

Nitto Denko Group Report 2013

The Nitto Denko Group engages with our stakeholders through various activities.



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

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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”.

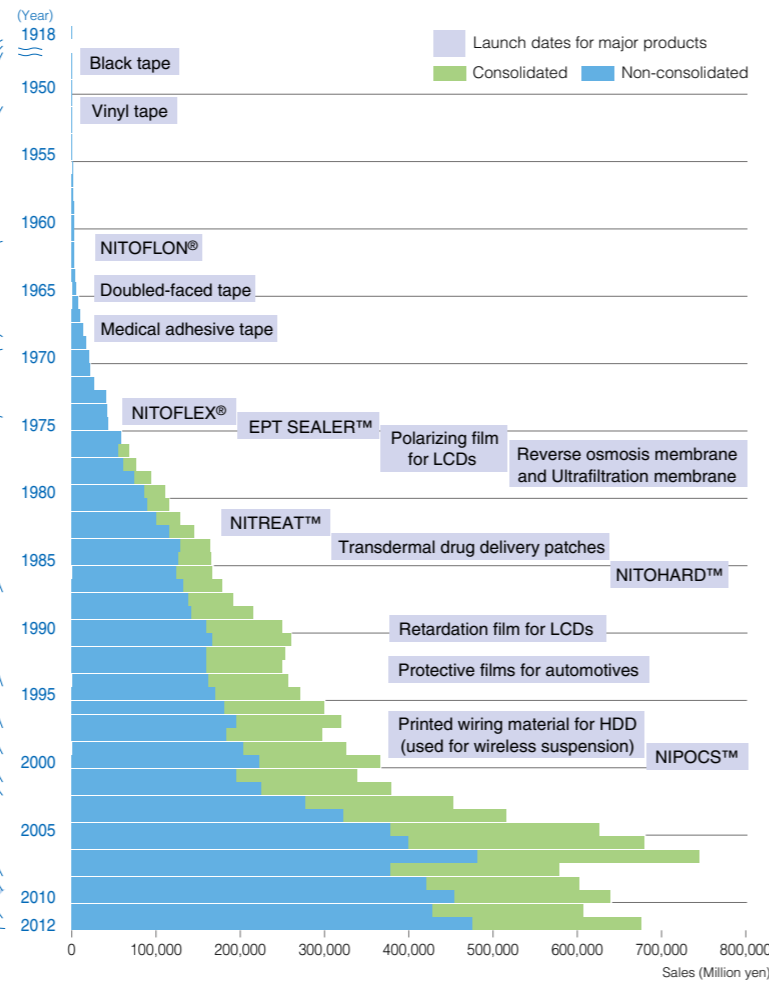
We will:

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

History of the Nitto Denko Group

- Nitto Electric Industrial Co., Ltd. forms in Osaki, Tokyo, to produce electrical insulating materials in Japan.
- Company introduces electrical insulating varnishes.
- Head Office is relocated to Osaka.
- Company begins production of black tape.
- Company produces first vinyl tapes in Japan.
- Company opens its first overseas office in New York.
- Company forms Nitto Denko America, Inc.
- Company forms Nitto Denko Taiwan, its first overseas manufacturing base.
- Company forms Nitto Belgium NV. (now called Nitto Europe NV.)
- Company acquires Hydranautics of the U.S.A.
- Company forms Nitto Denko (Shanghai Pu Dong New Area) Co., Ltd.
- Company forms Nitto Denko Material (Thailand) Co., Ltd.
- Company forms P.T. Nitto Materials Indonesia.
- Company forms Nitto Denko Vietnam Co., Ltd.
- Company forms Korea Nitto Optical Co., Ltd.
- Company forms Nitto Denko (Philippines) Corp.
- Company acquires Acoustiseal of the U.S.A.
- Company forms Nitto Denko Asia Technical Center in Singapore.
- Company forms Nitto Denko India Private, Ltd.
- Company acquires Avecia Biotechnology, Inc. of the U.S.A.
- Company acquires Bento of Turkey.
- Company forms Nitto Denko Europe Technical Centre Sarl. in Switzerland.

Sales trends and the commencement of manufacture of major products

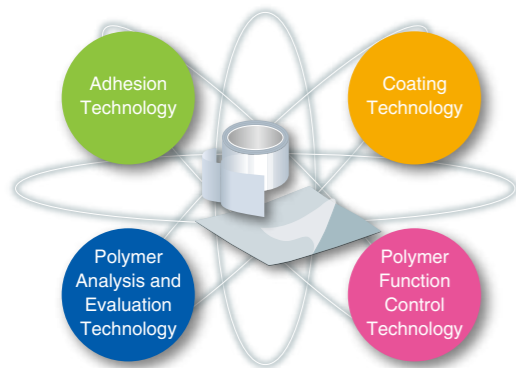


Strengths of the Nitto Denko Group

Combined strength of technologies

We have created numerous new technologies based on our four core technologies.

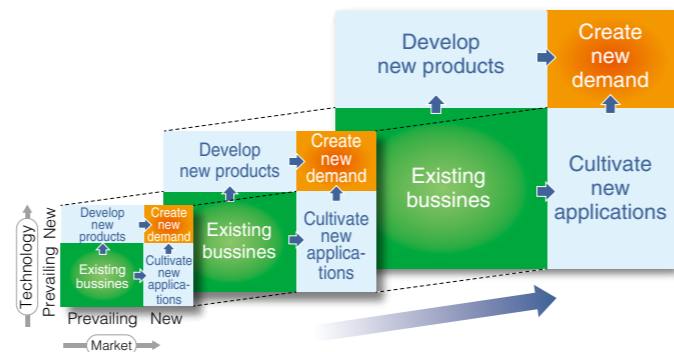
By combining these technologies, we have created a diversity of products adding value to sheeting and film.



Sanshin Katsudo

By developing "new applications" and creating "new products", we stimulate "new demand", giving rise to new markets.

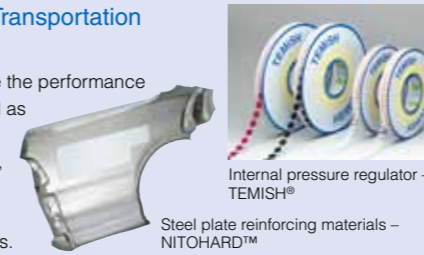
The Nitto Denko Group has grown through such activity, what we call 'Sanshin Katsudo.'



Business fields and major products

Automotive and Transportation Equipment

Our products improve the performance and efficiency, as well as reduce the environmental impact, of transportation equipment such as automobiles and trains.



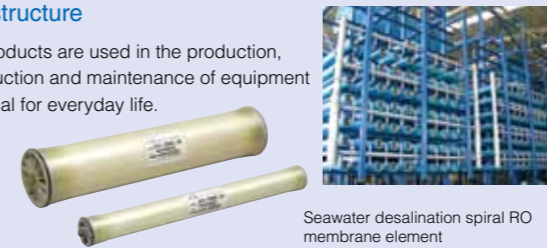
Housing and Housing Equipment

Our products provide various solutions to improve the security, comfort and environmental performance of housing.



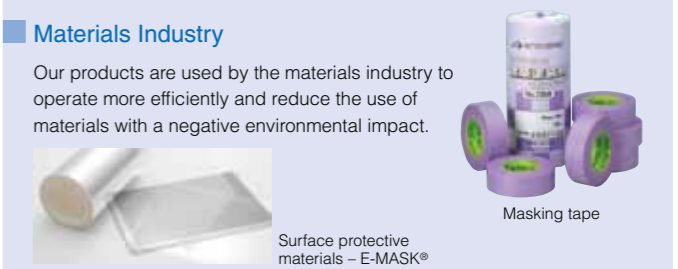
Infrastructure

Our products are used in the production, construction and maintenance of equipment essential for everyday life.



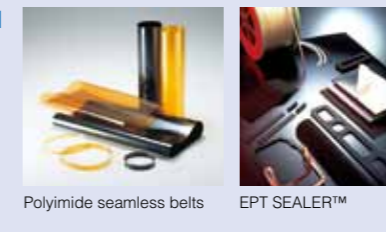
Materials Industry

Our products are used by the materials industry to operate more efficiently and reduce the use of materials with a negative environmental impact.



Home Appliance and Electrical Industries

Our products respond to the evolving home appliance market and its customers' needs while always considering the environmental impact.



Displays

Our products are used in applications such as TVs, tablet PCs, smartphones and portable gaming devices.



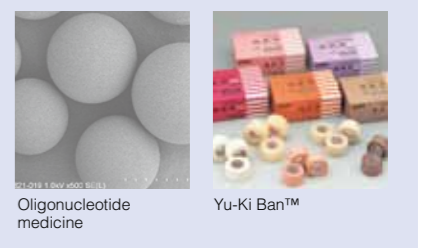
Electronic Devices

Our products are used in electronic components in a wide range of fields, from electronics to the environment and energy.



Medical Industry

Our products are used to create products gentle on the human body and help with the prevention and treatment of disease and injury.



Packaging Industry

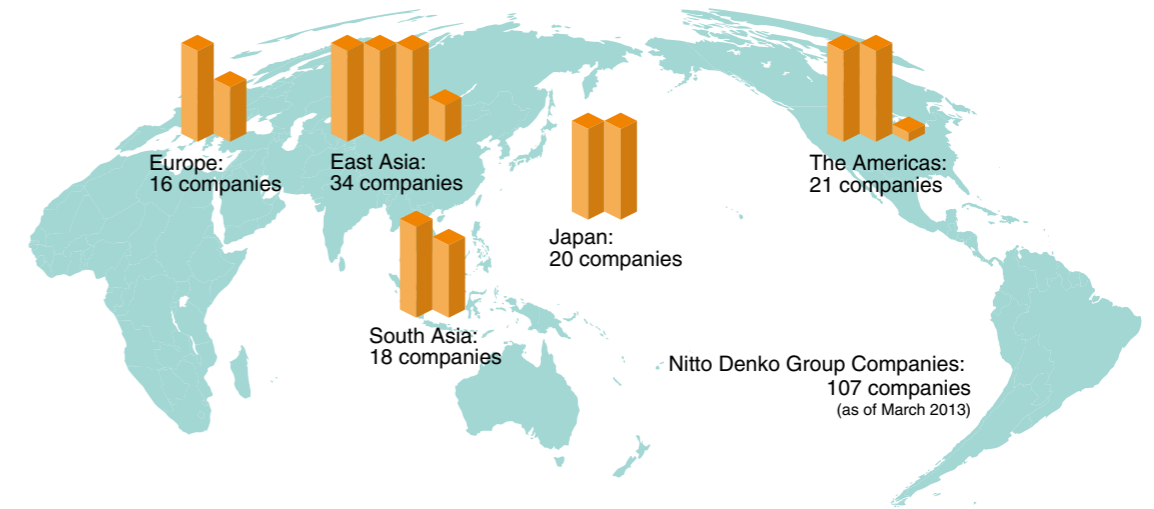
Our products, such as adhesive tapes and taping machine solutions, which respond to our customers' various needs, play an important role in logistics.



Consumer Products

Our products are used to create comfortable, convenient and innovative solutions for people's lives.





FY2012 Highlights

Sales	675,614 million yen
Operating Income	68,672 million yen
Income before Income Taxes	63,455 million yen
Net Income	43,840 million yen
R&D Expenses	27,573 million yen
Capital Investment	49,807 million yen
Depreciation Cost	36,467 million yen

Total Assets	741,473 million yen
Equity	488,703 million yen
ROE	9.5%

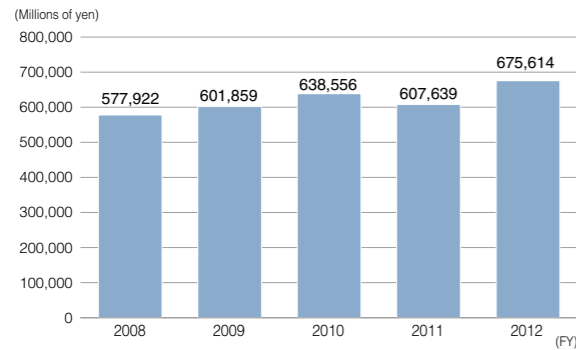
Amount per Share

Net Income per Share	266.3 yen
Dividends per Share	100 yen

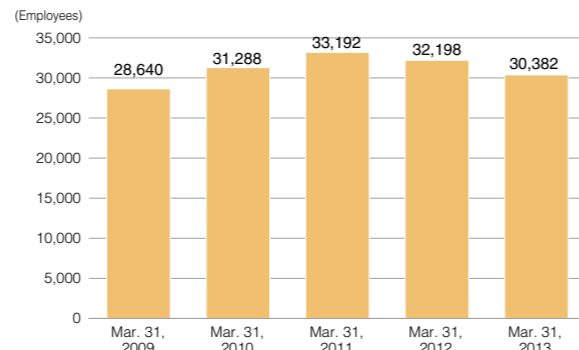
Regional Breakdown of Sales

Japan	192,600 million yen
The Americas	40,014 million yen
Europe	31,057 million yen
Asia & Oceania	411,942 million yen

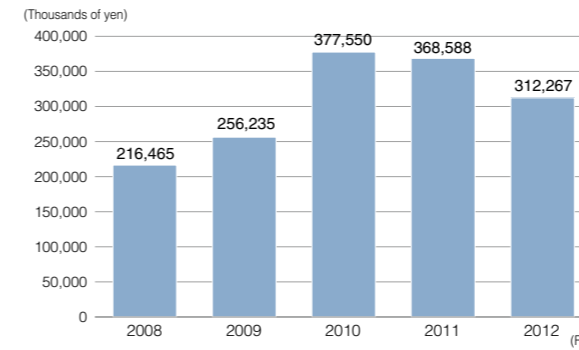
Sales



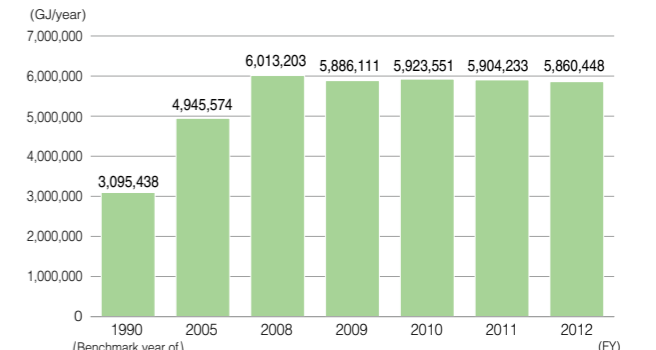
Number of Employees



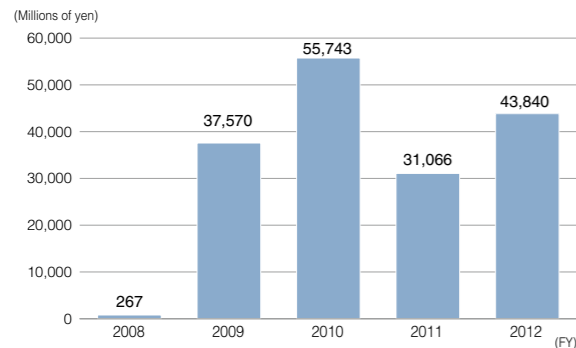
Total Amount Donated (non-consolidated)



