

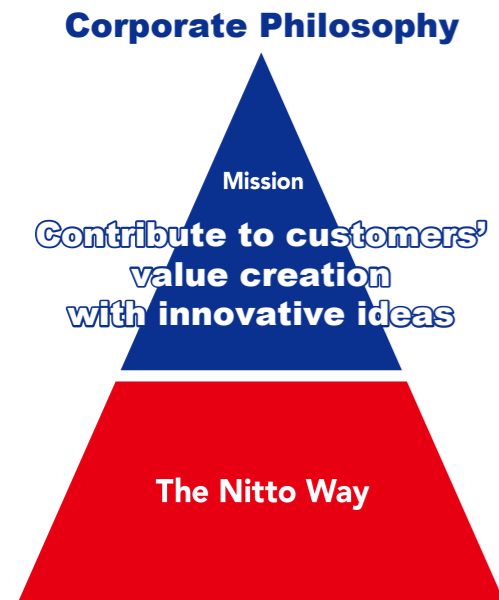
Nitto

Innovation for Customers



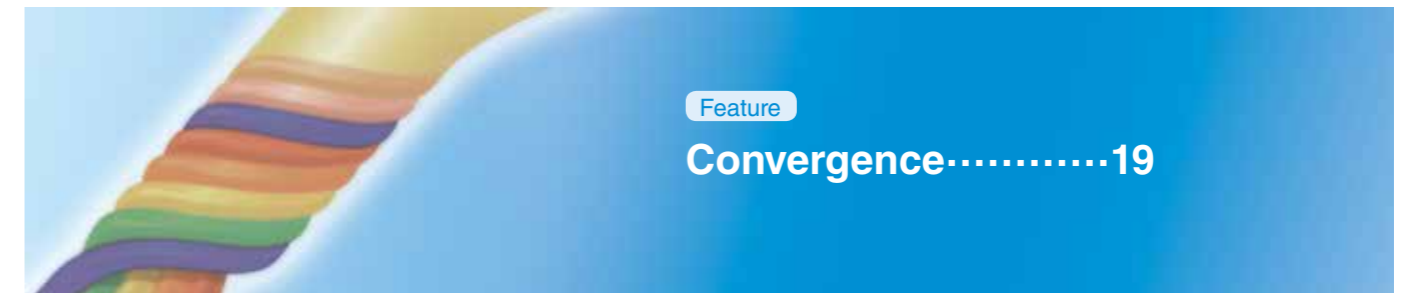
Nitto Group Report 2018





The Nitto Way Concrete Thoughts and Actions

- **We place safety before everything else**
 - Achieve zero accidents and injuries.
 - All employees must work together to establish a safe and secure workplace.
- **Amaze and inspire our customers**
 - Exceed customers' expectations to have them say, "This is exactly what we wanted!"
 - Work with customers and create new societal values.
 - Customer satisfaction brings value to our stakeholders.
- **Anticipate and leverage change**
 - Go to the field to sense changes in society and the market.
 - Rapidly link sensed changes to actions.
 - Refine our strengths, and aim to become the company customers want to consult with first.
- **Take on challenges for new value creation**
 - Continue to take on challenges, even if we fail in the short-term, rather than do nothing for fear of failure.
 - Embrace change, exercise curiosity, and take the first step forward.
- **Act promptly and follow through on your decisions with determination**
 - Take the first step forward and then think while advancing.
 - Share information openly, have equal and fair discussions, and if a decision is made, work together as a team to bring out the best possible result.
 - Always make efforts to ensure frank and open communication beyond organizational boundaries and roles.
- **Transform ourselves constantly**
 - Anticipate challenges, implement reforms, and bring about growth in the spirit of Mu-Gen-Dai.
 - Keep changing. Change leads to opportunity and growth.
 - Challenge ourselves to improve our future. Changes in each of us lead to growth of the entire organization.
- **Have an attitude of integrity, and understand and respect diversity**
 - Take actions based on integrity and modesty to build relationships of respect and trust with stakeholders.
 - Appreciate the diversity of our global team. Accept and respect others.



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Editing Policy

Editing Policy

The Nitto Group compiles its financial and non-financial information in the form of the Nitto Group Report, which is then published to inform every stakeholder of the overall picture of the Group and its business undertakings over the previous fiscal year. Since this volume is compiled with a diverse readership in mind, only the topics deemed most important are covered. Please refer to our corporate website for more details and relevant information.

