials which are reusable as fuels or materials are marketable. For example, Nitto Denko Toyohashi Plant has been making efforts to produce valuable resources from adhesive waste since 2010. It is an approach in which adhesive waste treated heretofore as industrial waste is reprocessed into reusable fuels. Selling such fuels as alternative fuels led to a reduction of 3,240t/year in the consumption of coal and 4,200 CO<sub>2</sub>-metric tons/year in emissions of CO<sub>2</sub> by purchasers.

On the other hand, the Nitto Denko Group focuses on reducing the amount of industrial waste generated and on developing production processes in which no industrial waste is generated. Packaging and wrapping materials used in shipping become waste materials. Therefore, by means of considering every step from the procurement of materials to our customers' processes, we continue to form a supply chain in which the amount of waste materials decreases.

### Total and Unit Generation of Industrial Waste (consolidated)



### Effective Utilization Rate of Industrial Waste (consolidated)



## Approaches to Environmentally-friendly Transportation

Nitto Logi-com has been engaged in green logistics as a special distribution corporation of the Nitto Denko Group since fiscal 2007.

Nitto Logi-com aims at a "reduction of more than 1% per year of CO<sub>2</sub> emissions from transportation" by means of modal shifts and improving the load efficiency of its vehicles, and so on.

Furthermore, in order to impart the company's objectives to every employee, Nitto Logi-com decides on themes in each office every year. In fiscal 2011, they implemented in-house training on such issues as the legal system and introduced case examples.

[Case Examples]

- Improving load efficiency by "Cargo Deck\*" – reduction rate of 0.6%  
\* Double-deck shelves for stacking freight which is unable to be stacked otherwise
- Switching from air to land delivery – reduction rate of 2.7%



Example of application of "Cargo Deck" (The blue shelf is the "Cargo Deck")

## Establishment of Nitto Denko Group Regulations for Waste Management

Waste management laws and guidelines exist in each country where we operate, but standards vary.

At many bases in the Nitto Denko Group we implement waste management properly by means of acquiring ISO14001 certification. In order to increase the level of management, we established 'Nitto Denko Group Regulations for Waste Management', targeting all group companies, in August 2011.

## Nitto Denko (Suzhou) Certified National Level Corporation in Management of Dangerous Waste

Receiving a high evaluation from the Chinese government in the proper management of dangerous waste designated by the Government, Nitto Denko (Suzhou) was certified as a national level corporation by the Environmental Protection Agency in Suzhou Industrial Park. Among 4 levels (national, provincial, city and park), the national level represents the highest level. At this time, five corporations received national level certification from the Suzhou Industrial Park and Nitto Denko (Suzhou) was the first Japanese-owned corporation to do so.

## Environmental Performance Data – Reduction of organic solvents –

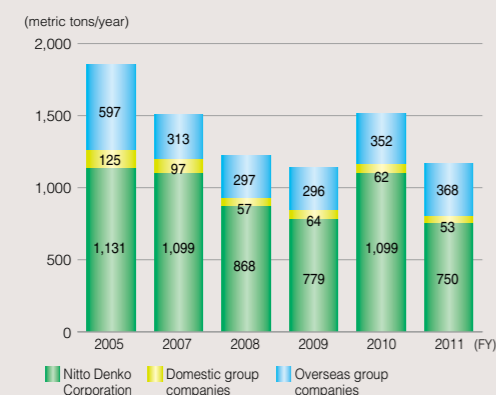
The Nitto Denko Group is implementing measures to reduce the quantity of organic solvents used in manufacturing our products. A reduction in the amount of organic solvents used helps to avoid the possibility of hazardous explosions or fire, and damage to human health, as well as to reduce environmental load.