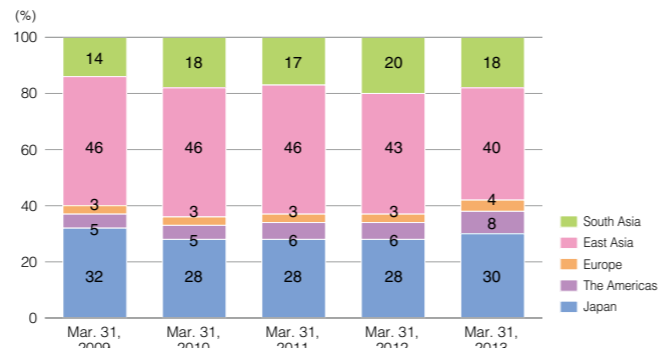
Energy Purchased



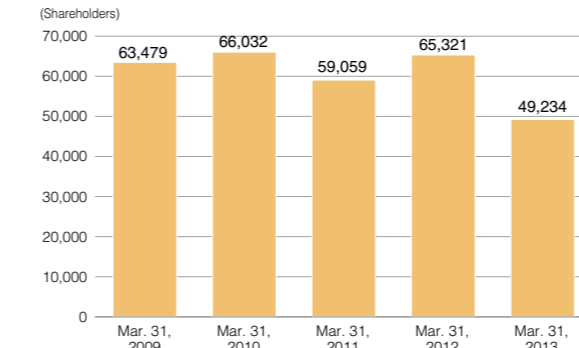
Net Income



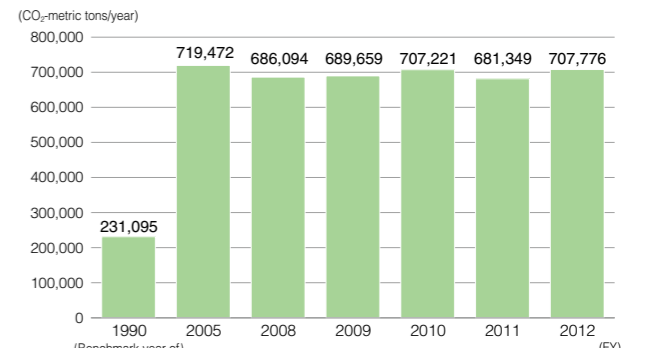
Breakdown of Employees by Region



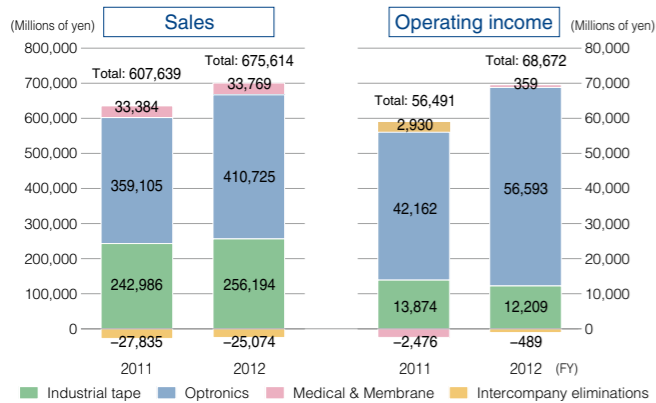
Number of Shareholders (non-consolidated)



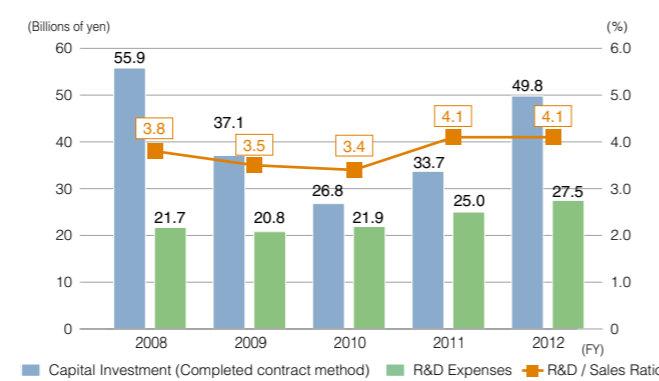
CO₂ Emissions



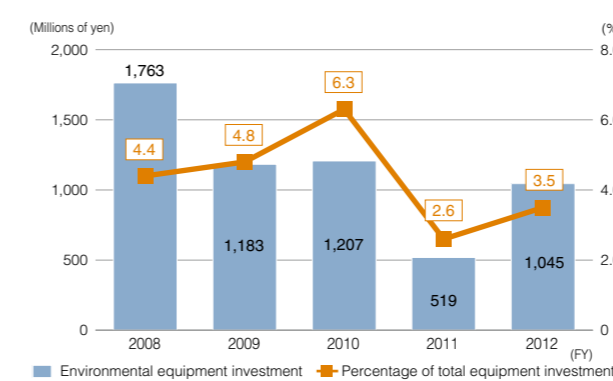
Business Performance of Each Segment



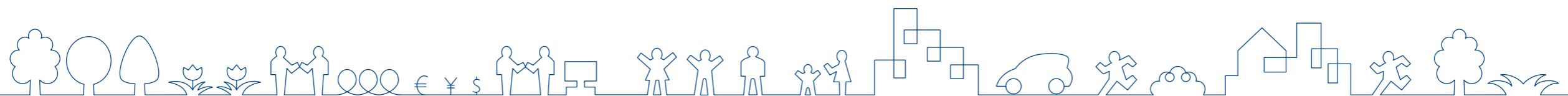
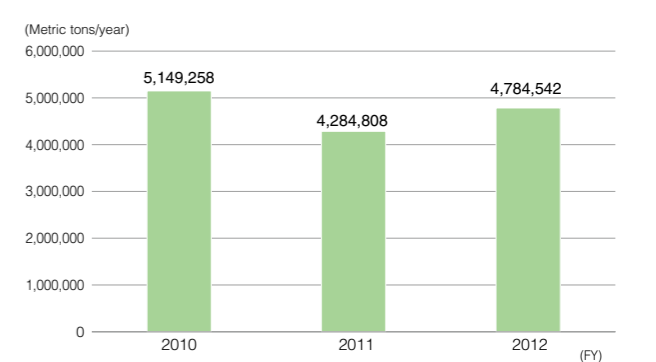
Capital Investment and R&D Expenses



Environmental Investment (non-consolidated)



Water Usage (Nitto Denko Corporation and domestic group companies)



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 2012 activities and present our key policies for fiscal 2013.

Business Summary of Fiscal 2012

As for the business environment throughout fiscal 2012 abroad, the U.S. economy continued on a path to a mild recovery. However, due not only to Europe's ongoing debt crisis, but also the decelerating economies of developing countries, the business environment was harsh. In the domestic business environment, in line with some mild signs of a pick-up and against a background of restoration in demand since the Great East Japan Earthquake, our hopes for near-term economic recovery, our chief priority, rose. This was due to factors from the weak yen to the new financial and fiscal policies accompanying the change of government.

We at the Nitto Denko Group considered fiscal 2012 as the "Year to Overcome Challenges," going beyond our fiscal 2011 motto of the "Year to Take on Challenges," striving to succeed in the marketplace, get ahead of our competition and "overcome" our own limitations. In the electronics industry, where our primary products compete, we introduced new products for smartphones and tablet PCs, devices whose markets are growing dramatically. In the automotive industry, we expanded our sales of industrial tapes, mainly in line with a recovery in production volume of vehicles. Simultaneously, due to our actively promoting a multipronged strategy, creating ample new business opportunities and further globalizing, we sense a shift to new growth in our industrial tapes and medical business. Overall, sales increased by 11.2% to 675.6 billion yen and operating income increased 21.6% to 68.6 billion yen, when compared to fiscal 2011.

Approaches for Fiscal 2013

As for economic forecasts for fiscal 2013, due to various policy measures and economic stimulus policies taken, the risk of economic crisis has decreased and economic growth has been boosted abroad. At home, it is predicted that economic measures by the new administration will encourage growth in the short run. However, it is considered that the business environment will remain uncertain.

In such an environment, the Nitto Denko Group considers fiscal 2013 as the "Year to Enter a New Phase". When every employee strives unflinchingly, boosting their level of awareness, they will develop the ability to take on challenges in the world.

Furthermore, we will reform our logo this fiscal year, aiming not only to enhance both our appeal by gaining more recognition of our corporation and our capacity to gather and transmit information, but to also thoroughly instill common values which will become a unifying force within the Group.

In our industrial tape business, we will establish a system which will enable us to consistently manage a range of processes, from the development of products and the procurement of raw materials to the production and sales of products on site, further promoting our globalization. In particular, in developing countries, we will supply products commensurate with the level of industrial development of each particular market, creating Area Niche Top (ANT) products.

We anticipate that products of our optronics business, centered on information fine materials for smartphones and tablet PCs, will enjoy continued strong growth in demand.

In our medical and membrane businesses, we will enhance our operating base and increase total profitability. In particular, in our medical business, we will pour management resources into our oligonucleotide medicine business, with its potential to grow in the future, in order to improve our manufacturing and development functions globally. In our membrane business, we will raise profitability by making a shortlist of markets to pursue.

In fiscal 2013, we will consider capital investments of a record-setting 90 billion yen in order to seize business opportunities. We will realize sound growth with speedy and nimble judgment.

In fiscal 2013 we aim to achieve a record-setting increase of 13.2 % to 765 billion yen in sales and of 39.8 % to 96 billion yen in operating income, when compared to fiscal 2012.

Mid-term Management Plan

In fiscal 2013 we have launched a three-year mid-term management plan, "NITTO-2015". We aim to achieve 920 billion yen in sales and 120 billion yen in operating income in fiscal 2015. In this plan, we will address three challenges under our basic concept of "improvement of 'healthy

business growth' based on a safe and comfortable working environment."

The first of these challenges is "business growth". In line with seeking a balance between expansion of our present business and the creation of new business, we will establish new themes centered on the growth fields of "Green (Environment), Clean (Energy) and Fine (Life Science)". We launched sales of a new energy-saving (thermal insulation and heat insulation) window film, "PENJEREX®", and new development of antifouling protection film for marine applications, "MARINGLIDE™", in fiscal 2012, and will continue to create new business. Furthermore, we will develop our anticorrosion and waterproof materials business at facilities in China by taking advantage of our cultivated technologies and actual performance over the years.

The second challenge is "qualitative improvement". It is difficult to realize corporate growth through pursuing business performance alone. It is necessary to improve quality, too. By uniting business growth with such policies as "providing eco-friendly products," "pursuing quality and making customers happy" and "engaging in social responsibility," we will accomplish an improvement in corporate value and realize corporate growth.

The third challenge is "human resource development". In the process of our growing in the world, not only the ability to accomplish business performance, but also human resources who understand our corporate culture and possess the corporate ethos of Nitto, are indispensable. Regardless of nationality or gender, we rate human resources with the ability to become next generation leaders, "Nitto Person", and cultivate them through educational programs, including evaluations.

Profit Allotment Policy

We consider 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 and development and production. When determining cash allotments, we comprehensively assess the financial standing of our accounts, profit levels and dividend payouts.

The year-end dividend for fiscal 2012 was 50 yen per share, whilst the annual dividend per share was 100 yen, equivalent to fiscal 2011. Forthcoming annual dividends are

projected to be 100 yen, equivalent to fiscal 2012 and in line with comprehensive calculations regarding future profits and business investment.

Corporate Social Responsibility

The Nitto Denko Group regards "Creation of New Value" as our corporate vision and the reason for our being. "Open, Fair and Best" are our guiding principles to realize this corporate vision.

In facing a big turning point for the world economy, business corporations are required to show flexible and expeditious responses to changes in society's expectations. It is particularly at such times that approaches to social responsibility reflect upon the comprehensive strength of a corporation.

We believe that not only by contributing to society through our business performance, but also by returning again to 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.



Yukio Nagira

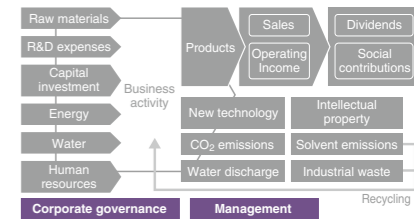
Yukio Nagira
Board Member and President, Nitto Denko Corporation

Mid-term Management Plan – “Nitto-2015”

The Mid-term Management Plan (2013-2015) has been launched. We will promote “healthy business growth,” based on a comfortable and safe workplace.

Governance

The Nitto Denko Group aims at sound and transparent management in order to implement long-lasting harmonious activities involving all stakeholders.

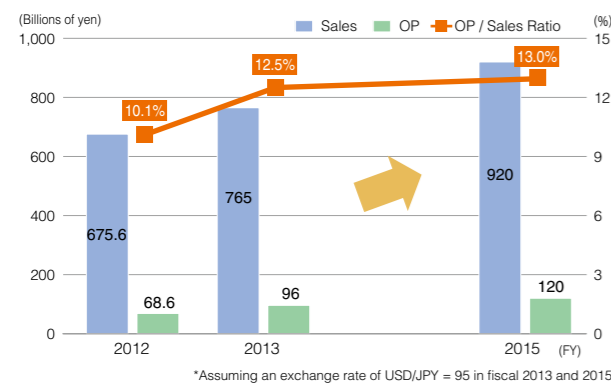


1. Action Plan

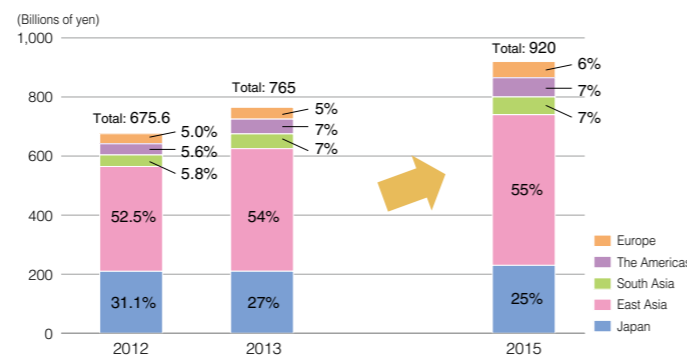
Proactively take on new challenges and achieve continuous innovation to revive our growth potential

Healthy business growth Get back on the growth track <ul style="list-style-type: none"> Continuous growth of existing businesses Pursuit of new businesses 	Further globalization Strengthen emerging market development efforts <ul style="list-style-type: none"> Enter the market on our own Enter through M&A and external collaboration 	Qualitative improvement Simultaneously pursue business growth (integrate both efforts) <ul style="list-style-type: none"> Reform corporate culture Develop management infrastructure 	Human resources growth Develop “Nitto Persons” <ul style="list-style-type: none"> Company management by “Nitto Persons”, regardless of gender or nationality, who have Nitto DNA
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2. Performance Plan



3. Sales budgets by area



Basic Policy

The Nitto Denko Group believes in the importance of profit for all of its stakeholders. In order to maximize shareholder value on a continuous long-term basis, it is very important to uphold corporate governance.

General policies for all employees to follow in order to function effectively as members of a business enterprise and society are outlined in our “Corporate Vision,” “Guiding Principles,” and “Business Conduct Guidelines.”

Our Corporate Vision and Guiding Principles are based on the “Open, Fair and Best” concept, in which information is to be shared openly, decisions are to be made fairly, and our best efforts are to be made in every activity. In this way, we strive for healthy, transparent governance.

In further efforts to achieve fair and transparent management, basic policies have been designed for each field of specialization of our business, and governance is carried out based on these policies.

Governance System

Directors, Board of Directors, and Corporate Vice Presidents

The Board of Directors makes decisions on important management-related matters and oversees the business affairs of directors and the corporate vice presidents. The directors and corporate vice presidents undertake business affairs according to the basic policies determined by the Board of Directors. In order to strengthen the health and transparency of management, directors and the corporate vice presidents serve a one-year term, with external directors being appointed since 2007.

Management and Remuneration Advisory Committee

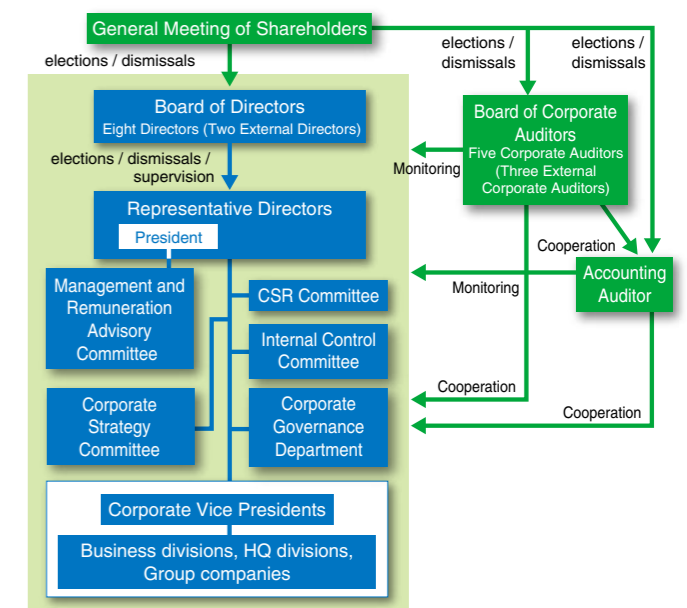
The Management and Remuneration Advisory Committee was formed as an advisory group to the president, consisting of outside experts offering advice on important management issues and director compensation from a different perspective.

Corporate Auditors and Board of Corporate Auditors

Corporate auditors attend Board of Directors meetings to audit the business affairs of directors. In addition, their tasks include attending other important meetings; listening to the activity status of directors, corporate vice presidents and employees; viewing approval papers and other formal

documents; inspecting the main office, technology and business divisions, plants and subsidiaries in Japan and overseas; and exchanging opinions and sharing such reports and hearings with accounting auditors.