To celebrate the first centennial of our founding in October 2018, we have once again included the proud history of our company and messages for the future in the *Nitto Group Report 2018*. We would be delighted if this report helps readers to understand how the Nitto Group became what it is today and where it is headed going forward.

This report is available in Japanese, English, and Chinese, and can be found on our website.

Scope

The report covers the business activities of the 102 companies of the Nitto Group, which include 95 consolidated subsidiaries and 6 equity-method affiliates, as of March 31, 2018.

Time Period

Fiscal 2017 (April 1, 2017 - March 31, 2018)

Some performance figures and activities from periods other than the above are also included.

Reference Guidelines

- This report has been prepared in accordance with the Core option of the GRI Standards issued by the Global Reporting Initiative (GRI).
- The International Integrated Reporting Framework of the International Integrated Reporting Council (IIRC) has also been referred to.

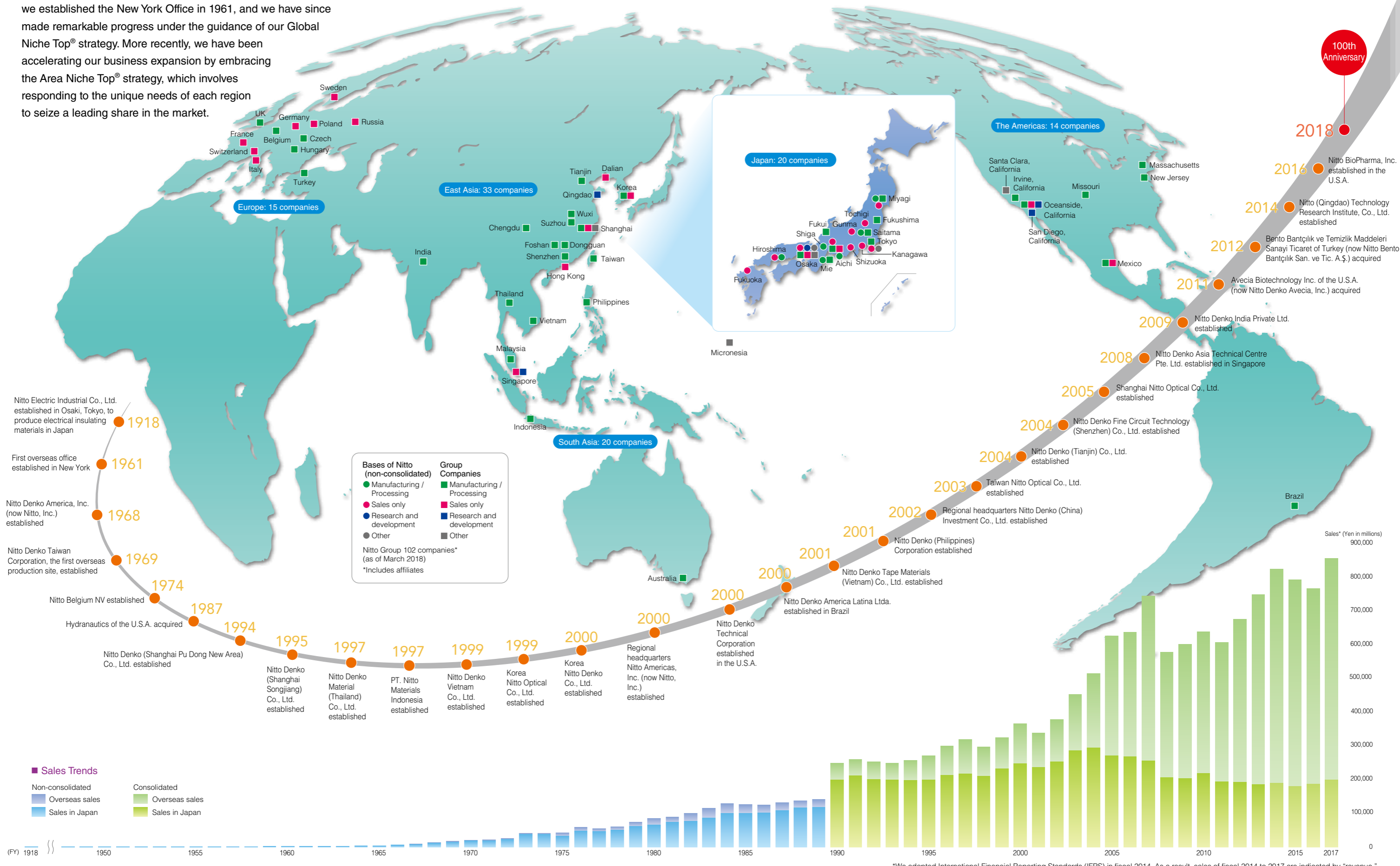
For further details on matters related to this Nitto Group Report, please refer to Nitto's website: <https://www.nitto.com/>