The Nitto Denko Group installed oxidizing equipment (incineration equipment used for solvent gases) or solvent recovery units on every production line where necessary domestically and abroad, to prevent air pollution generated from organic solvents. The amount of VOC emissions has been declining year after year, and the figure for fiscal

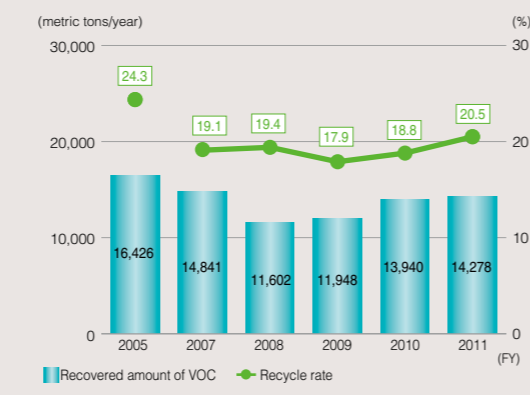
2011 was 1,171 metric tons. We will continue to preserve air quality by properly maintaining our equipments.

Simultaneously, we are aggressively engaged in reducing the quantity of organic solvents used. Recently, emulsion polymerization and UV polymerization technologies employed without the use of organic solvents have attracted attention. By carefully examining the characteristics of each technology, we are applying such technologies to a variety of products, with a particular focus on industrial tapes. By utilizing environmentally-friendly technologies, we will realize the development of products with superior characteristics, making use of our essential technologies and experience and disseminating our technical know-how throughout the entire Group.

Amount of VOC Emissions (consolidated)



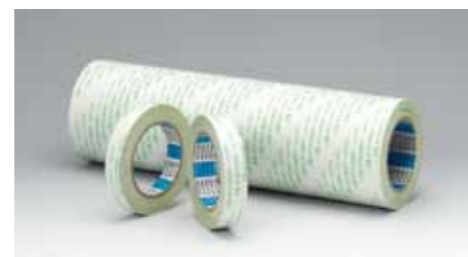
Amount of VOC Recycling (consolidated)



### Low VOC Double-Coated Adhesive Tape for Rough Surfaces (EW-514)

The number of environmentally-conscious products provided by the Nitto Denko Group is increasing year by year.

Low VOC Double-Coated Adhesive Tape for Rough Surfaces (EW-514), is a product from which the amount of VOC diffused is very small. Furthermore, not only are organic solvents not used, but the residual amount of other volatile components is low. It has high adhesion properties and is used on rough surfaces of materials such as interior automotive trim where a low VOC is desirable and foams and nonwoven fabric cloth, which are used inside electrical appliances.



## Contributing to the Environment

### Researching Core Technologies Linked to Green Innovation – Approaches of Ecological Technology Department –

In accordance with an increase in societal concern about the environment, “eco products” have become sought after. The Nitto Denko Group has developed environmentally-friendly products. However, new fundamental technologies are necessary from the standpoint of eco in order to produce innovative products in fitting with a coming green society.

The Ecological Technology Department was inaugurated in 2010 and is a group which expertly researches fundamental technologies necessary in order to develop environmentally-friendly products at the time of manufacturing and environment-serving products. The Ecological Technology Department is presently focused on technologies to reduce energy, waste and organic solvents, which are the big three factors of contributing to environmental load generated at the time of manufacturing.

Combining new technologies with many existing technologies, we will make collective and concerted efforts to create innovative eco products.

### Focusing on Next Stage in Biodiversity Conservation Activities

Biodiversity is an essential platform for a sustainable society and the Nitto Denko Group is involved in biodiversity conservation activities together with UNEP (United Nations Environment Program) and Nippon Keidanren. We consider that in order to enrich our approach it is important that our employees have a precise understanding of biodiversity. Therefore, in fiscal 2011 we created opportunities to inform our employees about biodiversity through our company magazines and information sessions.

## Turn-off-the-lights Campaign and Environmental Exhibition at Every Base

In fiscal 2009, the Nitto Denko Group launched “Green Design Action” with the aim of improving employees’ awareness of the environment. Our goal is that employees will be able to adopt pro-environment behaviors in their daily lives. Thus far, we have conducted activities with the central focus on major bases. In fiscal 2011 we made efforts at every base in Japan and abroad. We made the Turn-off-the-lights Campaign held in July a trigger for employees to consider energy issues, while at the Environmental Exhibition in January, where our approaches in the Group were exhibited, we also had them gain a better understanding of the environment. Aiming at a further improvement of our employees’ awareness of the environment, we will continue to conduct such activities.