Corporate Governance System



Audits and Internal Controls

In order to meet our social responsibilities as a business, the Nitto Denko Group has independent divisions under a check-and-balance system performing internal audits, which are useful for achieving effective internal controls and management objectives.

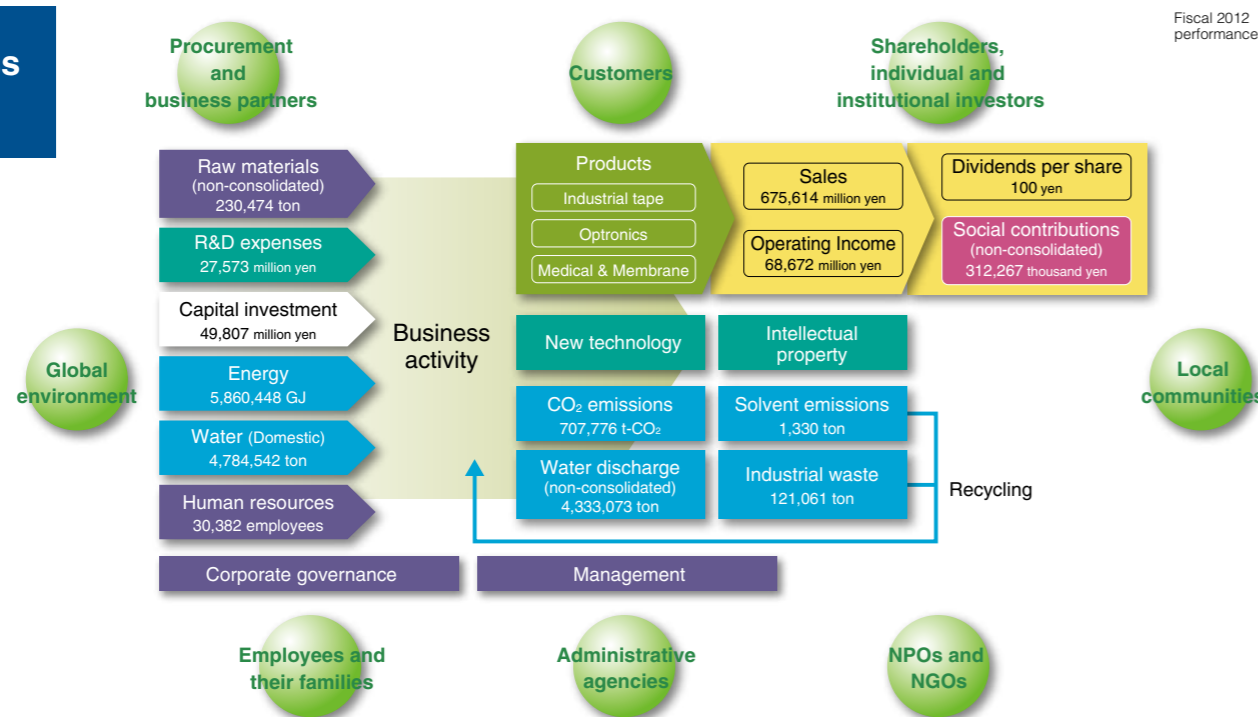
Audits

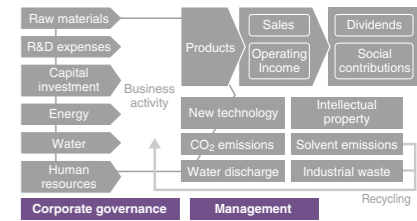
Internal audits are conducted to ensure management activities are being performed accurately, legitimately and reasonably, by all of the companies within the Nitto Denko Group, so as to contribute to improvements in business operations and performance. External audits are also conducted periodically.

Internal Controls

Basic policies on internal controls have been created to ensure suitable business practices. Internal controls for financial reporting have also been developed in an effort to ensure the appropriate maintenance and operation of the control environment, risk evaluation and response, control activities, information and transmission, monitoring, and handling of IT.

Business Model





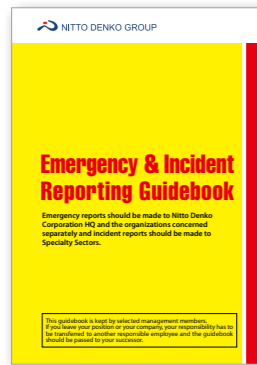
Risk Management

We investigate from a global standpoint any risk areas that may present as serious concerns to management and business activities. Any potential risk areas are prioritized and countermeasures aimed at prevention, avoidance, measurement and transformation are taken. (Refer to Associated Business Risks Listed in the Financial Report on pp.14-15)

Furthermore, we implement the following approaches:

Emergency Reporting System and Supporting System

If a large-scale disaster or serious accident occurs, a system developed by the Nitto Denko Group immediately contacts top management. If necessary, top management will authorize a Disaster Response Headquarters to be established, and all afflicted group companies and bases will receive the support of the entire Nitto Denko Group.



Guidebook with contact information in an emergency

of the "Business Continuity Manual (Earthquake Edition)" in September 2011 on four basic policies: Respect for human life; Prevention of secondary disasters; Responsibility for supplying products; and Supporting the local community.

In February 2013, based on this, we conducted an earthquake drill in cooperation with two bases for the first time. The drill was a kind of evaluation of how parties with no prior detailed notice of the drill acted in a real-life simulation of an earthquake and resulting accidents. Through this drill, some issues emerged and the teamwork of the Disaster Response Headquarters was enhanced.

In the future, we will improve the Business Continuity Plan by continuing to conduct disaster training drills and identifying and remedying any problems.

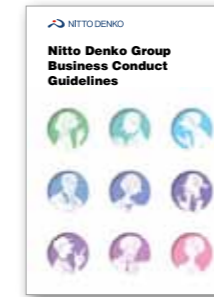


Earthquake drill

Issuance and Distribution of "Business Conduct Guidelines"

"Business Conduct Guidelines" are the principles that we should abide by. That is, concrete actions adhering to our "Corporate Vision" and "Guiding Principles" are described in them.

The Guidelines have been translated into 16 different languages for employees around the world to read, and have been distributed to all employees of the Nitto Denko Group.



"Business Conduct Guidelines"

Activities for Internalizing CSR

For sound management, it is indispensable for every employee of the Nitto Denko Group to understand the "Business Conduct Guidelines". We explain them to employees when they join our Group.

CSR Workshops for management-level employees

We conduct annual "CSR Workshops" for management-level employees and supervisors. In the Workshops we consider "governance," "compliance," "crisis & risks" and "communication" together, enhancing awareness of CSR.

In fiscal 2012, the Workshops were held at 87 bases throughout the world.



A workshop was held for the first time at Nitto Denko America Latina in Brazil, where a new factory is under construction and the work environment is hectic.

A Workshop was held at Taiwan Nitto Optical, where a CSR committee is regularly convened and proactive actions taken.



Reporting and Counseling System on Corporate Ethics

We have an in-house reporting and counseling system using e-mail, which is available to every employee.

When any violation of the law or ethics, any disservice to the public, or any corruption is uncovered, the first step undertaken is for the employee to inform and consult their manager or any divisions involved. In cases where the situation is not resolvable or urgent, it is then likely for the employee to contact the CSR Department directly.

In fiscal 2012, there were ten or so employees who utilized the system. We settle issues while ensuring the protection of whistleblowers.

Human Rights Activities

The Nitto Denko Group has introduced a "Basic Policy on Human Rights," as described below and implores every employee in the Group to conduct business activities while respecting the human rights of each other.

Each domestic base calls for slogans and conducts training sessions along with an annual Human Rights Week in November.

In addition, we participate in an activity as a member of The Corporate Federation for Dowa and Human Rights Issue, Osaka, where corporations work toward solutions of human rights issues from a corporate standpoint.

In fiscal 2012, we introduced a policy across the whole group on the handling of conflict minerals*, which have become controversial in recent years.

* In the Democratic Republic of Congo and neighboring countries, domestic conflicts accompanied by serious human rights violations have occurred. It is said that armed groups obtaining money from mining have a hand in the conflicts.

Nitto Denko Group Basic Policy on Human Rights

As a member of society, we at the Nitto Denko Group will, while applying ourselves to the development of our business, fulfill our social responsibilities with integrity and give due consideration to human rights, the environment, and communities.

- We will ensure that every employee respects human rights in their work as we foster a culture that encourages open communication in accordance with the guiding principles of "Open, Fair and Best."
- We will not discriminate against any employee based on race, color, gender, language, religion, belief, nationality, origin, age, or physical or mental disabilities.
- We will take every opportunity to educate employees on human rights so that we may remain a trustworthy member of society.

Inclusion in Dow Jones Sustainability Asia Pacific Index

Nitto Denko was selected as a component of the Dow Jones Sustainability Asia Pacific Index, an index of the world's leading Socially Responsible Investments, for the first time.

The Dow Jones Sustainability Index assesses enterprises around



the world in terms of the economy, environment and society, and is one of the most important measures cited by investors concerned with corporate social responsibility (CSR).



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

(1) Optoelectronics Business

Materials produced by our optoelectronics business and used in LCD-related and touch panel products constitute the core of the Group's sales. Many companies participate in this market and competition continues to be stiff. Our relationships with LCD panel manufacturers and touch 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 materials 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 throughout the world, 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 discrepancies in the interpretation of laws and ordinances; taxes and regulations; differing business customs; deteriorating employment relationships; increasing labor costs; transportation delays; power outages; social disorder from political disturbances; and war and terrorism. If such an event 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 Materials Vendors

For some key raw materials, the Group depends on specific vendors. Although it does endeavor to find multiple raw materials 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 deals 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 and touch panel 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 our 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 our "Area Niche Top" strategy, in which we supply products meeting specific needs in the area, in addition to our "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 a new 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 exists the possibility that a third party could claim these rights to be invalid and the Group might not enjoy complete protection. The Group's property could be imitated in some area, with the Group becoming involved in litigation. Therefore, 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, trusted by its customers. The business activities of the Group mainly involve the selling of parts to companies engaged in manufacturing. Although the probability of the Group being forced to directly compensate end users for its products or to conduct a product recall is low, 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 its 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, some of which are patented medicines. The Group endeavors to abide by the various laws and regulations of different countries pertaining to such business. However, if these laws and regulations were to be strengthened or changed significantly, a temporary deficiency in internal control of these issues could 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 could become embroiled in legal proceedings with a customer or third party. In addition, the Group conducts business in various countries and could go into unexpected litigation. The risk that the outcome of litigation did not properly reflect the opinion of the Group and thus differed from the Group's forecasts might be ineluctable and this could adversely affect the performance of the Group.

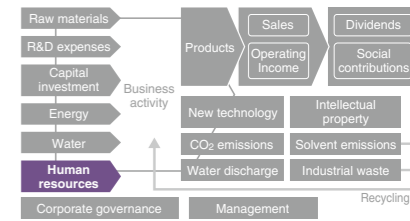
(13) Accidents and Disasters

The Group has a Business Continuity Plan 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 injuries could occur within the production process due to fire or chemicals. The effects of an earthquake, tsunami or flood would not be limited to the Group, 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 impact on the global economy. In addition, the Group's information system assumes a very important role. However, there is no allowance for the possibility of trouble occurring with our information system caused by disaster or cyberterrorism. This might influence the business results of the Group.

(14) Retirement Benefit Liability

Employee accrued benefit costs and liabilities of the Group are calculated on the basis of various experience assumptions used in actual calculations and investment yields of pension assets. In line with the devaluation of pension assets at market price, interest-rate trends and changes in the retirement allowance system and pension system, recognized and calculated liabilities may be affected. This might influence the business results of the Group.





Employment

Promoting employment of highly-diverse human resources

In order to develop our business more globally, we have been actively promoting the employment of highly-diverse human resources in recent years. Of the 28 company freshmen hired by Nitto Denko Head Office in fiscal 2013, seven were non-Japanese. Their nationalities are wide-ranging and they play active roles in various lines of work, such as research and development.

As one aspect of our promotion of diversity, we have been more actively employing females recently, with them constituting 30% of company freshmen in 2013.

As we progress further globally, we expect them to bring new dynamism.

Globalization

1. Global Conference Held for Sharing of Management Policy and Objectives with Top Leaders

Following on from last fiscal year, a Global Conference was held on March 26 and 27, 2013, at the Toyohashi Plant. It was attended by 101 participants, including 29 top leaders, from 13 countries around the world. This is an event at which leaders of each company of the Group from around the world share management policy and pledge to achieve the objectives.

First of all, the Chief Executive Officer made an announcement on the policies for fiscal 2013. Subsequently, the Chief Financial Officer provided an overview of the budget before each executive officer explained the policies in the budget applicable to each business.

Under the "One-Basic Energy" concept, the Nitto Denko Group is committed to pursuing business endeavors by leveraging our group-wide resources. The conference serves as an ideal opportunity to explore the Group's future business development through the sharing of information.



CEO explains policy

2. Considering and promoting reform of human resource management globally

In response to rapid globalization, the Nitto Denko Group is reforming its human resource management. As part of that reform process, two Global Human Resources Summits were held in November 2012 and April 2013. Human resource management personnel from across the globe attended.

The summits served as an ideal opportunity to share the Nitto Denko Group's human resource policies. Attendees participated in various discussions and gave presentations on topics such as reviewing the roles and functions of human resource management sectors; contributing to the Group's business from a human resource management perspective; and developing ways to share information on talent across the Group's various locations. Other topics included job rotation and career development.

Human resource management personnel are now hard at work to realize the dual goals of "developing talent which can truly benefit the Group" and "cultivating 'Nitto Persons,' with a deep understanding of Nitto's DNA."



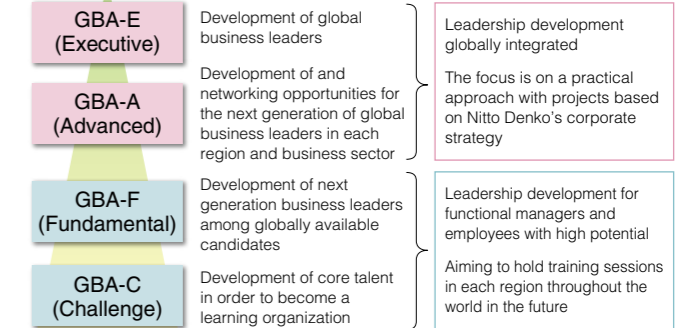
Employees from various countries gather for discussions



3. Leadership development program for "high potentials" fully launched

The Global Business Academy (GBA) was launched in July 2011, aiming to develop future business leaders globally. In fiscal 2012 the entire program was fine-tuned and is now fully operational.

GBA provides four course levels



Each course level targets employees of group companies around the world, where "Nitto Persons" are to be developed to play active roles in "the second stage of globalization" of Nitto Denko.

In fiscal year 2012, 59 participants took part in unique training programs. The participants included 2 from the US, 3 from Europe, 2 from South Asia and 6 from East Asia.

Throughout each GBA course, participants not only obtain management capabilities but also have heated debates on solutions to global business challenges.

Promoting Females Playing Active Roles

Promoting the Advancement of Females Playing Active Roles

As of fiscal 2012, the percentage of female management-level employees as well as female employees of Nitto Denko (non-consolidated) had still not reached a sufficient level compared to other major manufacturing corporations. It is "Nitto Persons," regardless of nationality or gender who will support our future progress. In fiscal 2012, aiming to be a corporation in which female employees are able to play an active role, we launched a project to review the system supporting female activities and an approach promoting changes in attitudes in the workplace.

Volunteer Activities by New Employees in Areas Devastated by the Great East Japan Earthquake

In continuation from fiscal 2011, fiscal 2012 saw 47 new employees participate in volunteer activities in conjunction with the Association for the Revitalization of Ishinomaki, in areas devastated by the Great East Japan Earthquake.

The volunteers were placed into two groups. The first group went to Onagawa Town in Miyagi Prefecture from November 8 to 11 and leveled land in order to convert wasteland situated next to temporary housing into farmland. The second group went to Ohashi, Ishinomaki City in Miyagi Prefecture and cleared side ditches.

It was for only a short period of time, but we wanted the participants to experience making a social contribution with the hope that they would mature into human resources able to live in harmony with society.



Leveling of land
Countless stones come out thick and fast in the digging.
Volunteers interact with residents of temporary housing.



Clearing of side ditches
Volunteers clean up sludge from the tsunami.