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13	Corporate Governance	https://www.nitto.com/jp/en/ir/governance/
14	Occupational Safety and Health	https://www.nitto.com/jp/en/about_us/sustainability/social/safety/
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39-40	Social Action Program	https://www.nitto.com/jp/en/about_us/sustainability/social/contribution/
-	GRI Content Index	https://www.nitto.com/jp/en/about_us/sustainability/report/2018/gri/

*ESG: Environmental, Social and Governance

Business Development of the Nitto Group

The Nitto Group first gained a foothold outside of Japan when we established the New York Office in 1961, and we have since made remarkable progress under the guidance of our Global Niche Top® strategy. More recently, we have been accelerating our business expansion by embracing the Area Niche Top® strategy, which involves responding to the unique needs of each region to seize a leading share in the market.



Business Fields and Major Products

Automotive and Transportation Equipment

Our products are instrumental in improving the performance, production efficiency, and environmental friendliness of forms of transportation such as automobiles, trains, and aircraft.



Housing and Housing Equipment

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



Social Infrastructure

We provide various products for industrial infrastructures that support people's lifestyles.



Materials

We provide a variety of material processing products, such as metallic plates.



Home Electronics and Electronic Equipment

We supply components used in a variety of home electronics, including major appliances, audiovisual systems, mobile devices, and LED lights.



Displays

We provide peripheral materials for high-definition displays featuring the latest technologies.



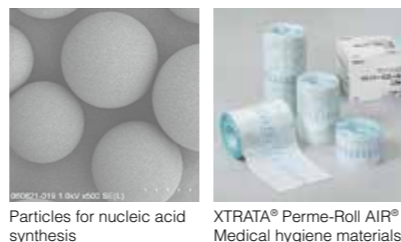
Electronic Devices

We satisfy our customers' needs with our wide-ranging products, from processing materials to peripheral materials.



Medical-Related Materials

We provide a variety of products for medical services and healthcare, from sanitary materials to nucleic acid medicine.



Packaging Materials

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



Consumer Products

Our consumer products create comfortable, convenient, and innovative solutions for people's lives.



Highlights

FY2017 Highlights

Revenue	856,262 million yen
Operating Income	125,722 million yen
Income before Income Taxes	126,168 million yen
Net Income	87,463 million yen
R&D Expenses	31,243 million yen
Capital Investment	47,193 million yen
Depreciation Cost	49,283 million yen

Total Assets	937,796 million yen
Equity Attributable to Owners of the Parent Company	693,278 million yen
ROE	13.0%

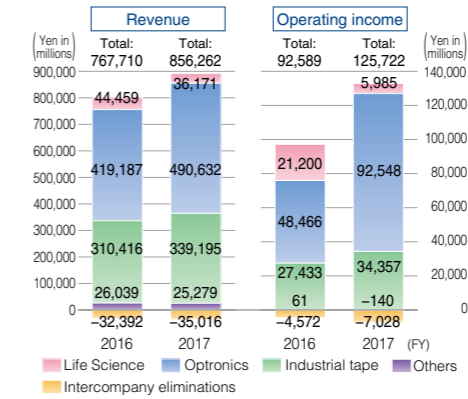
Amount per Share

Basic Earnings per Share	539.0 yen
Dividends per Share	160 yen

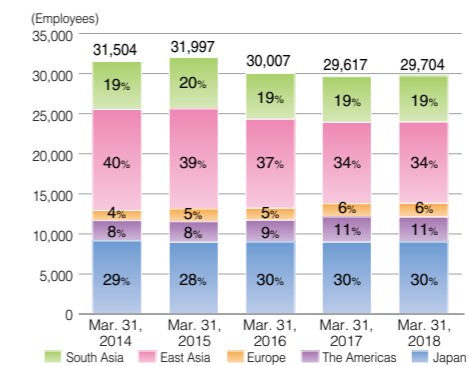
Regional Breakdown of Revenue

Japan	199,441 million yen
The Americas	82,568 million yen
Europe	45,578 million yen
Asia & Oceania	528,672 million yen