Environmental Exhibition

**We continue to work towards a better society by participating in a variety of honest and ethical activities in various countries around the world.**

**Promoting Education and International Interaction**

**Providing Materials Containing Polarizer Film to Junior High School Students with the Assistance of People in Japan, the Czech Republic and Belgium**

In order for children to gain an interest in science and thus produce future scientists and engineers, "Photonics Explorer", in which materials for science are offered free of charge to junior high school students, is being evolved in Europe. This is an industry-government-academia action, in which five universities, guided by the University of Brussels in Belgium, conceptualize and develop materials which are then manufactured by private corporations with the funding of the EU.

Nitto Denko Czech and Nitto Denko Onomichi Plant cooperate in support of the initiative. Polarizer film is donated by the Onomichi Plant and employees of Nitto Denko Czech work to make the materials by hand. Through the NPO, 10,000 kits will eventually be distributed to over 10,000 junior high schools in 8 countries, including Belgium and the United Kingdom.

In schools where polarizer materials have already been distributed, students are studying the wonder and fun of light.



Materials containing polarizer film

Employees of Nitto Denko Czech making the materials by hand

**Supporting Sports**

**31st Osaka International Ladies Marathon**



The start (Photo credit - Sankei Shimbun)

On January 29, 2012, in line with the theme of "We support the Challengers with Shared Enthusiasm!" we cosponsored the Osaka International Ladies Marathon this year for the eighth time. Approximately 1,700 employees and their families from the Nitto Denko Group visited the stadium and about 550 employees participated in the event as volunteers. Some helped clean the site whilst others offered a taping service to runners.

This year we cosponsored "Osaka Enjoy Run" in which entrants from elementary school students to the elderly were able to participate. With Naoko Takahashi, gold medalist in the women's marathon at the Sydney 2000 Olympic Games as a special guest, 1,417 participants enjoyed jogging at their own pace.



The 3.2-km "Osaka Enjoy Run" jogging event



Volunteers taping runners

**Idea Contest**

We held a "Creating a better future with ideas! Idea Contest" as part of activities in conjunction with the Osaka International Ladies Marathon. In order to make our lives more convenient and a little more comfortable, we called for ideas for eco things that people would like to see exist. We received a total of 418 submissions. After



Idea Contest award ceremony

screening the submissions with regards to their degree of originality and their contribution to society, we invited award winners to the event site in Nagai Stadium and performed an award ceremony on the very day of the marathon. The highest award was given to "Nikoniko Hatsudensho" which is the idea of generating electric power through smiles.



Image of "Nikoniko Hatsudensho"

**Million Step Challenge**

This is an event whose goal was to walk 1,000,000 steps in 100 days from last October to the day of the Osaka International Ladies Marathon. Although it has been an annual event since our first year of co-sponsorship of the marathon, we also made donations of relief supplies to areas affected by the Great East Japan Earthquake based on the total distance walked by the participants. With the aid of many participants, we donated relief supplies worth 300,000 yen in response to the total combined distance of 290,000 kilometers walked by all participants, to Sendai Tsunami Fukko Shien Center.



Relief supplies: 20 oil fan heaters and 520 packs of 12 rolls of toilet paper

**Contributing to Local Communities**

**Polar Bear Swim at Charity Event in Virginia**

On February 4, 2012, a total of 9 participants, comprising 8 employees of Nitto Denko Automotive Virginia, and one family member dived into the Atlantic Ocean at the height of winter. It was their first year participating in the Polar Plunge® Winter Festival, a charity event held by Special Olympics\* Virginia.

Furthermore, one employee participated in a 5 km run, part of the event, and came in third by age bracket. Participation fees from the 5 km run and another 1,050 dollars raised in the office will be used for supporting sports for the disabled.

\* Special Olympics is an international sports organization supporting the disabled's participation in society through sport.



**Nitto Denko Philippines Participates in Mt. Makiling Cleanup and Ecotrail Restoration Program**

Nitto Denko Philippines participated in a program to clean up and restore ecotrails at Mt. Makiling on March 3, 2012. This is a volunteer activity started last year aimed at restoration of trails damaged by a typhoon in 2006.