Award from Thailand's Ministry of Labor for our Response during the Thailand Floods

In September 2012, Nitto Denko Material (Thailand) received the Thai Labor Benefit Provider Award 2012 from Thailand's Ministry of Labor, an award given to corporations which provide excellent benefits and welfare to their labor force.

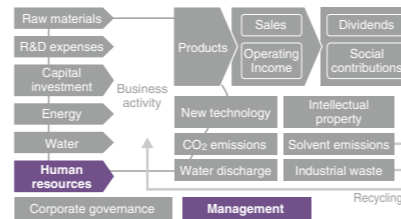
The award was in part recognition of the compassionate welfare shown by Nitto Denko Material (Thailand) to its staff members, maintaining their employment status, continuing to pay their wages and supplying food donations to them. Thai officials also recognized the united efforts of the company, which led to a swift recovery of its operations.



Award ceremony, Head Office, Ministry of Labour (Thailand), Bangkok
Then President Takami, Nitto Denko Material (Thailand) (left)

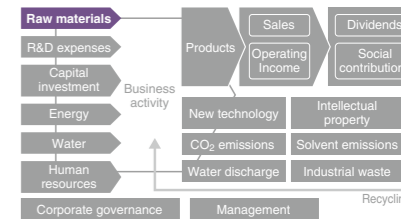
Occupational Health and Safety

Placing safety before everything else – for peace of mind for us, the local community and the global community–



Procurement

We aim for fair dealings, considering our suppliers as business partners.



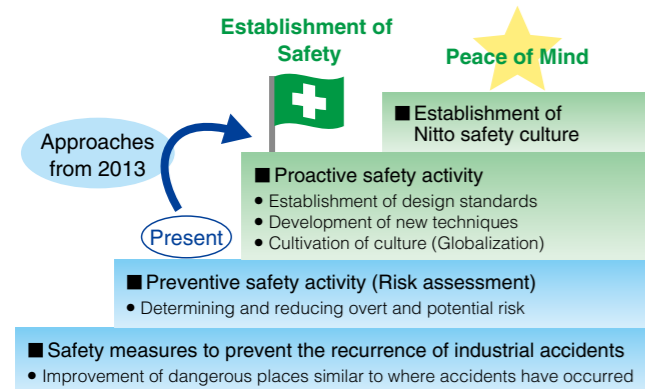
Occupational Health and Safety Policy

Under our corporate vision of “Creation of New Value”, we operate business in conformity with our guiding principle of “Place safety before everything else”. We continue to take precautions against accidents, aiming to create and maintain a working environment in which every employee can work with peace of mind.

Our Approach of Proactive Safety Activities in Fiscal 2013

In fiscal 2013, we will implement proactive safety activities.

These preemptive safety activities are to prevent hazard sources which can cause accidents. This will enable us to build a working environment free from accidents, where every employee is able to work with peace of mind. We have already begun to reduce risk by taking preventive measures or precautions against accidents. In addition, by adopting proactive safety activities, we aim to create a safe and comfortable working environment.



Activities in Fiscal 2012

In order to promote safety activities, it is essential to share information throughout the whole group. We regularly hold an “Environmental and Safety Sector Global Meeting” as an information-sharing forum. In fiscal 2012, we had approximately 200 participants from 50 bases at the conference and held discussions on the safety activities of the Nitto Denko Group.

At the conference we introduced a new program in order to share and exchange information more actively about safety activities at each base. First, we held debriefing sessions on safety activities in poster-session style and shared some examples of improvements made at each base. We also held round-table discussions to enable participants to exchange opinions.



Procurement Policy

The Nitto Denko Group promotes fair and honest procurement under a policy encapsulating our spirit of being “Open, Fair and Best” and “Partnership”. Furthermore, in accordance with “Nitto Denko Group Business Conduct Guidelines”, not only is each employee in the Group engaged in procurement activities subject to laws and regulations, but we also endeavor to be undeviating from corporate ethics and societal norms.

In addition, in the event that an employee of the Nitto Denko Group violates or appears to violate a law or regulation, agreement with a supplier, the “Nitto Denko Group Business Conduct Guidelines,” or the “CSR-Based Procurement Policy” in their procurement activities, a “Partner Hotline” exists as a point of contact for informing us of problems and correcting them.

Toward BCM Enhancement

Recently, natural calamities such as the Great East Japan Earthquake and the Thailand floods and complex accidents with the potential to interrupt supply chains have sometimes occurred. We promote the enhancing of procurement BCM, dealing with the possibility of natural disasters, fire and equipment trouble. Above all, formulation of BCP and advancing execution of it can exist only with the cooperation of our business partners. We look forward to their continued cooperation in drawing up BCP.

Promoting Global Green Procurement

Year by year, regulations governing chemical substances are being enhanced in each country. In order to ensure compliance with regulations and the minimization of environmental load and to manufacture environmentally-friendly products, we established “Nitto Denko Group Green Procurement Standards,” promoting green procurement.

We introduced the “Nitto Denko Group Chemical Information System (CHI),” in cooperation with the Corporate Chemical Substances Department, in fiscal 2009. Through using CHI, we conduct research timely and promptly on chemical substances contained in the raw materials which we buy. In fiscal 2012, this system came to be used at bases in China. We will continue to promote the investigation and management of chemical substances globally.

Aiming to enrich our suppliers’ understanding of and cooperation with our activities, we hold partner meetings regularly. In fiscal 2012, meetings were held at the Toyohashi Plant in July and at the Kameyama Plant in November. In March 2013, a presentation meeting on chemical substance investigation was held at Nitto Denko (Shanghai Songjiang) in China, and was attended by 33 participants from 15 companies.

In fiscal 2013, with our suppliers’ cooperation, we will periodically conduct necessary research on purchased raw materials for reasons such as to ascertain whether or not they contain substances on the candidate list of SVHC.



Meeting held at Nitto Denko (Shanghai Songjiang)

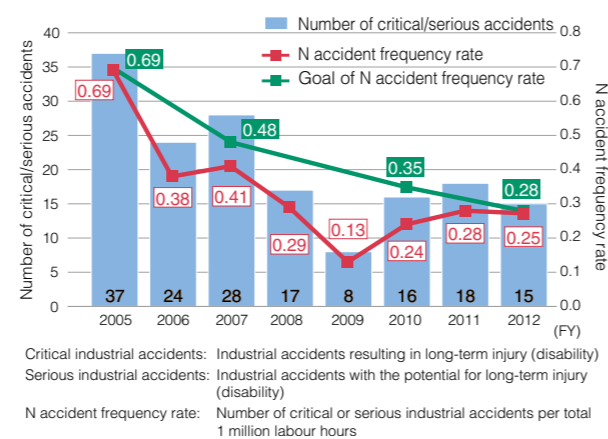
Approach to Conflict Minerals

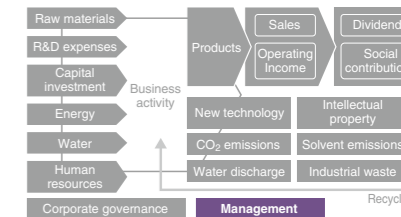
Recently, it is an international concern that minerals produced in the Democratic Republic of Congo and neighboring countries are becoming a source of money for armed groups. There has been a growing tendency to request disclosure of information related to the procurement of these minerals.

The Nitto Denko Group has a stated policy of not using conflict minerals. In order to execute the policy, and to provide information for our customers, we promote investigation of our supply chains in cooperation with our suppliers. In fiscal 2013, we will continue to make such investigations.

Occurrence of Accidents

The Nitto Denko Group continues 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 number of accidents occurring has remained somewhat constant. On December 12, 2012, an accident occurred at one of our group companies in Taiwan. An employee died after becoming entangled in machinery. To prevent such an accident from occurring again, a special team is investigating whether the same hazard source exists in other Group companies. By enhancing existing measures and developing proactive safety activities, we aim to create a safer and more comfortable working environment across the whole group.





Chemical Substance Management
Managing in-house information on chemical substances properly

Our Position on Chemical Substance Management

As a manufacturer dealing with chemical substances, we have a responsibility to understand sufficiently the dangers of chemical substances, to prevent environmental pollution, disasters and accidents and to ensure the chemical substances we employ do not adversely affect human health, ecosystems or the environment. This led us to establish the Corporate Chemical Substances Department to manage chemical substances.

Our Risk Management of Chemical Substances

We conduct activities from three standpoints as stated below in order to deliver safe products to our customers and to allow local residents and employees to live with peace of mind.

Activities for preventing disasters and accidents caused by chemical substances

We conduct risk management to prevent potential fires or industrial accidents from occurring resulting from the use of chemical substances. If it is determined that serious risks exist, we review facilities and work practices to reduce the risks.

Activities for preventing adverse affects on human health

We establish chemical management levels by assessing the overall risks of chemical substances used within the Group from the standpoint of their harmful effects on human health. As a result of the assessment, high risk chemical substances are banned from use or restricted in the amount used.

Activities for preventing adverse affects on ecosystems and the environment

We execute proper processing in-house in order for chemical substances used in our manufacturing settings not to have harmful effects on the environment. We also regularly hold presentations to obtain local community understanding of our handling processes.

These activities are conducted in conformity with "Nitto

Denko Group Regulations on Voluntary Management of Chemicals." Furthermore, since December 2008 we have been making use of the "Nitto Denko Group Chemical Substances Management System (NCM)," a voluntary measure, as a tool to manage smoothly information on individual chemicals and information on the regulation of substances.

Quality Management
In order to constantly enhance customer satisfaction with our outstanding quality and services

Quality Standards to Ensure Customer Satisfaction

Under our Corporate Vision of "Swiftly create products and services offering new functions that give satisfaction to customers" and "Always be mindful of corporate social responsibility, including sustainability and community relations", and aiming to constantly enhance customer satisfaction with our outstanding quality and service, we set up "Quality Standards to Ensure Customer Satisfaction" as our policy on quality and put it into practice.

Quality Risk Management

For the establishment of "Quality Standards to Ensure Customer Satisfaction", we introduced "Advanced Quality Management (AQM)" in fiscal 2005, in order to solve problems before the occurrence of quality issues or any claims. While we had previously conducted activities to enhance our quality assurance system with a "Quality Management System," we are able to enact more effective improvements with AQM.

Cultivation of Human Resources and Information Sharing

However cautious an employee might be, human errors occur. In order to maintain superior quality, it is a priority to improve our workplace to the point where we do not make human errors, or in the case of errors, such errors do not manifest as serious issues. To that end, education is necessary. We initially cultivated 40 instructors from 17 bases in the East Asia area, where the number of employees is largest.

We conduct this activity in "Quality Sector Area Exchange Meetings," which are held in East Asia, South Asia, the Americas and Europe every year, aiming for the sharing

and solving of issues related to quality management and the facilitating of interactions. In fiscal 2012, 48 employees from 42 bases participated in the meeting.



Quality Sector Area Exchange Meeting in the Americas



Quality Sector Area Exchange Meeting in Europe

QES* Audit
For better quality, environmental and safety activities across the whole group

Visualization of Risks and Improvement of Activities

By means of our standard, we ascertain where and what kind of risks there exist in quality assurance, environmental

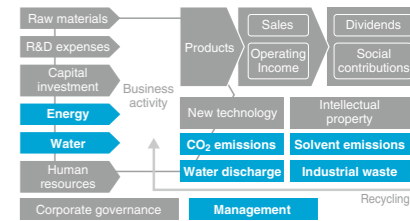
Information Supplement on Chemical Substances Contained in Our Products

In line with the recent worldwide escalation in interest in environmental concerns, the number of customer inquiries about the safety of our products is increasing. Most of them are as to whether our products contain chemical substances banned by the customers or substances controlled by each country.

The Nitto Denko Group has a department to deal with such inquiries and provides accurate information promptly to our customers.

In fiscal 2012, we introduced a new IT tool in order to create "Safety Data Sheet (SDS)," reflecting information on laws and regulations in our customers' countries. In the future, we will continue efforts to satisfy our customers.





In order for a corporation and a society to continue sustainable development, the Nitto Denko Group believes that as a member of society, we have a responsibility to conduct management in harmony with the global environment. The Nitto Denko Group has been implementing environmental conservation activities according to an independent goal since the 1960's. We established our "Corporate Environmental Policy" in 1996 and our "Environmental Management Index" in 2004,

showing and evaluating our concept of environmental management. Since then, we have been promoting environmental management globally.

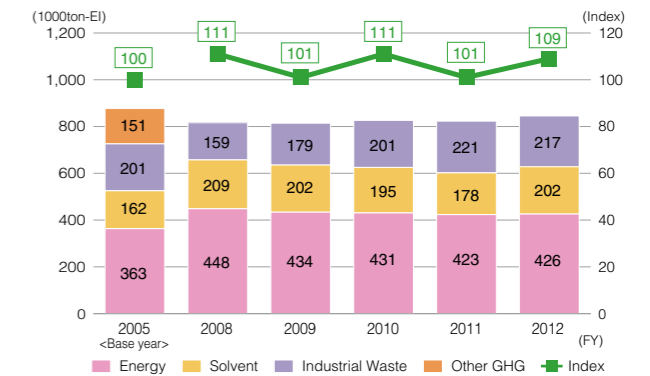
In order to protect the valuable Earth where we live, and pass it onto future generations, the Nitto Denko Group continues to implement environmentally-friendly business activities under our Corporate Vision of "Creation of New Value".

load from corporate activity vis-a-vis the added value created from that activity. It is obtained by dividing the added value*1 created from corporate activity by Environmental Impact*2 entailed in the creation of the added value.

Environmental Impact Value-added Productivity in fiscal 2012
0.394 million yen/ton-EI Index*3: 109

In fiscal 2012, the Environmental Impact Value-added Productivity Index rose slightly on the previous fiscal year. That was because Environmental Impact remained mostly unchanged while Added Value rose. However, in order to achieve our goals for fiscal 2015, more reductions of Environmental Impact and an increase of the Added Value will be necessary. Together we will make concerted efforts globally to tackle such problems.

Environmental Impact Value-added Productivity (Environmental impact and Relative index) (consolidated)



Environmental Impact Value-added Productivity (consolidated)

FY	2005	2008	2009	2010	2011	2012
Added Value (million yen)	318,098	328,264	298,890	332,153	300,365	332,860
Environmental Impact (ton-EI)	876,846	815,973	814,210	826,178	822,979	845,349
Productivity	0.363	0.402	0.367	0.402	0.365	0.394
Relative Index	100	111	101	111	101	109

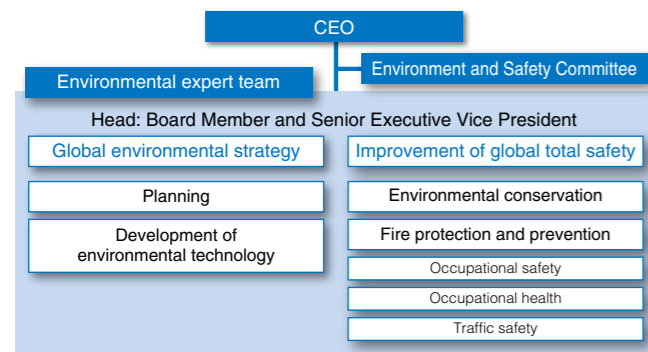
*1 Added value = sales - (material costs + outside order expenses + energy costs)
 *2 A unique unit utilized by the Nitto Denko Group, indicating Environmental Impact (quantity of CO₂ equivalent emissions), into which we convert energy purchased, industrial waste generated, solvent purchased and the like through the use of a coefficient. (unit: ton-EI).
 *3 Index shows variation in Environmental Impact Value-added Productivity by setting the index at 100 as of fiscal 2005

Our Policy on the Environment – The Nitto Denko Group's Corporate Environmental Policy

- We will develop an internal environmental management system that promotes effective environmental preservation.
- With a proper understanding of the environmental impact of our operations, we will develop internal environmental objectives and targets as far as is technically and economically practicable; moreover, we will pursue these objectives and targets in an organized manner to ensure the continual improvement of our environmental preservation efforts.
- Our technical and product development will focus on the reduction of environmental load.
- We will continue our efforts to conserve resources and energy, reduce industrial waste, and promote recycling in all aspects of our operations.
- As part of our dedication to reducing the load on the environment, we will develop alternative technologies intended to reduce consumption of the sources of environmental pollution as well as to control emissions of environmental pollutants to the greatest extent feasible.
- We will comply fully with environmental laws, regulations and agreements, and will impose our own environmental criteria as required in the interests of environmental preservation.
- We will make sure that our employees receive environmental training and information so that all understand the significance of our Corporate Environmental Policy, have increased awareness of the importance of environmental preservation, and act on our Corporate Environmental Policy.
- We will conduct periodic environmental audits in order to monitor the effectiveness of our environmental management strategy and identify areas requiring improvement.
- As part of our social contribution, we will publicize proprietary technologies and information that are likely to benefit the environment.