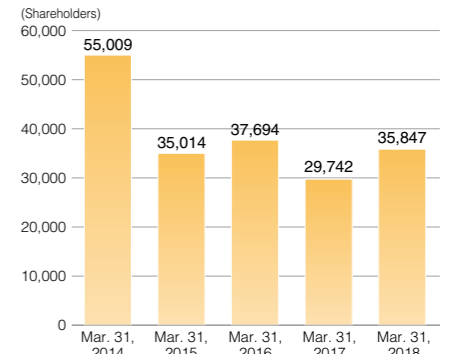
Business Performance of Each Segment



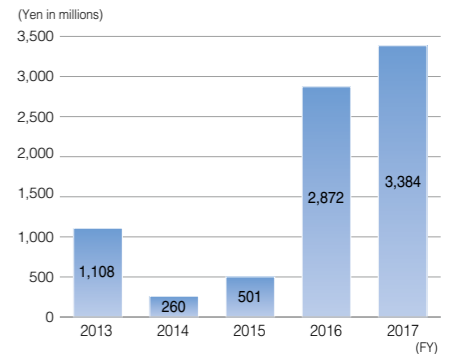
Number of Employees and Breakdown of Employees by Region



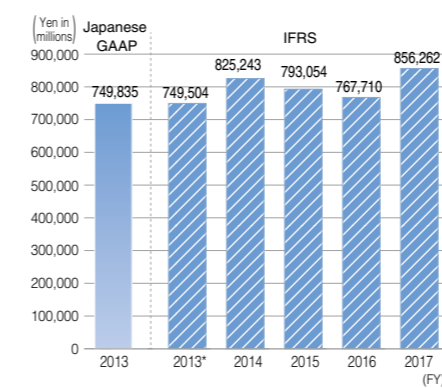
Number of Shareholders (non-consolidated)



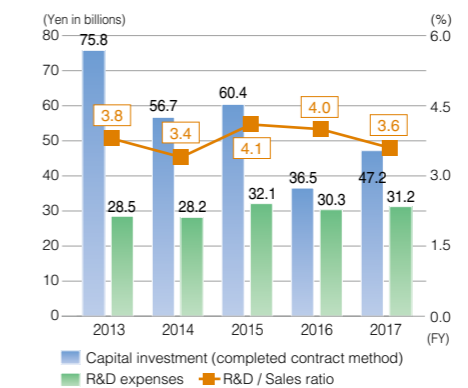
Environmental Equipment Investment (approved)