Thirteen members of the CSR team at Nitto Denko Philippines participated in the program for the first time as one of their annual CSR

activities. They attended brief lectures about forest protection before starting out and ventured on a 4 kilometer-long trek. On their way, they placed stones on a walkway for the safety of hikers and enjoyed a valuable experience, seeing big trees considered endangered and communicated with people living on the mountain.

Nitto Denko Philippines will continue to implement environmental conservation activities and contribute to local areas.



**Fund-raiser for Digging Wells**

We have so far donated 7 wells to developing countries in Asia, such as Sri Lanka and Bangladesh. This year, in the third fund-raiser for digging wells, we raised 700,000 yen. We made donations through the Japan Asian Association and the Asian Friendship Society. The funds will be used for the construction of wells in the Philippines, Cambodia and Nepal.



Wells completed in Sri Lanka

**Consolidated Financial Statements  
Consolidated Balance Sheet**

(Yen in Millions)

Assets	Amount	
	As of March 31, 2012	As of March 31, 2011
<b>Current assets:</b>	<b>422,989</b>	<b>423,340</b>
Cash and deposits	209,855	211,044
Notes and accounts receivable-trade	126,840	132,725
Merchandise and finished goods	20,152	20,795
Work in process	33,355	28,911
Raw materials and supplies	14,037	12,693
Deferred tax assets	6,480	9,128
Other	12,807	8,750
Allowance for doubtful accounts	-541	-708
<b>Noncurrent assets:</b>	<b>228,919</b>	<b>230,620</b>
<b>Property, plant and equipment</b>	<b>190,074</b>	<b>195,152</b>
Buildings and structures	86,335	91,597
Machinery, equipment and vehicles	62,234	65,382
Tools, furniture and fixtures	6,609	6,707
Land	19,053	19,077
Construction in progress	15,842	12,388
<b>Intangible assets:</b>	<b>8,955</b>	<b>8,100</b>
Goodwill	1,246	1,610
Software	3,986	4,195
Other	3,722	2,293
<b>Investments and other assets:</b>	<b>29,889</b>	<b>27,367</b>
Investment securities	9,000	8,583
Deferred tax assets	9,986	9,546
Prepaid pension cost	7,238	6,286
Other	3,870	3,197
Allowance for doubtful accounts	-207	-245
<b>Total assets</b>	<b>651,908</b>	<b>653,961</b>

(Yen in Millions)

Liabilities	Amount	
	As of March 31, 2012	As of March 31, 2011
<b>Current liabilities:</b>	<b>138,487</b>	<b>157,046</b>
Notes and accounts payable-trade	78,730	80,876
Short-term loans payable	2,978	10,654
Accrued expenses	16,136	19,107
Income taxes payable	3,507	18,709
Other	37,135	27,699
<b>Noncurrent liabilities:</b>	<b>77,486</b>	<b>77,242</b>
Bonds payable	50,000	50,000
Long-term loans payable	6,000	6,000
Provision for retirement benefits	18,994	18,688
Provision for directors' retirement benefits	394	393
Deferred tax liabilities	353	365
Other	1,743	1,795
<b>Total liabilities</b>	<b>215,973</b>	<b>234,288</b>
(Net assets)		
<b>Shareholders' equity</b>	<b>462,073</b>	<b>447,163</b>
Capital stock	26,783	26,783
Capital surplus	56,160	56,171
Retained earnings	412,784	398,161
Treasury stock	-33,655	-33,953
<b>Accumulated other comprehensive income</b>	<b>-28,532</b>	<b>-29,557</b>
Valuation difference on available-for-sale securities	1,178	1,250
Deferred gains or losses on hedges	-661	123
Foreign currency translation adjustment	-29,049	-30,931
Subscription rights to shares	963	847
Minority interests	1,430	1,219
<b>Total net assets</b>	<b>435,935</b>	<b>419,673</b>
<b>Total liabilities and net assets</b>	<b>651,908</b>	<b>653,961</b>

## Consolidated Financial Statements Consolidated Statement of Income

(Yen in Millions)