Organization for Environmental Management

In order to promote business activities under our corporate vision and Corporate Environmental Policy, we have established an expert team, whose head is a representative director, promoting environmental conservation activities globally.



Promotion of Environmental Management

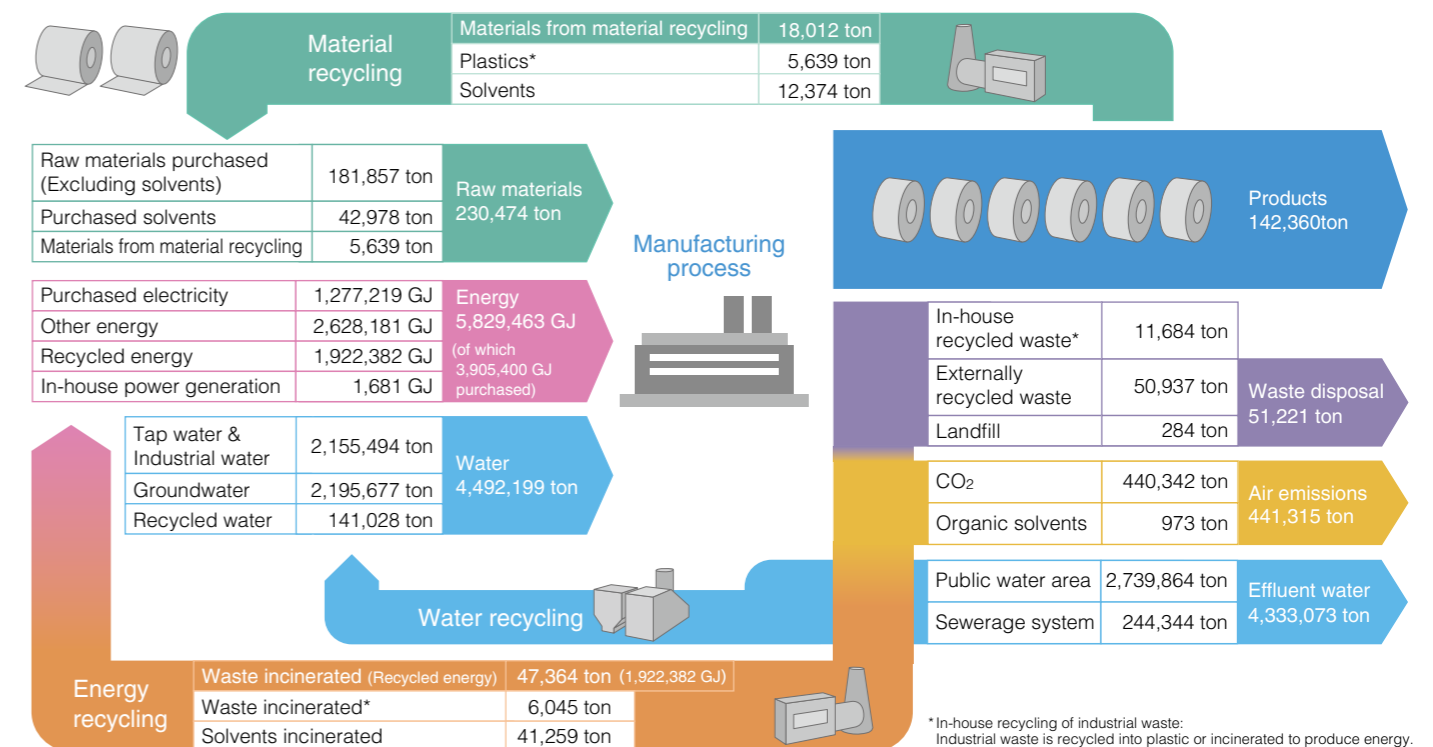
Our Concept of Environmental Management

In conformity with our corporate vision and our Corporate Environmental Policy, we implement environmental management through two approaches: a "reduction of environmental load associated with our business activity"; and the "development of business conducive to environmental conservation".

Doubling our Environmental Efficiency – Environmental Management Index

By establishing an "Environmental Management Index" (Environmental Impact Value-added Productivity), we aim to double our environmental efficiency between fiscal 2005 and 2015. The Environmental Impact Value-added Productivity is an index which indicates the environmental

Environmental Impact of Our Business Activities – Material Flow of Business Activities (non-consolidated)



*In-house recycling of industrial waste: Industrial waste is recycled into plastic or incinerated to produce energy.

Our Approach to Climate Change

Our Policy on Climate Change

Almost half of CO₂ emissions generated by the consumption of energy in the world are caused by industry. Therefore, a reduction in CO₂ emissions is a significant issue for the Nitto Denko Group. In conformity with our Environmental Policy: "We will continue our efforts to conserve resources and energy, reduce industrial waste, and promote recycling in all aspects of our operations", we are implementing reductions in CO₂ emissions.

CO₂ Emissions (Scopes 1+2)

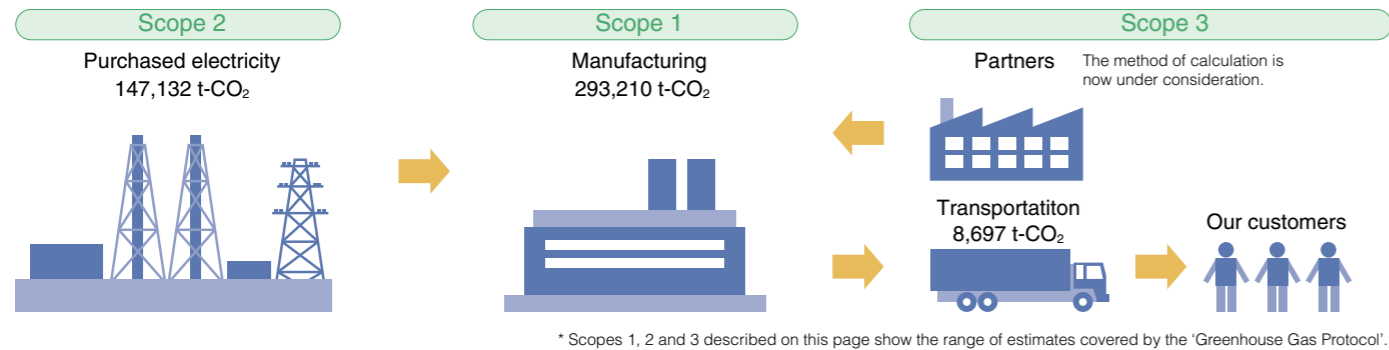
Total CO₂ emissions in fiscal 2012:
707,776 CO₂-metric tons (consolidated)

Total CO₂ emissions in fiscal 2012 increased over the previous fiscal year. On the other hand, our unit CO₂ emissions (CO₂ emissions per 1 million yen of production output) decreased to 899 CO₂-kg/million yen. Total CO₂ emissions increased mainly because the amount of energy used, which accounts for 71% of CO₂ emissions, did not decline, while the CO₂ emission factors for electricity purchased at production bases in Japan deteriorated, as a result of the halt in operations of domestic nuclear power plants.

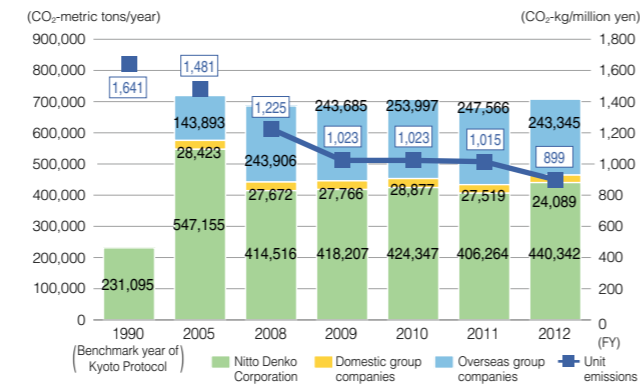
In the future, we will implement the development of products and processes which are energy-efficient at the time of manufacture.

The Nitto Denko Group releases information on climate change through the Carbon Disclosure Project.

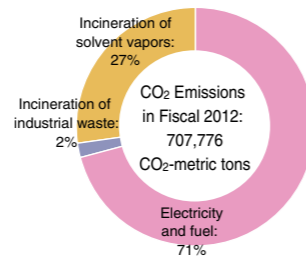
Total amount of greenhouse gas emissions in fiscal 2012 (Scopes 1, 2 and 3) (non-consolidated): 449,039 t-CO₂



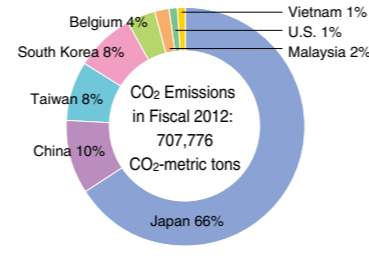
Total and Unit CO₂ Emissions (Scopes 1+2) (consolidated)



CO₂ Emissions by Source (consolidated)



CO₂ Emissions by Country (consolidated)



Visualization of CO₂ Emissions throughout the Entire Supply Chain (Scope 3)

We are trying to grasp what kind of influence the entire supply chain has on climate change. In fiscal 2012, we calculated CO₂ emissions generated from the transportation of our products to our customers.

In order to grasp the situation across entire supply chains, we will establish a method for calculating other objects.

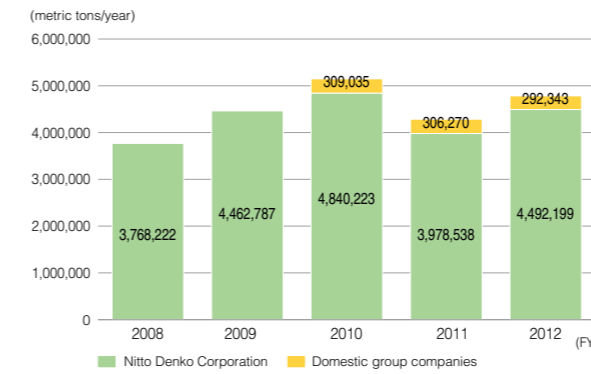
Management of Water Resources

Amount of water consumption in fiscal 2012:
4,784,542 metric tons (domestic bases)

Large amounts of water are used in the production of polarizing films and flexible printed circuit boards. We tackle the effective utilization of water resources by utilizing our membrane products and recycling drainage water. As much water is necessary in the production process, we do not manufacture our products in areas that suffer from physical and economic water scarcity (where usage rates of water resources exceed 75%).

In discharging water used in the production process, we adequately process and then drain it before it is released into the environment.

Water Consumption (including water recycled at domestic bases)

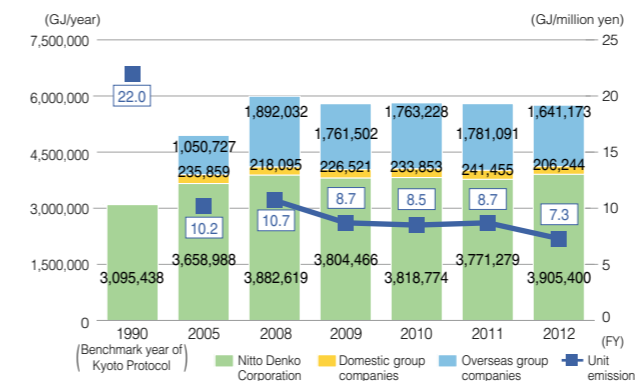


Effective Utilization of Fossil Fuels

Amount of energy from fossil fuels used in fiscal 2012:
5,752,818 GJ (consolidated)

For manufacturers like us, the exhaustion of fossil fuels used as raw materials or energy is a serious problem. With the aim of sustainable development, we put effort into the effective utilization of materials and energy by means of saving energy and reducing waste. In addition, we promote the introduction of raw materials from non-fossil fuels and renewable energy.

Total and Unit Energy Purchased (from fossil fuels) (consolidated)

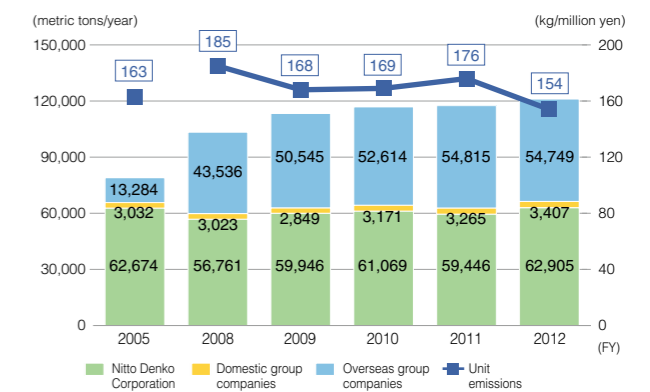


Management of Waste

Unit generation of waste in fiscal 2012:
154kg/million yen (consolidated)

Waste within the Nitto Denko Group is mainly log roll edges of tape and offcuts of film generated from the cutting process. We adequately deal with waste within the Group in conformity with the Nitto Denko Group's "Regulations for Waste Management". Furthermore, we recycle as much waste generated as possible.

Total and Unit Generation of Industrial Waste (consolidated)

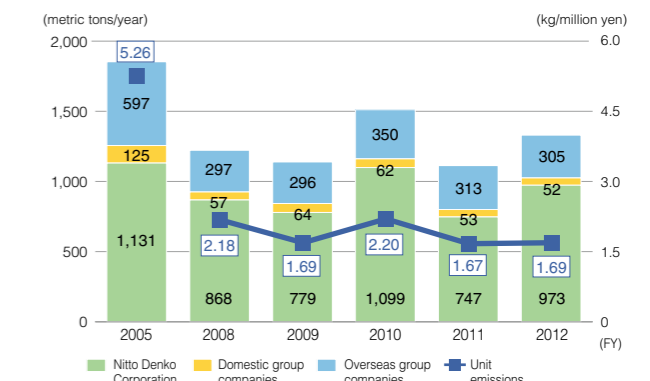


Management of Organic Solvents

Amount of solvent emissions in fiscal 2012:
1,330 metric tons (consolidated)

In order to minimize air pollution generated from organic solvents, we install incineration equipment used for solvent gases or solvent recovery units, on every production line as needed. Furthermore, we are aggressively engaged in reducing the quantity of organic solvents used. The amount of solvent emissions has been declining year after year.

Total and Unit Solvent Emissions (consolidated)



Providing Sustainable Products

As a business contributing to environmental conservation, we strive to develop and supply sustainable products.

Sustainable Products

Products contributing to environmental conservation are referred to as sustainable products in the Nitto Denko Group. By giving them a unique definition, evaluating products according to the two criteria of "Being useful for solving global environmental problems" and "Effectively utilizing resources through the life-cycle of products" and measuring their contribution to environmental conservation,

we classify our products as "Low Environmental Impact Products" or "Positive Environmental Impact Products".

Definition of Sustainable Products

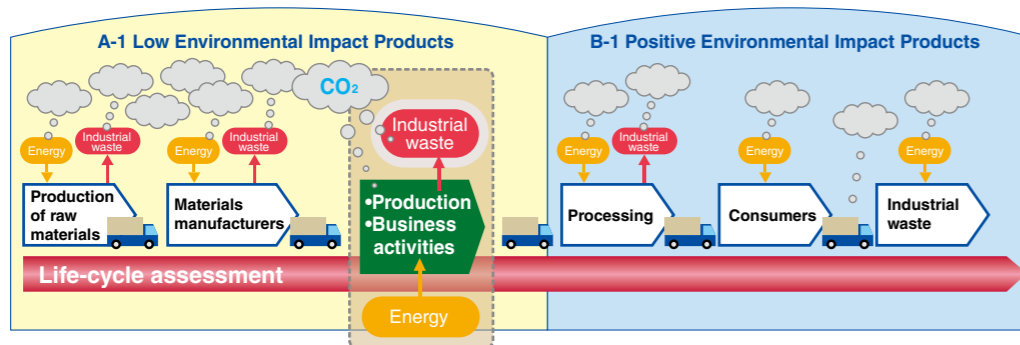
In fiscal 2012, we reviewed the definitions for and the names of the two subcategories. We classify sustainable products according to the definitions in the table below.