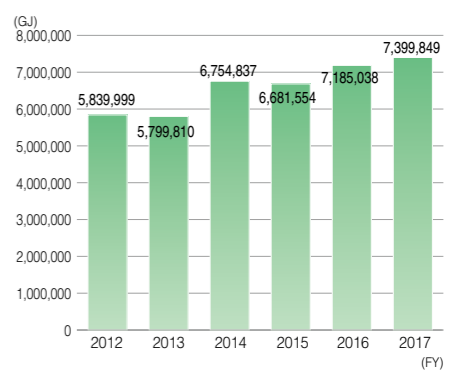
Revenue



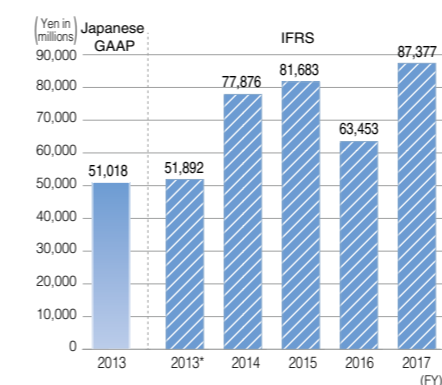
Capital Investment and R&D Expenses



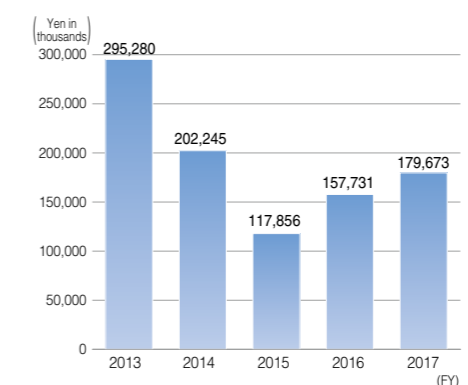
Total Input Energies



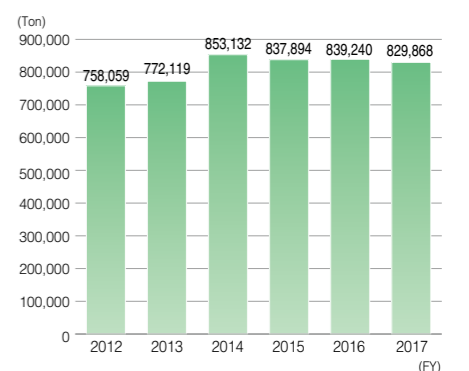
Net Income Attributable to Owners of the Parent Company



Total Amount Donated (non-consolidated)



CO₂ Emissions (Scope 1+2)

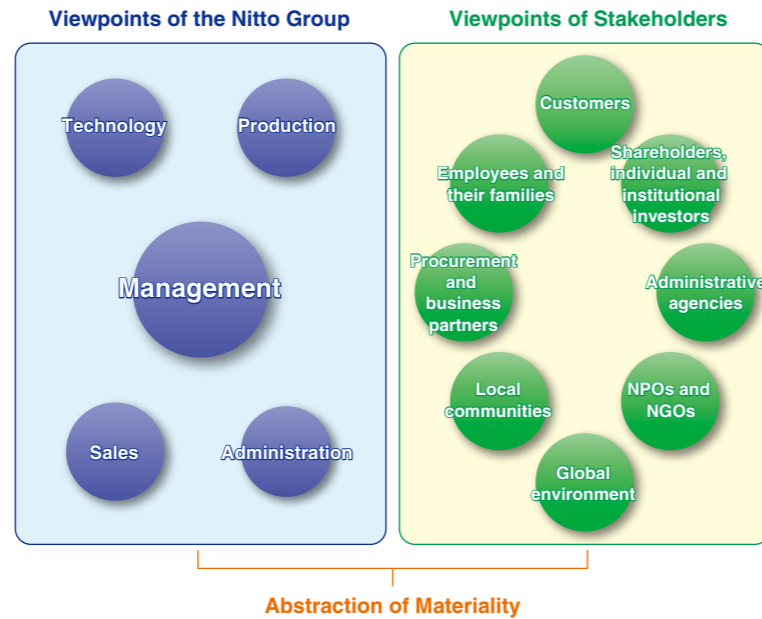


*Data for revenue and operating income in fiscal 2013 are presented according to IFRS for reference.

Materiality

The Nitto Group identifies material issues according to the following processes:

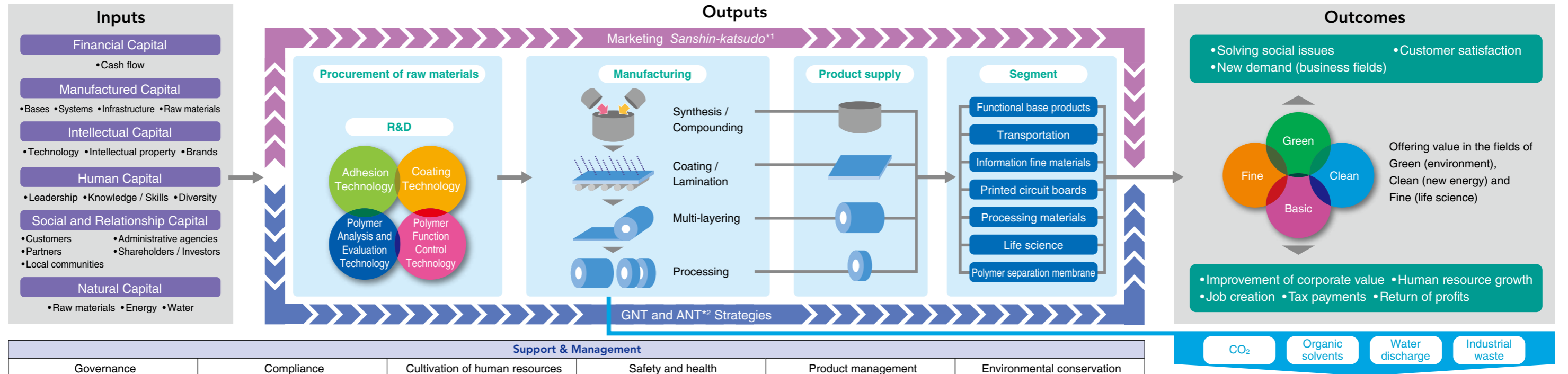
- Abstraction of Materiality**
The Nitto Group abstracts materiality from the viewpoints of both the Nitto Group and its stakeholders. (Refer to chart to the right)
- Identification of Material Issues in Management**
Important business challenges are deliberated at management conferences and incorporated into our Mid-term Management Plan.
- Identification of Material Issues in Specialized fields**
The important challenges which have been defined in each specialized division and committee obtain approval in budgetary discussions and are reflected in each policy and activity plan.
- Identification of Material Issues for Reporting**
The CSR committee decides items for reporting from the above material issues referring to GRI Guidelines.