	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
<b>Net sales</b>	<b>607,639</b>	<b>638,556</b>
Cost of sales	439,938	444,037
<b>Gross profit</b>	<b>167,701</b>	<b>194,518</b>
Selling, general and administrative expenses	111,210	109,273
<b>Operating income</b>	<b>56,491</b>	<b>85,245</b>
<b>Non-operating income:</b>	<b>4,529</b>	<b>3,727</b>
Interest and dividends income	432	458
Foreign exchange gains	391	—
Miscellaneous income	3,705	3,269
<b>Non-operating expenses:</b>	<b>2,583</b>	<b>3,828</b>
Interest expenses	907	1,031
Equity in losses of affiliates	369	18
Foreign exchange loss	—	1,281
Miscellaneous loss	1,306	1,497
<b>Ordinary income</b>	<b>58,436</b>	<b>85,143</b>
<b>Extraordinary income:</b>	<b>1,138</b>	<b>574</b>
Gain on sales of noncurrent assets	31	219
Gain on sales of subsidiaries and affiliates' stocks	745	—
Other	361	355
<b>Extraordinary loss:</b>	<b>9,726</b>	<b>2,768</b>
Loss on sales and retirement of noncurrent assets	1,023	1,587
Impairment loss	3,238	172
Special retirement expenses	70	66
Loss on disaster	1,335	654
Loss on sales of stocks of subsidiaries and affiliates	2,213	—
Loss on liquidation of subsidiaries and affiliates	1,584	—
Other	260	288
<b>Income before income taxes</b>	<b>49,848</b>	<b>82,950</b>
Income taxes-current	14,984	27,478
Income taxes-deferred	3,517	-585
<b>Income before minority interests</b>	<b>31,346</b>	<b>56,056</b>
Minority interests in income	279	313
<b>Net income</b>	<b>31,066</b>	<b>55,743</b>

## Consolidated Financial Statements Consolidated Statement of Cash Flows

(Yen in Millions)

	April 1, 2011 - March 31, 2012	April 1, 2010 - March 31, 2011
<b>I. Net cash provided by (used in) operating activities</b>		
Income before income taxes	49,848	82,950
Depreciation and amortization	36,806	39,940
Impairment loss	3,238	172
Loss on sales of stocks of subsidiaries and affiliates	2,213	—
Loss (gain) on liquidation of subsidiaries and affiliates	1,584	—
Decrease (increase) in notes and accounts receivable-trade	5,498	-1,629
Decrease (increase) in inventories	-5,626	-6,273
Increase (decrease) in notes and accounts payable-trade	-1,482	6,189
Interest expenses paid	-955	-1,073
Income taxes (paid) refund	-33,106	-24,392
Other, net	472	1,177
<b>Net cash provided by (used in) operating activities</b>	<b>58,492</b>	<b>97,060</b>
<b>II. Net cash provided by (used in) investing activities</b>		
Decrease (increase) in time deposits	-1,390	-1,486
Purchase of noncurrent assets	-35,249	-28,033
Proceeds from sales of noncurrent assets	129	984
Other, net	-553	-3,506
<b>Net cash provided by (used in) investing activities</b>	<b>-37,064</b>	<b>-32,041</b>
<b>III. Net cash provided by (used in) financing activities</b>		
Increase (decrease) in short-term loans payable	291	-1,096
Repayment of long-term loans payable	-7,954	-6,358
Decrease (increase) in treasury stock	160	-5,982
Cash dividends paid	-16,443	-9,898
Other, net	-32	-23
<b>Net cash provided by (used in) financing activities</b>	<b>-23,978</b>	<b>-23,359</b>
<b>IV. Effect of exchange rate change on cash and cash equivalents</b>	<b>-26</b>	<b>-3,998</b>
<b>V. Net increase (decrease) in cash and cash equivalents</b>	<b>-2,576</b>	<b>37,661</b>
<b>VI. Cash and cash equivalents at the beginning of period</b>	<b>148,289</b>	<b>110,627</b>
<b>VII. Cash and cash equivalents at the end of period</b>	<b>145,712</b>	<b>148,289</b>