The Number of Products Qualifying as Sustainable

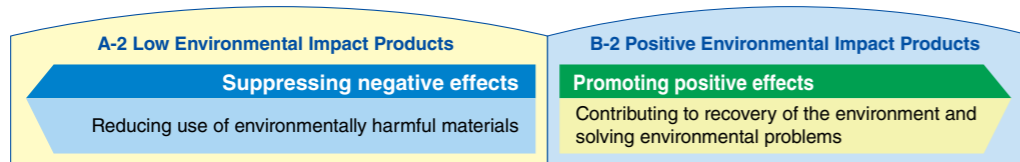
In fiscal 2012, 2,050 products qualified as Low Environmental Impact Products and 20 as Positive Environmental Impact Products.

Subcategory name	No.	Definition
A. Low Environmental Impact Products	A-1	Products that do not contain any prohibited substances specified by customer request, legal regulations, or in the Group Regulations on Voluntary Management of Chemicals, or products whose content of substances specified for reduction by customer request, legal regulations, or in the Group Regulations on Voluntary Management of Chemicals have been reduced.
	A-2	Products that not only have lower environmental impact (e.g., energy consumption, industrial waste reduction) during any process from collection of raw materials to the Group processes (manufacturing, disposal, and logistics), but also have a lower total environmental impact from collection of raw materials to Group production processes, in comparison with other Group products or competing products.
B. Positive Environmental Impact Products	B-1	Products that not only have a lower environmental impact during any customer process from use to disposal, but also a lower total environmental impact from use to disposal by the customer, in comparison with other Group products, competing products, or conventional technologies.
	B-2	Products that help resolve global environmental issues. This subcategory also applies to products whose total environmental impact generated over their life cycle, from collection of raw materials to manufacture and disposal, has a positive effect on the global environment according to the Life Cycle Assessment* or another assessment method.

1 Life Cycle Assessment*



2 Global Environmental Problems



Biodiversity Conservation

In order to contribute towards a sustainable society, Nitto Denko has been involved in biodiversity conservation activities as a driving partner of "Declaration of Biodiversity by Nippon Keidanren" since 1997.

In conformity with the basic standpoint of this declaration, we approach business activities with due consideration to biodiversity.

Supporting UNEP Activities

The Nitto Denko Group cooperates with United Nations Environment Programme (UNEP) in playing an active role to realize a sustainable society and has been a supporting company since fiscal 2010. We support the publication and distribution of the Japanese version of *Our Planet* and *TUNZA*, which are official UNEP magazines.

Aiming at sustainable society

We support the work of UNEP

*** Life Cycle Assessment**

We have introduced the concept of 'life-cycle assessment' to assess sustainable products. Life-cycle assessment is a technique to assess environmental impacts associated with all the stages of a product's life from raw material extraction through manufacture, use, disposal and transportation.

Life-cycle assessment consists of four stages. The first stage begins with a clear statement of the goal and scope of the study. The second stage is an inventory analysis, the third is an impact assessment and the fourth is interpretation. In fiscal 2012, we conducted an analysis of CO₂ emissions for two products.

In fiscal 2013, we will proceed with an analysis of our products other than CO₂ emissions to quantitatively assess what impact our products have on society.

Highlights of Environmental Conservation Activities in Fiscal 2012

Sharing Policy and Cases of Environmental Conservation Activities across the Whole Group

The Nitto Denko Group has held an Environment Global Conference once every three years since 2003, as an opportunity to exchange opinions on approaches toward environmental conservation across the whole Group. The fiscal 2012 conference was held in Japan.

Approximately 200 participants from 50 bases talked with one another about world trends in the environment, our position, our ideals and our goals in environmental conservation activities. We will adopt the issues covered at the conference into our action policy and steadily engage them.



E-BOX Receives Award in World Packaging Organization Contest

Environmentally-friendly packaging material E-BOX received a WorldStar Award and a Sustainability Award in 2012 at the WorldStar Awards, hosted by the World Packaging Organization.

E-BOX won approval for reducing CO₂ emissions by 57% compared to traditional packaging and raising load efficiency in transportation.

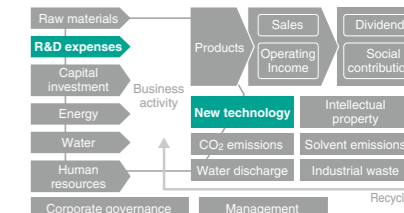
Employees Practice Energy Conservation at Home, Cutting 40 ton of CO₂

We have been implementing a "Green Design Action" since fiscal 2009 in order to improve employees' awareness of the environment.

In fiscal 2012, employees practiced energy saving in their own backyard, such as in their homes and reduced CO₂ emissions by 40 ton.



The Nitto Denko Group combines its core technologies – adhesion, coating, polymer function control and polymer analysis and evaluation – with new technologies to carry out research and development primarily focused around our growth strategy of “Green, Clean and Fine”



Environmentally Friendly MARINGLIDE™ Film Protects Ship Hulls

If you look at the hulls of ships and boats, you will often see many marine organisms, such as barnacles. How did they get there? The larvae of these organisms were floating in the ocean and attached themselves to the hull of the vessel as it passed by. Once they have attached themselves, then they rapidly grow in size and not only look bad, but also increase water resistance, which in turn has a major impact on fuel consumption and speed. Because they become attached so firmly, in some cases the hull is damaged when they are scraped off.

Up until now, antifouling paint has been the main method of preventing barnacles from attaching themselves to the hulls of vessels. However, it is feared that the substances contained in such paints to repel barnacles may have a detrimental effect on the environment.

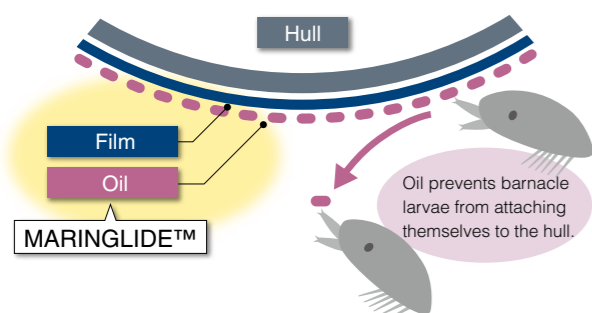
Nitto Denko has therefore developed MARINGLIDE™, the industry's first adhesive film that repels barnacles. The main characteristics of this film are shown below.

1. Easy Maintenance

When MARINGLIDE™ is applied to the hull of a vessel, a very small amount of oil is released from the surface of the film, which makes it difficult for barnacle larvae to attach themselves to the hull.

Even if the film becomes fouled, it can be easily cleaned by water blasting and remains effective for about three years, after which it can be easily peeled off and replaced. It is easy to work with, does not damage the hulls of vessels and reduces vessel maintenance costs.

MARINGLIDE™'s barnacle-repelling mechanism



A very small amount of oil is released from the surface of the film to prevent biofouling.

2. Reduced Water Resistance

As the surface of MARINGLIDE™ is smooth and does not have the rough finish of paint, frictional resistance is extremely low. This, combined with the fact that barnacles cannot attach themselves to the hull, means that water resistance can be reduced by about 10% or more. It is generally said that if frictional resistance can be reduced by 10%, then this will result in an improvement in fuel efficiency of 7% to 8% and also potentially result in an increase in speed.

There was a great deal of interest regarding MARINGLIDE™ among boat owners at the Japan International Boat Show held in March 2013. The product is expected to go in sale in 2014 after further testing and improvement.



Using Molecular Targeting DDS in the Development of Therapeutic Agents for Organ Fibrosis

Initiates Clinical Trials for Liver Cirrhosis Therapy Drug

Nitto Denko has worked with Professor Yoshiro Niitsu at Sapporo Medical University since 2008 on the development of antifibrotic drugs for conditions such as cirrhosis of the liver. Basic patents were acquired regarding this

revolutionary treatment for fibrosis in Japan, the US, China and Australia, and clinical trials are scheduled to start in 2013.

Liver cirrhosis, which is one form of organ fibrosis, is said to be incurable and 6 million people throughout the world are suffering from this intractable disease. This disease is caused by chronic inflammation of the liver whereby excess amounts of collagen, which play a role in repairing areas of inflammation site, are synthesized from hepatic stellate cells and then deposited. Professor Niitsu thought of a way of delivering drugs directly to the hepatic stellate cells in order to prevent the excessive synthesis of collagen, however there were two issues.

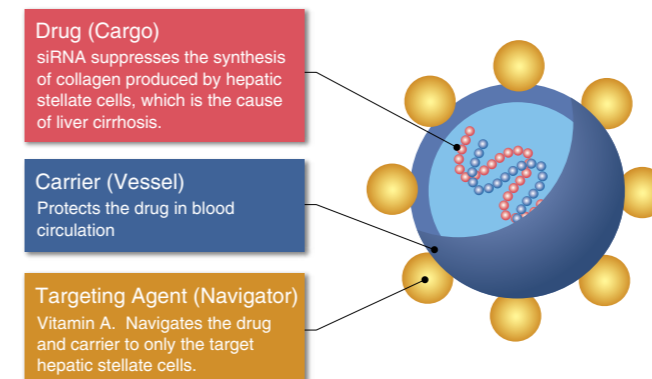
The first was the development of a drug that could suppress the synthesis of collagen. Nucleic acid medicine was used to provide a solution, whereby siRNA was used to suppress a specific RNA function. By suppressing this important factor in the synthesis of collagen it is possible to suppress the synthesis of collagen itself.

The second issue was how to deliver it exclusively to the target hepatic stellate cells without degrading the siRNA. Professor Niitsu saw the potential of vitamin A because hepatic stellate cells will specifically take up vitamin A.

Using this idea coupled with Nitto Denko's patented drug delivery system (DDS), siRNA (cargo) was inserted into a special carrier (vessel) and vitamin A (navigator) applied to the outside to create a revolutionary new therapeutic agent.

Basic patents regarding this new drug were granted firstly in Japan, China and Australia, followed in May 2012 by the US.

An overview of the new drug <The vessel and navigator deliver the drug.>



The carrier (vessel) delivers the siRNA drug (cargo) exclusively to the hepatic stellate cells by means of the vitamin A targeting agent (navigator).

In March 2013, an Investigational New Drug (IND) application was filed with the US Food and Drug Administration to use this therapeutic agent as a treatment for liver cirrhosis and clinical trials will commence during this fiscal year. Currently there is no drug that will cure liver cirrhosis and if this therapeutic agent can be commercialized it will be the first of its kind in the world.

Nitto Denko is carrying out further research to apply this therapeutic agent not only with regard to liver cirrhosis, but also to other forms of organ fibrosis to help people suffering from this intractable disease.

Nitto Denko Participates in National R&D Project to Develop Flexible OLED Lighting

In fiscal 2012, the Nitto Denko Group participated in the New Energy and Industrial Technology Development Organization's (NEDO) R&D project regarding the development of a reel-type vacuum deposition method for the efficient production of flexible organic light-emitting diode (OLED) lighting. OLED lighting is gaining much attention as the next generation of energy-efficient lighting that will follow the rapidly expanding use of LEDs. It is hoped that the practical application of this process will contribute to the popularization of OLED lighting and the realization of an energy-efficient society, and that the flexible nature of the technology will enable the development of unique lighting products that up until now have not been possible.

R&D Center Established in Switzerland for Materials related to the Environment and Life Sciences

In July 2012, Nitto Denko established Nitto Denko Europe Technical Centre Sàrl (NET) in the Innovation Square of the École Polytechnique Fédérale de Lausanne (EPFL) in western Switzerland. The new facility, which started R&D operations in October of the same year, is part of the company's global corporate R&D setup, together with three other facilities in Japan, the US and Asia (Singapore).

EPFL is one of the top universities in Europe, with a rich pool of talented personnel from throughout the world, and it is hoped that NET will be able to utilize the university's network to develop new research themes – especially in environmental and life science-related fields, and conduct collaborative research and development with the university's researchers in biosciences and chemistry and outside research institution.



NET has mid-term goals (milestones) to help see the transition of R&D themes into product development in the following three to six years. The main R&D themes at present are the development of medical device-related products, such as surgical tape utilizing bio-based materials, which are being jointly developed by teams of researchers specializing in biosciences and chemistry.

As of May 2013 the center had a staff of eight, but this is expected to increase to 20 within the next five years in order to strengthen R&D activities. We are also keen to source interns from EPFL and other research institutions and train them, along with other R&D personnel from within NET and the wider Nitto Denko Group, to branch out into many other new themes.



The exterior of the Nitto Denko Europe Technical Centre Sàrl (NET)

Expansion into the Fitness and Wellness Market

Since R&D activities commenced in 2008, the Nitto Denko Asia Technical Centre (NAT) has been developing new products in the life science sector based on the proprietary optical sensing technologies developed. Recently, they succeeded in developing a unique lifestyle product for the mobile fitness and wellness market.

There has been an increased awareness regarding health evident around the world, and a visible indicator is the major growth of fitness and wellness related markets together with the variant of related products brought to market.

Mobile devices that are able to monitor the state of one's lifestyle at any time in any place are helpful in maintaining day-to-day fitness and wellness and improving overall awareness.

Known as tinké™ mobile lifestyle sensor developed by NAT works by connecting it into the dock connector of iOS device and resting your thumb over the sensing platform to monitor your heart rate, respiratory rate, blood oxygen level and heart rate variability* in real time.

Each measurement can be saved as history where you can

observe the trend or shared with family and friends using social media.

Whereas in the past most mobile health devices were mainly used for monitoring people's physical activities, such as pedometers, tinké™ can monitor information from your body that provides a direct indication of one's fitness and wellness. This information is processed by the proprietary software developed to provide indexes that can be easily understood by the general consumer.

In December 2011, NAT established a business operation entity, Zensorium, to introduce tinké™ into the consumer markets. tinké™ has been displayed at various trade shows and been featured in the media as a unique optical sensing device.

As a member of the Nitto Denko Group, NAT is committed to creating new businesses focused around our "Green, Clean and Fine" theme in order to develop products that can contribute to people's health and make their lives more comfortable.

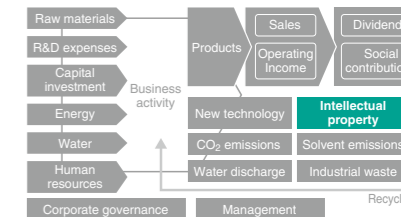
More information regarding this device can be found at the following website:

<http://www.zensorium.com/tinke>

* Heart Rate Variability
Used as an index to show fluctuations in heart rate, this varies in accordance with changes in autonomic nerve activity. By monitoring heart rate information it is possible to ascertain psychological conditions, such as stress.



tinké™ in action



In line with our business activities being developed globally, the importance of intellectual property related to our business and products is ever-increasing. With realignment within the Group, we will continue to enhance not only the impact of new business and product launches, but also our competitive power. Furthermore, we will take actions in conjunction with the theme of R&D, aiming to ensure that our "strong intellectual property" is a countermeasure against counterfeit goods in developing countries.

Nitto Denko Receives Thomson Reuters Top 100 Global Innovator Award for Second Consecutive Year

Nitto Denko received the Thomson Reuters Top 100 Global Innovator Award for the second consecutive year in 2012.

This award is offered to "Top 100 Global Corporations" selected by Thomson Reuters Professional KK, with its innovation criteria, developed utilizing its unique intellectual data and the cooperation of a number of external institutions.

The selection of award-winning companies is based on four criteria: Success; Global; Influence; and Volume. Top 100 Global Corporations invent on a significant scale and have outstanding intellectual property management strategies; work on developments which are acknowledged as innovative by patent offices across the world and 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.

Receiving the award for a second year in succession shows that our strategy for intellectual property is regarded highly throughout the world.

Nitto Denko Fourth on Patent Board Chemicals Ranking in Wall Street Journal

Nitto Denko, which had already been consistently highly-ranked, was ranked 4th on the Patent Board Chemicals Patent Scorecard, published in The Wall Street Journal in the week ending February 15, 2013, making it the highest-ranking Japanese company listed.

Nitto Denko Innovative Production Method Receives the Invention Prize of the National Commendation for Invention

In June 2012, Nitto Denko received the Invention Prize of the 2012 National Commendation for Invention (Host: Japan

Institute of Invention and Innovation) for its "Invention of Continuous Manufacturing Process and Associated Apparatus for the Production of Liquid Crystal Display Elements". The award is given to an invention which is technologically superior and has distinguished practical benefits.