Materiality

	Initiatives to Address Materiality	Goals/Aspirations for the Future	References for Action/Progress	
			Reports	Websites
Business	<ul style="list-style-type: none"> Propelling of growth strategies Reinforcement of business foundations Resource allocation: 400.0 billion yen 	Steadily implementing growth strategies and accelerating the creation of new project themes in the three focus domains, thereby building the foundations toward the next stage of growth	Pp. 9-13 Pp. 19-26	Management Concepts Investor Relations
Governance	<ul style="list-style-type: none"> Appropriate disclosure and transparency Auditing and internal control Constructive dialogue with stakeholders 	Sustaining perpetual growth by maximizing corporate value	P. 13	Corporate Governance
Occupational Safety and Health	<ul style="list-style-type: none"> Fostering of safety culture Maintenance and improvement of employees' safety and health 	Achieving zero accidents and injuries by having everyone contribute to the creation of workplaces in which they can work safely and in good health	P. 14	Relationship with Society
Environmental Management	Recognition of the four types of risk (climate change, resource depletion, the water crisis, and decrease of biodiversity) and countermeasures against them	Offering solutions to society that contribute to environmental conservation for the sake of protecting our planet for future generations	P. 15	Environmental Efforts
Compliance and Human Rights	Thorough observance of compliance and human rights enlightenment	Observing the "Nitto Group Business Conduct Guidelines" and "CSR-Based Procurement Guidelines" across entire supply chains	P. 16	Corporate Governance Relationship with Society
Employment and Development of Human Resources	<ul style="list-style-type: none"> Labor management Promotion of diversity Wide-range training scheme 	Contributing to business growth by building a solid personnel base through optimal allocation of people across the globe	Pp. 17-18	Employment
Risk Management	<ul style="list-style-type: none"> Risk identification and countermeasures Reinforcement of information security management 	Responding proactively to perceived risks and ensuring business continuity by taking proper actions during emergencies	Pp. 27-29	Corporate Governance
Business Continuity	Disaster mitigation and preparations for quick recovery	Protecting lives and fulfilling responsibilities for product supply	P. 29	Corporate Governance
Value Chain Management	<ul style="list-style-type: none"> Promotion of CSR-based procurement Enhancement of customer satisfaction Reduction of environmental impact 	Ensuring stakeholders' wellbeing by way of product management throughout the value chain	Pp. 30-34	Relationship with Society Environmental Efforts Procurement
Social Contributions	Support for solutions to issues in host communities	Achieving harmony with society and host communities	Pp. 39-40	Relationship with Society

Value Creation Process



*1 Sanshin-katsudo: Please refer to the Nitto Group Report 2016 on our website. *2 GNT: Global Niche Top® ANT: Area Niche Top®

To our stakeholders

Nitto will celebrate its first centennial on October 25, 2018. Ever since 1918, when the company was established in Tokyo to begin production of electrical insulating materials in Japan, we have been able to follow a path of constant growth and bring a variety of products to the world.

On behalf of the Nitto Group, I would like to extend our most heartfelt appreciation to our customers, employees both past and present, shareholders and investors, business partners, and our host communities, without whose support we could never have come this far. Now, I would like to share with you more about what we delivered in fiscal 2017 and our key initiatives for fiscal 2018 and beyond.