## Consolidated Financial Statements Consolidated Statement of Changes in Net Assets

April 1, 2011 through March 31, 2012

(Yen in Millions)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
<b>Balance as of April 1, 2011</b>	26,783	56,171	398,161	-33,953	447,163
<b>Changes of items during the period</b>					
Dividends from surplus			-16,443		-16,443
Net income			31,066		31,066
Purchase of treasury stock				-1	-1
Disposal of treasury stock		-11		299	288
Net changes of items other than shareholders' equity during the period					
<b>Total changes of items during the period</b>	—	-11	14,622	298	14,909
<b>Balance as of March 31, 2012</b>	26,783	56,160	412,784	-33,655	462,073

(Yen in Millions)

	Accumulated other comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total accumulated other comprehensive income			
<b>Balance as of April 1, 2011</b>	1,250	123	-30,931	-29,557	847	1,219	419,673
<b>Changes of items during the period</b>							
Dividends from surplus							-16,443
Net income							31,066
Purchase of treasury stock							-1
Disposal of treasury stock							288
Net changes of items other than shareholders' equity	-72	-784	1,882	1,025	115	211	1,352
<b>Total changes of items during the period</b>	-72	-784	1,882	1,025	115	211	16,262
<b>Balance as of March 31, 2012</b>	1,178	-661	-29,049	-28,532	963	1,430	435,935

## Business Results 10-Year Summary (consolidated)

April 1 - March 31	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2011
	Yen in Millions (Note 3)										U.S. dollars in Thousands
<b>Statement of income</b>											
Sales	378,705	452,726	514,867	626,316	679,822	745,259	577,922	601,859	638,556	607,639	7,393,101
Operating income	33,901	55,912	70,018	89,224	69,037	77,954	13,838	56,086	85,245	56,491	687,322
ratio to sales	9.0%	12.4%	13.6%	14.2%	10.2%	10.5%	2.4%	9.3%	13.3%	9.3%	9.3%
Ordinary income	35,832	58,045	71,828	90,196	67,319	74,468	14,807	58,833	85,143	58,436	710,987
ratio to sales	9.5%	12.8%	14.0%	14.4%	9.9%	10.0%	2.6%	9.8%	13.3%	9.6%	9.6%
Net income	19,237	33,386	41,842	55,306	41,201	46,634	267	37,570	55,743	31,066	377,978
ratio to sales	5.1%	7.4%	8.1%	8.8%	6.1%	6.3%	0.0%	6.2%	8.7%	5.1%	5.1%
<b>Segment information</b>											
<b>Operating segment information</b>											
Industrial Tape (Note 1)..... Sales	192,179	191,682	207,366	251,384	268,888	256,910	209,491	222,486	261,104	243,768	2,965,908
Operating income	11,502	13,437	16,539	22,938	28,019	27,921	8,300	17,515	27,668	14,133	171,955
Optronics (Note 1)..... Sales	146,780	219,709	261,541	327,398	356,941	432,332	314,315	342,282	342,278	330,088	4,016,158
Operating income	16,848	38,881	47,152	58,713	31,449	40,852	-933	36,078	58,718	41,904	509,843
Medical & Membrane (Note 1)..... Sales	39,745	41,333	45,959	47,533	53,991	56,016	54,114	37,090	33,377	32,376	393,917
Operating income	5,550	3,592	6,326	7,573	9,568	9,180	6,470	2,492	-1,624	-2,476	-30,125
<b>Segment information by geographic area</b>											
Japan..... Sales	252,881	286,322	295,115	271,186	268,364	256,288	207,263	203,982	218,528	194,636	2,368,123
Operating income	29,803	51,158	65,918	76,888	52,535	44,969	3,305	34,897	64,376	39,571	481,458
North America..... Sales	33,386	37,216	35,836	38,580	42,349	45,054	39,002	37,766	36,116	35,739	434,834
Operating income	1,027	-2,399	-2,479	-1,078	-663	338	-1,298	2,012	-289	-1,363	-16,584
Europe..... Sales	14,496	16,422	17,392	19,395	23,787	29,172	25,519	26,933	23,245	21,189	257,805
Operating income	447	509	246	693	1,587	2,178	-20	1,147	1,471	480	5,840
Asia & Oceania..... Sales	77,940	112,764	166,522	297,153	345,321	414,743	306,136	333,177	360,665	356,074	4,332,328
Operating income	2,396	6,547	5,936	12,575	12,382	27,614	8,368	17,952	19,032	15,514	188,758
<b>Per share information</b>											
Net assets per share	1,367.4	1,360.7	1,583.8	1,943.7	2,192.3	2,297.1	2,148.2	2,320.9	2,540.3	2,635.9	32.07
Net income per share	108.5	198.0	252.7	332.3	248.3	280.1	1.6	225.5	337.4	188.9	2.30
Dividends per share	24.0	40.0	50.0	60.0	70.0	80.0	80.0	40.0	90.0	100.0	1.22
Shares outstanding (thousands)	173,758	173,758	173,758	173,758	173,758	173,758	173,758	173,758	173,758	173,758	—
Shareholders	17,144	20,999	16,725	16,057	35,224	41,309	63,479	66,032	59,059	65,321	—
<b>Balance sheet</b>											
Total assets	379,811	389,525	443,264	556,934	604,208	595,972	558,258	624,992	653,961	651,908	7,931,719
Equity	237,560	223,114	261,090	321,464	364,942	382,627	357,839	386,664	417,606	433,541	5,274,863
ROA	5.3%	8.7%	10.0%	11.1%	7.1%	7.8%	0.0%	6.4%	8.7%	4.8%	—
ROE	8.3%	14.5%	17.3%	19.0%	12.0%	12.5%	0.1%	10.1%	13.9%	7.3%	—
Equity to total assets	62.5%	57.3%	58.9%	57.7%	60.4%	64.2%	64.1%	61.9%	63.9%	66.5%	—
Capital investment	28,306	31,731	40,101	60,889	75,324	59,406	55,926	37,147	26,882	33,758	410,731
Depreciation cost	21,143	21,386	24,681	31,470	40,169	49,617	50,556	44,810	39,940	36,806	447,816
R&D expenses	13,851	15,822	16,739	20,489	21,733	22,096	21,716	20,876	21,949	25,003	304,210
Number of employees (Note 2)	15,389	18,926	22,454	27,865	32,101	33,663	28,640	31,288	33,192	32,198	—