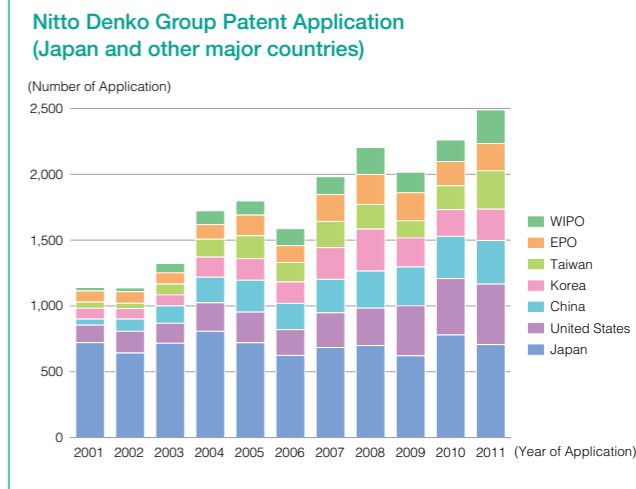
Nitto Denko manufactures polarizing film, which is indispensable in LCDs and deliveries it to LCD panel manufacturers. Previously, we delivered the film to customers after the cutting, inspection and packing process and customers unpacked and attached it individually to each LCD panel. This method had a number of disadvantages, such as the labor-intensive inspection process and the need for packaging and storing of the film. Therefore, production and transportation costs were seen increasing every year.

Against this background, we developed a device with which to deliver polarizing film in rolls to LCD manufacturers to enable them to cut and attach the film uninterruptedly in their plants. This led to significant reductions in production costs, transportation costs and in the gross weight of supplies shipped. In addition, production efficiency improved dramatically.

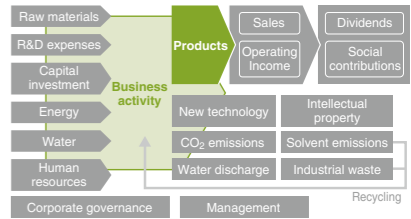
This method will become a standard manufacturing process throughout the world in the future. Not only our technological capability, but also its power to influence, received recognition and led to our earning of this year's prize.



Personnel involved in development of the new process



Contributing to society with "Green, Clean and Fine" products produced according to our corporate vision of "Creation of New Value"



Industrial Tape Business (Functional Base Products)

In our adhesive tapes and high-function products for the automobile industry, in spite of the impact of problems between Japan and China, sales remained strong as a whole, in line with healthy sales in the North and South American markets and the South Asia market.

With regards to tapes for the electronics industry, sales of double-coated adhesive tapes and sealing materials remained strong in the first half of the fiscal year, not only because of the growing market for smartphones and tablet PCs, but also the increasing number of our products newly utilized in such devices. However, in the latter part of the fiscal year, we were affected by our customers' adjusting their production beyond our assumptions.

Our adhesive tapes for electronic components and hard disc drives were weak, in line with a downturn experienced in the market for PCs and digital appliances.

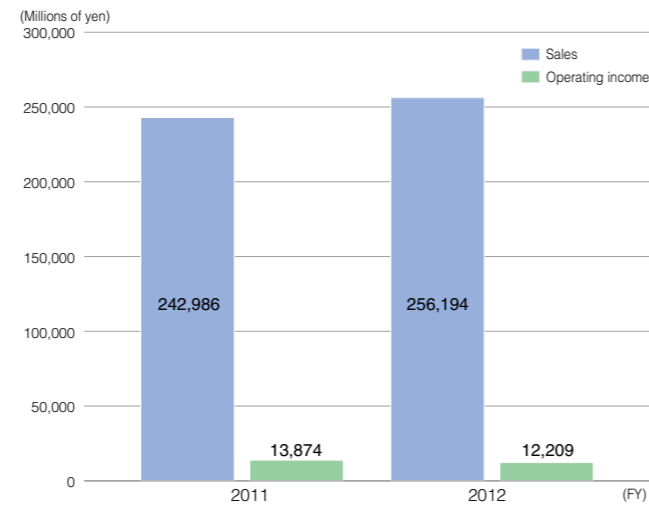
As for sales of double-coated adhesive tapes, surface protective materials and fluoroplastic products with high general versatility for general industrial application did not show strong recovery as a whole, in spite of an increase in sales of some kinds of products.

Turning now to tapes for hygienic use, we implemented an enhancement of our system with the acquisition of Bento, Turkey's top tape manufacturer.

In fiscal 2013, we will further promote our globalization, focusing on developing countries and creating Area Niche Top products by managing a range of processes, from the development of products and the procurement of raw materials, to the production and sale of products on site.

	Fiscal 2011	Fiscal 2012	Year-on-year comparison
Sales	242,986	256,194	105.4%
Operating income	13,874	12,209	88.0%

Yen in millions



Entry into Personal Stationery Market

In October 2012, Nitoms released the Group's first stationery brand called "STÁLOGY®," coined from the words "stationery," "standard" and "technology." STÁLOGY® provides "What should have been, is": quality stationery which is good in design and function and is provided at affordable prices.

Unique and stylish stationery is produced from a collaboration between the technologies of Nitoms and "total direction" of Good Design Company. Nitoms technologies include core technologies of Nitto Denko, such as our adhesives technology. The stationery lineup includes double-coated tapes, ultra-transparent tapes, circular masking tape patches, sticky notes and erasers.



STÁLOGY® lineup

Release of PENJEREX® Transparent Energy-saving Window Insulation Film



Applying PENJEREX® to windows conserves energy

In January 2013 we began selling a new energy-saving window film, featuring the industry's highest-level thermal insulation along with solar heat rejection, allowing users to achieve energy savings year-round.

In summer, the film rejects approximately 50% of solar heat, which improves cooling efficiency. On the other hand, it suppresses heat flow in winter by approximately 35%, reducing heating load and maintaining warmth. By simply applying the film to windows, an easy convenient and energy-saving improvement is realized, blocking ultraviolet light and acting as a glass scattering prevention function.

The film's transparency, high thermal insulation and adiabaticity have attracted public attention. We have had numerous business inquiries since its introduction and it has already been used in public offices, office complexes, plants and hospitals in Japan.

Construction of New Plant for High-function Automotive Components in Brazil

In rapidly developing Brazil, the automotive industry is steadily expanding, with major automotive parts manufacturers accelerating penetration of the market and local production. In order to expand market share there, Nitto Denko America Latina is constructing a new plant in Sao Paulo, Brazil. Construction began in February 2013 and completion is expected to be in December 2013. There will be 55 employees at start-up. The present office is to move into the new plant.

At the new plant, we will manufacture various kinds of high-function components and processed goods contributing to improvement of fuel efficiency and

reduction of noise and vibration of cars, with the aim of expanding our business in South America.



Address: Rua Charles Goodyear, 460 - Bairro Cururuquara - Santana do Parnaiba - SP - CEP 06524-105

Establishment of Innovation Center in Shanghai

In order to showcase the Nitto Denko Group's technologies and products to customers in the burgeoning Chinese market, we established Nitto Denko (Shanghai) Innovation Center at Nitto Denko (Shanghai Songjiang) in July 2013. With the aim of allowing our customers to experience our products and technologies first-hand and thus create new business opportunities with them, we welcome them with various machines and devices.



Innovation Center newly opened in Shanghai

Optronics Business

Our information fine materials, such as LCD-related products, were strong, in line with firm demand for televisions and the continuous expansion of the market for smartphones and tablet PCs. Our transparent conductive film used on touch panels installed on smartphones and tablet PCs remained strong, not only because of expansion in the market, but also because of our differentiation strategy in quality and technological capabilities.

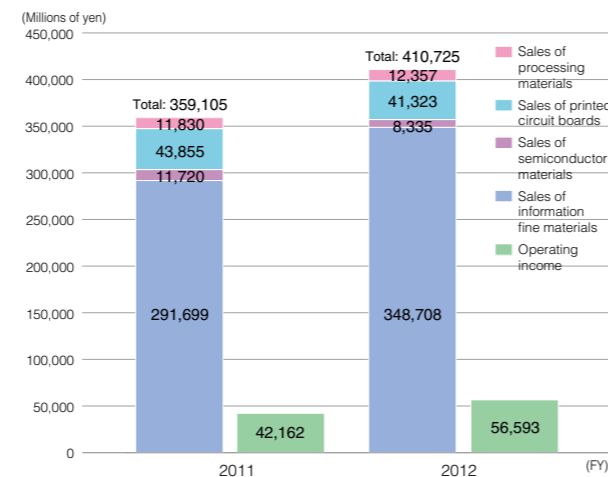
In our semiconductor materials, we assigned our semiconductor encapsulating materials business, excluding that part for optical semiconductors, to Hitachi Chemical Co., Ltd. on October 1, 2012, resulting in a drop in sales.

Demand for our printed circuit boards recovered from the impact of the Thailand floods at the beginning of the fiscal year. However, the recovery in the market for hard disc drives was slow, in line with the decline in demand for PCs. As a result, sales were weak.

In electronic processing materials, as declining investment in plant and equipment in the semiconductor industry continues, demand for carton sealers was weak. On the other hand, tapes for the production of semiconductors used in smartphones and tablet PCs were strong. Overall, sales were strong.

		Fiscal 2011	Fiscal 2012	Year-on-year comparison
Sales	Information fine materials	291,699	348,708	119.5%
	Semiconductor materials	11,720	8,335	71.1%
	Printed circuit boards	43,855	41,323	94.2%
	Processing materials	11,830	12,357	104.5%
	Total	359,105	410,725	114.4%
Operating income	Total	42,162	56,593	134.2%

Yen in millions



New Development and Release of Thermosetting Thermal Resistant Encapsulation Sheet for LEDs

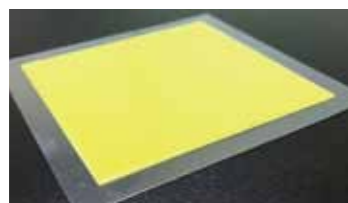
Recently, LED lights have been attracting attention as products contributing to energy conservation, becoming immensely popular.

As LED elements emit blue light, they are encapsulated by compounding liquid resin with fluorescent substances (yellow, red and green) to emit white light. In such a process, there exists the problem of color variation.

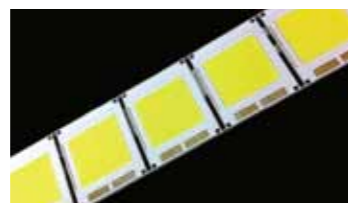
Nitto Denko has newly developed a thermosetting thermal resistant encapsulation sheet for LEDs containing fluorescent

substances. The sheet does not cause any damage to LED bonding wires when laminated onto LED devices, because of its gel-like, semi-hard properties, resulting in simplification of the whole encapsulation process. Furthermore, the sheet demonstrates uniformity of thickness. In addition, controlling the placement of fluorescent substances lessens color variation. Through these properties, we have realized high quality, high reliability and high productivity.

We began sales of the sheet in January 2013.



Newly developed thermosetting thermal resistant encapsulation sheet for LEDs



LEDs bonded with a thermally-hardened sheet of uniform thickness, which protects the LEDs



LEDs bonded with our sheet light up

Medical and Membrane Businesses

In our medical business, medical and hygienic materials were strong. However, transdermal drug delivery patches were affected by price revisions in Japan and inventory build-ups on the part of our customers after the Great East Japan Earthquake. In addition, one of our group companies which manufactures oligonucleotide medicine was affected by a delay in an order, resulting in difficult circumstances.

On the other hand, a study of the world's first transdermal patch formulation for schizophrenia treatment is progressing. In addition, "PENLES™," one of our transdermal drug delivery patches, which is an adhesive patch for regional anesthetics, was determined efficient in the relief of pain associated with extirpation of molluscum contagiosum. This led to the positive state of active business operations.

In fiscal 2013, we will continue to develop transdermal drug delivery patches, oligonucleotide medicine and molecular target DDS in our strategic areas throughout the world. In autumn, a transdermal drug delivery patch for high blood pressure is scheduled to go on sale.

Our membrane business was strong throughout the year, in line with the changing of our focus to general industry in

developing countries and the shipment of a previous order of our seawater desalination project.

		Fiscal 2011	Fiscal 2012	Year-on-year comparison
Sales	Medical	16,869	15,165	89.9%
	Membrane	16,515	18,604	112.6%
	Total	33,384	33,769	101.2%
Operating income	Total	-2,476	359	-

Yen in millions



Acquisition of Entire Assets of Alteia Therapeutics

Nitto Denko acquired all of the assets, including patents, trademarks and laboratory equipment related to Active Transdermal Therapeutic System technology, of Alteia Therapeutics Corporation and launched full-scale research in April 2012 at the San Diego laboratory. The technology acquired this time is a new transdermal drug delivery technology. By making pores on the surface of the skin using heat in a safe and hygienic manner and applying the patch containing the drug, the drug is delivered into the body.

Nitto Denko has already developed and manufactured transdermal drug delivery patches which deliver drugs to the affected area through the skin. With this new technology, however, it will be possible to prepare transdermal drug delivery patches for polymer drugs such as peptide and gene medicine, and hydrophilic drugs, which were difficult to prepare previously. We aim to respond more widely to the needs of patients and medical experts.



Making pores on the surface of the skin and applying the patch just minutes later with an applicator



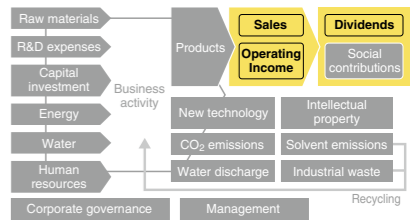
Nitto Denko Avecia, Cincinnati (former Girindus America)

Acquisition of Assets of Girindus America, Inc.

Nitto Denko and Nitto Denko Avecia conduct research into, develop and manufacture oligonucleotide medicine, with the potential for growth in the future. In January 2013, we acquired the assets of Girindus America, Inc. (Ohio, U.S.A.), which is in the therapeutic oligonucleotide medicine manufacturing business. Through this acquisition, the manufacture of therapeutic oligonucleotide medicine and expansion of our organic synthesis business became possible.

In the future, we will develop our oligonucleotide medicine business globally.





Consolidated Financial Statements
Consolidated Balance Sheet

(Yen in Millions)

Assets	Amount	
	As of March 31, 2013	As of March 31, 2012
Current assets:	483,546	422,989
Cash and deposits	217,095	209,855
Notes and accounts receivable-trade	162,807	126,840
Merchandise and finished goods	21,836	20,152
Work in process	43,176	33,355
Raw materials and supplies	17,337	14,037
Deferred tax assets	10,445	6,480
Other	11,672	12,807
Allowance for doubtful accounts	-825	-541
Noncurrent assets:	257,926	228,919
Property, plant and equipment	213,391	190,074
Buildings and structures	93,860	86,335
Machinery, equipment and vehicles	72,038	62,234
Tools, furniture and fixtures	7,799	6,609
Land	19,647	19,053
Construction in progress	20,045	15,842
Intangible assets:	13,963	8,955
Goodwill	3,052	1,246
Software	6,450	3,986
Other	4,460	3,722
Investments and other assets:	30,572	29,889
Investment securities	8,040	9,000
Deferred tax assets	8,583	9,986
Prepaid pension cost	10,424	7,238
Other	3,655	3,870
Allowance for doubtful accounts	-131	-207
Total assets	741,473	651,908

(Yen in Millions)

Liabilities	Amount	
	As of March 31, 2013	As of March 31, 2012
Current liabilities:	175,683	138,487
Notes and accounts payable-trade	88,101	78,730
Short-term loans payable	11,137	2,978
Accrued expenses	22,537	16,136
Income taxes payable	13,915	3,507
Other	39,990	37,135
Noncurrent liabilities:	74,161	77,486
Bonds payable	50,000	50,000
Long-term loans payable	987	6,000
Provision for retirement benefits	19,757	18,994
Provision for directors' retirement benefits	374	394
Deferred tax liabilities	1,256	353
Other	1,785	1,743
Total liabilities	249,844	215,973
(Net assets)		
Shareholders' equity	490,722	462,073
Capital stock	26,783	26,783
Capital surplus	56,170	56,160
Retained earnings	440,173	412,784
Treasury stock	-32,405	-33,655
Accumulated other comprehensive income	-2,019	-28,532
Valuation difference on available-for-sale securities	1,901	1,178
Deferred gains or losses on hedges	-1,638	-661
Foreign currency translation adjustment	-2,282	-29,049
Subscription rights to shares	773	963
Minority interests	2,152	1,430
Total net assets	491,628	435,935
Total liabilities and net assets	741,473	651,908

Consolidated Financial Statements
Consolidated Statement of Income

(Yen in Millions)