Hideo Takasaki
Board Member
President, CEO & COO
Nitto Denko Corporation



Business Summary of Fiscal 2017 and Forecast for Fiscal 2018

During the fiscal year ended March 31, 2018 (fiscal 2017), the real economy showed signs of growth across the globe, buoyed by the economic expansion that had started in the previous year and favorable economic fundamentals. In Japan, the real economy showed a moderate yet firm performance, as the employment environment remained stable and private businesses continued to invest in higher efficiency to counter labor shortages. Since the start of calendar year 2018, however, the stock markets in developed countries underwent a major adjustment from their high plateau due to concerns that the favorable employment situation in the U.S. might accelerate the pace of interest-rate hikes. At the same time, there is a growing wariness concerning protectionist moves by such countries as the U.S. and China.

Against this background, the Nitto Group successfully achieved significant year-on-year earnings growth in its mainstay Optronics segment by launching high-value-added products in response to major changes in demands for smartphone displays. For the Industrial Tape segment as well, revenue expanded for a broad range of industrial applications, including electronics. Meanwhile, in the Life Science segment, the oligonucleotide medicine contract manufacturing business slowed down after having previously driven the earnings of the segment, due primarily to customers' termination of new drug development

programs. Nonetheless, steady progress was able to be achieved in drug discovery and development of oligonucleotides.

As a result of the above, revenue increased by 11.5% from the same period of the previous year (changes hereafter are given in comparison with the same period of the previous year) to 856,262 million yen. Operating income

Business Performance of Each Segment			(Yen in Millions)		
			Fiscal 2016	Fiscal 2017	Year-on-year Comparison
Industrial Tape	Revenue	Functional Base Products	186,187	209,594	112.6%
		Transportation	124,229	129,600	104.3%
		Total	310,416	339,195	109.3%
	Operating Income	27,433	34,357	125.2%	
Optronics	Revenue	Information Fine Materials	352,905	424,153	120.2%
		Printed Circuit Boards	42,871	42,038	98.1%
		Processing Materials	23,410	24,439	104.4%
		Total	419,187	490,632	117.0%
Operating Income		48,466	92,548	191.0%	
Life Science	Revenue	44,459	36,171	81.4%	
	Operating Income	21,200	5,985	28.2%	
Others	Revenue	26,039	25,279	97.1%	
	Operating Income	61	-140	-	

The above numbers do not include "Intercompany eliminations" under the "Business Performance of Each Segment" on page 6.

increased by 35.8% to 125,722 million yen, income before income taxes increased by 37.5% to 126,168 million yen, net income increased by 37.3% to 87,463 million yen, and net income attributable to owners of the parent company increased by 37.7% to 87,377 million yen.

In accordance with the basic dividend policy, it has been decided to pay 80 yen per share for the year-end dividend, which remains unchanged from the interim dividend, making the full-year total 160 yen per share, which is an increase of 10 yen from the previous year. We plan to pay a full-year dividend of 180 yen per share for the next fiscal year, after taking into account earnings forecasts, capital expenditure plans, and other factors.

The global economy is expected to sustain its growth in fiscal 2018. We are thus hoping to achieve revenue of 860,000 million yen and operating income of 135,000 million yen for the year ending March 31, 2019 by accomplishing our tasks in each business without fail while paying careful attention to protectionist policies and rapid changes in financial markets.

Mid-Term Management Plan "Jitsugen*-2020"

In order for us to realize a further leap forward, the Nitto Group has drawn up the new Mid-Term Management Plan "Jitsugen*-2020," which will guide us through the three years ending March 31, 2021.