Note 1-1 These comply with "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17 issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20 issued on March 21, 2008). Before FY2008, in compliance with previous accounting rule, "Industrial Tape" shows "Industrial products" in previous financial summary, "Optronics" shows "Electronics products", "Medical & Membrane" shows "Functional products", respectively.

<New segments>

Industrial Tape : Bonding and joining products, surface protection products, sealing products, packaging products and equipment, engineering plastics  
Optronics : LCD related materials, semiconductor related materials, flexible printed circuits, processing materials  
Medical & Membrane : Medical products, membrane products

<Former segments>

Industrial products : Bonding and joining products, surface protection products, sealing products, packaging products and equipment  
Electronic products : LCD related products, printed circuits, electronic processing materials, semiconductor related products  
Functional products : Medical related products, membrane products, engineering plastics

1-2 Until FY2010, segment is based on products of each business unit, however it was changed to organization basis segment, which is consisted of business unit and its subordinated companies. Thus amount in FY2010 was recalculated. The difference between total amount of segment information and consolidated statement of income arises from intersegment elimination.

1-3 In FY2002, electronic processing materials are categorized in 'Industrial products'.

2. Part-time employees are included.

3. The exchange rate Japanese yen and US dollars is the rate at March 31, 2012, which was JPY82.19 to USD1.00.

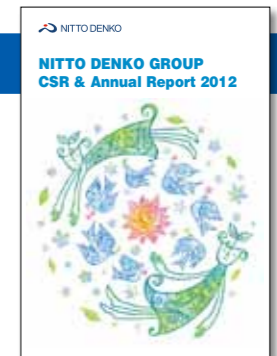
### About the Front Cover

The front cover shows a motif of people, birds and flowers dancing in a circle.

The image of their dancing airily in a circle represents universal themes such as the importance of collaborating and an orderly world.

Furthermore, the centered Sun represents a kind heart showing compassion toward others.

Illustrator Tetsuro Okabe

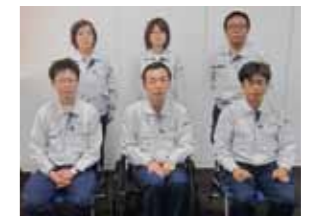


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