	April 1, 2012 - March 31, 2013	April 1, 2011 - March 31, 2012
Net sales	675,614	607,639
Cost of sales	484,184	439,938
Gross profit	191,429	167,701
Selling, general and administrative expenses	122,757	111,210
Operating income	68,672	56,491
Non-operating income:	4,983	4,529
Interest and dividends income	851	432
Foreign exchange gains	—	391
Miscellaneous income	4,132	3,705
Non-operating expenses:	6,284	2,583
Interest expenses	966	907
Equity in losses of affiliates	635	369
Foreign exchange loss	2,489	—
Miscellaneous loss	2,193	1,306
Ordinary income	67,372	58,436
Extraordinary income:	969	1,138
Gain on sales of noncurrent assets	86	31
Gain on sales of subsidiaries and affiliates' stocks	—	745
Other	883	361
Extraordinary loss:	4,886	9,726
Loss on sales and retirement of noncurrent assets	1,307	1,023
Impairment loss	627	3,238
Special retirement expenses	343	70
Loss on disaster	—	1,335
Loss on sales of stocks of subsidiaries and affiliates	2,154	2,213
Loss on liquidation of subsidiaries and affiliates	—	1,584
Other	453	260
Income before income taxes	63,455	49,848
Income taxes-current	21,709	14,984
Income taxes-deferred	-2,595	3,517
Income before minority interests	44,341	31,346
Minority interests in income	501	279
Net income	43,840	31,066

Consolidated Financial Statements
Consolidated Statement of Cash Flows

(Yen in Millions)

	April 1, 2012 - March 31, 2013	April 1, 2011 - March 31, 2012
I. Net cash provided by (used in) operating activities		
Income before income taxes	63,455	49,848
Depreciation and amortization	36,467	36,806
Impairment loss	627	3,238
Loss on sales of stocks of subsidiaries and affiliates	2,154	2,213
Loss (gain) on liquidation of subsidiaries and affiliates	-377	1,584
Decrease (increase) in notes and accounts receivable-trade	-19,025	5,498
Decrease (increase) in inventories	-9,382	-5,626
Increase (decrease) in notes and accounts payable-trade	7,731	-1,482
Interest expenses paid	-971	-955
Income taxes (paid) refund	-8,735	-33,106
Other, net	-3,791	471
Net cash provided by (used in) operating activities	68,152	58,492
II. Net cash provided by (used in) investing activities		
Decrease (increase) in time deposits	62	-1,390
Purchase of noncurrent assets	-52,869	-35,249
Proceeds from sales of noncurrent assets	420	129
Purchase of investments in subsidiaries resulting in change in scope of consolidation	-7,703	—
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	3,536	427
Other, net	283	-981
Net cash provided by (used in) investing activities	-56,269	-37,064
III. Net cash provided by (used in) financing activities		
Increase (decrease) in short-term loans payable	-140	291
Proceeds from long-term loans payable	834	—
Repayment of long-term loans payable	—	-7,954
Decrease (increase) in treasury stock	965	160
Cash dividends paid	-16,450	-16,443
Cash dividends paid to minority shareholders	-31	-32
Net cash provided by (used in) financing activities	-14,822	-23,978
IV. Effect of exchange rate change on cash and cash equivalents	8,496	-26
V. Net increase (decrease) in cash and cash equivalents	5,556	-2,576
VI. Cash and cash equivalents at the beginning of period	145,712	148,289
VII. Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	1,006	—
VIII. Cash and cash equivalents at the end of period	152,275	145,712

Consolidated Financial Statements
Consolidated Statement of Changes in Net Assets

April 1, 2012 through March 31, 2013

(Yen in Millions)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Retained earnings	Treasury stock	Total Shareholders' equity
Balance as of April 1, 2012	26,783	56,160	412,784	-33,655	462,073
Changes of items during the period					
Dividends from surplus			-16,450		-16,450
Net income			43,840		43,840
Purchase of treasury stock				-1	-1
Disposal of treasury stock		10		1,250	1,260
Net changes of items other than shareholders' equity during the period					
Total changes of items during the period	—	10	27,389	1,249	28,648
Balance as of March 31, 2013	26,783	56,170	440,173	-32,405	490,722

(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			
Balance as of April 1, 2012	1,178	-661	-29,049	-28,532	963	1,430	435,935
Changes of items during the period							
Dividends from surplus							-16,450
Net income							43,840
Purchase of treasury stock							-1
Disposal of treasury stock							1,260
Net changes of items other than shareholders' equity	723	-977	26,766	26,513	-189	721	27,044
Total changes of items during the period	723	-977	26,766	26,513	-189	721	55,693
Balance as of March 31, 2013	1,901	-1,638	-2,282	-2,019	773	2,152	491,628

Business Results
10-Year Summary (consolidated)

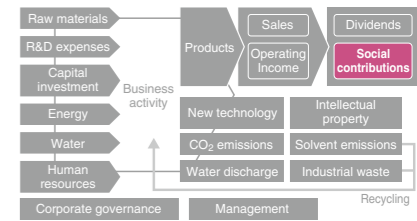
April 1 - March 31

Yen in Millions
U.S. dollars in Thousands (Note 2)

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2012
Statement of income											
Net sales	452,726	514,867	626,316	679,822	745,259	577,922	601,859	638,556	607,639	675,614	7,183,562
Operating income	55,912	70,018	89,224	69,037	77,954	13,838	56,086	85,245	56,491	68,672	730,165
ratio to net sales	12.4%	13.6%	14.2%	10.2%	10.5%	2.4%	9.3%	13.3%	9.3%	10.2%	10.2%
Ordinary income	58,045	71,828	90,196	67,319	74,468	14,807	58,833	85,143	58,436	67,372	716,342
ratio to net sales	12.8%	14.0%	14.4%	9.9%	10.0%	2.6%	9.8%	13.3%	9.6%	10.0%	10.0%
Net income	33,386	41,842	55,306	41,201	46,634	267	37,570	55,743	31,066	43,840	466,135
ratio to net sales	7.4%	8.1%	8.8%	6.1%	6.3%	0.0%	6.2%	8.7%	5.1%	6.5%	6.5%
Segment information by geographic area											
Japan..... Net sales	286,322	295,115	271,186	268,364	256,288	207,263	203,982	218,528	194,636	192,600	2,047,847
Operating income	51,158	65,918	76,888	52,535	44,969	3,305	34,897	64,376	39,571	44,338	471,430
The Americas..... Net sales	37,216	35,836	38,580	42,349	45,054	39,002	37,766	36,116	35,739	40,014	425,455
Operating income	-2,399	-2,479	-1,078	-663	338	-1,298	2,012	-289	-1,363	1,768	18,799
Europe..... Net sales	16,422	17,392	19,395	23,787	29,172	25,519	26,933	23,245	21,189	31,057	330,218
Operating income	509	246	693	1,587	2,178	-20	1,147	1,471	480	898	9,548
Asia & Oceania..... Net sales	112,764	166,522	297,153	345,321	414,743	306,136	333,177	360,665	356,074	411,942	4,380,032
Operating income	6,547	5,936	12,575	12,382	27,614	8,368	17,952	19,032	15,514	20,258	215,396
Per share information											
Net assets per share	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	2,965.1	31.53
Net income per share	198.0	252.7	332.3	248.3	280.1	1.6	225.5	337.4	188.9	266.3	2.83
Dividends per share	40.0	50.0	60.0	70.0	80.0	80.0	40.0	90.0	100.0	100.0	1.06
Shares outstanding (thousands)	173,758	173,758	173,758	173,758	173,758	173,758	173,758	173,758	173,758	173,758	—
Number of shareholders	20,999	16,725	16,057	35,224	41,309	63,479	66,032	59,059	65,321	49,234	—
Balance sheet											
Total assets	389,525	443,264	556,934	604,208	595,972	558,258	624,992	653,961	651,908	741,473	7,883,817
Equity	223,114	261,090	321,464	364,942	382,627	357,839	386,664	417,606	433,541	488,703	5,196,204
ROA	8.7%	10.0%	11.1%	7.1%	7.8%	0.0%	6.4%	8.7%	4.8%	6.3%	—
ROE	14.5%	17.3%	19.0%	12.0%	12.5%	0.1%	10.1%	13.9%	7.3%	9.5%	—
Equity to total assets	57.3%	58.9%	57.7%	60.4%	64.2%	64.1%	61.9%	63.9%	66.5%	65.9%	—
Capital investment	31,731	40,101	60,889	75,324	59,406	55,926	37,147	26,882	33,758	49,807	529,580
Depreciation cost	21,386	24,681	31,470	40,169	49,617	50,556	44,810	39,940	36,806	36,467	387,741
R&D expenses	15,822	16,739	20,489	21,733	22,096	21,716	20,876	21,949	25,003	27,573	293,174
Number of employees (Note 1)	18,926	22,454	27,865	32,101	33,663	28,640	31,288	33,192	32,198	30,382	—

Note 1. Part-time employees are included.

2. The exchange rate Japanese yen and US dollars is the rate at March 31, 2013, which was JPY94.05 to USD1.00.



Contributing to Local Communities

Supporting Disaster Victims of Hurricane Sandy

At the end of October 2012, Hurricane Sandy struck the northeast US causing enormous property damage and loss of life.

The U.S. companies of the Nitto Denko Group moved in support of the victims. Not only did they support affected employees, but they also donated money to the American Red Cross, raising money from both employees and the company. The total amount of donations, including matching contributions from each company, reached USD 6,112 (approximately 550,000 yen).

Christmas Philanthropy in Singapore

Employees of Nitto Denko Asia Technical Centre and Zensorium were split up into two groups, with one visiting Lee Ah Mooi Old Age Home and the other a National Kidney Foundation dialysis centre on December 21, 2012. The employees gave Christmas gifts to patients, played music and games, and assisted nurses.

At the end of the day, they shared stories with each other of their activities and raised funds for the two facilities.



Employees sing songs and play instruments

Donation of Scrap Packaging Material to High School In Virginia

Nitto Denko Automotive Virginia donated scrap packaging material to Kempsville High School on October 27, 2012. The scrap is used in goal post padding on American football fields to help prevent player injuries.

This kind of use also helps the company's recycling programs to reduce industrial waste.



Goalposts wrapped in scrap packaging material

Producing a Culture of Volunteerism in the Philippines

The Philippines is one of the most disaster-prone countries in the world. In support of the mission of the Philippines Red Cross (PRC) to create a culture of volunteerism as a means of saving lives, Nitto Denko Philippines joined the Million Volunteer Run 2 on February 10, 2013. All proceeds of the event, such as participation fees, will go to volunteer programs of the PRC.

Currently, the company has three employees who have been qualified and certified by the PRC and can provide volunteer standard first aid and basic life support procedures during catastrophes.

Challenges Contest – Offering Assembly Hall as Venue for Toyohashi Region Qualifying Round –

The Nitto Denko Toyohashi Plant supports Toyohashi-shi Boys & Girls Invention Club by giving lectures at the workshop every summer.

In addition, the plant also offered the club use of its assembly hall as a venue for a regional qualifying round of the third National Boys & Girls "Creative Challenges" Contest on September 1, 2012. In this year's event, participants were told to come up with a miniature hybrid car powered by motor and rubber. Each team competed for speed and design, by lining up their ideas.

A team selected in the Toyohashi Region Qualifying Round in was commendably awarded the second prize at the subsequent national convention.



Children operate miniature cars

Receipt of Letter of Appreciation for Monetary Donation to Thailand flood relief efforts from the Provincial Red Cross Chapter of Ayutthaya

On October 25, 2012, we received a letter of appreciation and a report on the application of our monetary donation to the Thailand floods relief efforts from the Provincial Red Cross Chapter of Ayutthaya. They reported that 25,000,000 yen (approximately 10,000,000 baht) from the Nitto Denko Group was utilized for the construction of dwellings for people who had lost their homes, the mending of damaged houses, the reestablishment of libraries in elementary schools and the purchase of books.



Libraries and houses rebuilt with monetary donation from the Nitto Denko Group

Promoting Education and International Interaction

Acceptance of Interns from Abroad

Aiming to further diversify its pool of talent, Nitto Denko accepts interns from abroad.

From May to the end of August 2012, two university students from Thailand and the U.S. undertook work experience at the Nitto Denko Ibaraki Plant. Over more than two months, each of them undertook study, taking advantage of their own area of expertise. They appeared to gain a hands-on feeling for developing profitable new products through their internship experience.

Aspiration Fukaya Science Workshop Participants Visit Nitto Denko Kanto Plant

The Nitto Denko Kanto Plant welcomed 44 elementary and junior high school students on August 24, 2012. The visit was part of the Aspiration Fukaya Science Workshop, an educational event organized by the Fukaya City Government, which aims to stimulate children's interest in science and technology.

The students experienced cutting-edge technologies through experiments and a pop quiz. "This experience inspired me to value science more." a participant said.



Children listen earnestly to an explanation

Supporting Sports

32nd Osaka International Ladies Marathon



The start (Photo credit – Sankei Shimbun)

On January 27, 2013, in line with the theme of “We Support the Challengers with Shared Enthusiasm!” we cosponsored the Osaka International Ladies Marathon again this year, for the ninth time. Approximately 2,300 employees and their families from the Nitto Denko Group visited the stadium, with about 685 of the employees participating in the event as volunteers. Some helped clean the site whilst others offered a taping service to the runners.

This year we cosponsored “Osaka Enjoy Run” once again, in which 1,530 entrants from elementary school students to the elderly enjoyed a 3.2 kilometer run. We offered special local products from the Tohoku district as ‘Nitto Denko Prizes’ to winners selected by lot from among those who answered quiz questions correctly.



Osaka Enjoy Run

Volunteers drape towels over runners in the Osaka Half Marathon

Idea Contest

We again held a “Growing Future! The Second Idea Contest” this year. We called for latitudinous ideas with the potential to make our lives more convenient and comfortable. We received a total of 754 submissions. The highest award was given to “Kimochoi Tebukuro”, with which we understand the feelings of people and things by touching them.

We also manufactured a piece of demonstration equipment, making use of our products in accordance with the concept of “Nikoniko Hatsudensho”, which received the highest award last year. It was exhibited at the event site.



Idea contest award ceremony



“Nikoniko Hatsudensho” demonstration equipment

Million Step Challenge

This is an event whose goal was to walk 1,000,000 steps in the 100 days leading up to the day of the Osaka International Ladies Marathon. In continuation from last year and with the purpose of supporting areas affected by the Great East Japan Earthquake, we donated relief supplies such as kerosene stoves, worth 350,000 yen, in response to the total combined distance of 320,000 kilometers walked by all participants to Sendai Tsunami Fukko Shien Center.

The Nitto Denko Group presents Nitto Denko Group Report 2013, which has been updated from past CSR & Annual Reports. In order to inform every stakeholder about the Nitto Denko Group and our fiscal 2013 business activities in their entirety, we have amalgamated our financial and non-financial information.

As space is limited, please refer to our website for more details.

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

This report relates to the business activities of the 109 companies of the Nitto Denko Group as of 31 March 2013, of which 99 are consolidated subsidiaries and the remaining 9 consist of non-consolidated subsidiaries and affiliated companies. We consulted the *Sustainability Reporting Guidelines 2006* issued by the Global Reporting Initiative and used them for guidance on the disclosure of non-financial related information. We also referred to the principles of the International Integrated Reporting Committee (IIRC).

The term “base” used in this report refers to a plant or office of a group company or Nitto Denko (non-consolidated).

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 the Environment

Figures for past years have been partly altered to reflect the increase or decrease in number of group companies covered or changes in calculational procedures.



About the Front Cover

Cheerful and functional beauty is expressed by soft and gentle curved lines. A large glove represents the global horizon, with images depicting business activities spreading throughout the world.

With colours evoking warm lights (orange), water (blue) and plants (green), consideration for society and the environment is shown.

Illustrator Takashi Yamasaki

Printing and Binding

This Nitto Denko Group Report was printed by Nitto Denko Himawari Co., Ltd., a member of the Nitto Denko Group.

Nitto Denko Himawari was established with the principle that disabled persons who have the will to stand on their own two feet and elderly persons with a positive view of them can work together and engage in unlimited possibilities. Nitto Denko Himawari operates a business centering around the printing, cleaning, cutting, wrapping and packaging of various tapes, computerized documentation, the sorting of recyclable materials and tree planting.

URL : <http://www.nitto.co.jp/himawari/>



Nitto Denko Group Report 2013

URL:<http://www.nittodenko.com/>

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