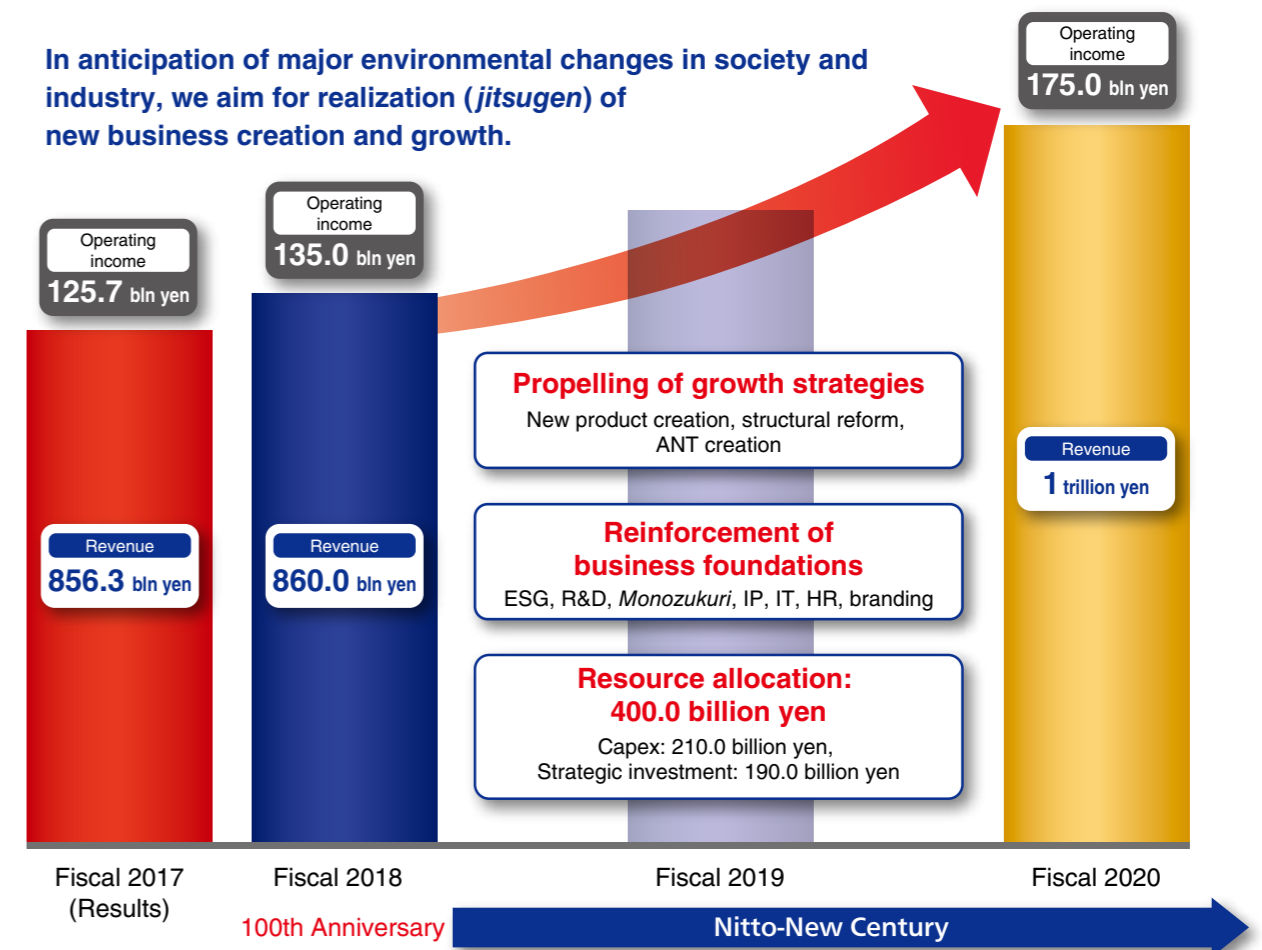
* The plan is named after our goal of consistent "realization" (*jitsugen*) of our mid-term corporate strategies and performance goals.

Propelling of Growth Strategies

After our strong performance in fiscal 2017, it is still essential that we constantly evolve our business portfolio and continue to offer high values to the market if we are to ensure consistent business growth. Accordingly, for "Jitsugen-2020" we deliberately chose the three domains of

Mid-Term Management Plan "Jitsugen-2020"

In anticipation of major environmental changes in society and industry, we aim for realization (*jitsugen*) of new business creation and growth.



“information interface,” “next-generation mobility,” and “life science.” These three domains are destined to grow, but are also liable to change very suddenly. Such being the case, we will focus on the creation of new businesses in these domains via proactive convergences of technologies, knowledge, and knowhow from both inside and outside of the company. In addition, we will reinforce the fundamentals of our existing businesses through structural reform.

• Information Interface

As an advanced information age underpinned by high-speed, high-volume telecommunications looms before our eyes, the Nitto Group has entered the market for plastic optical cables, which are well-suited for short-distance communications. Possible applications include 8K-resolution image data transmission, telemedicine services, data centers, and automobiles, which are increasingly incorporating electronics.

Meanwhile, displays for smartphones and other devices have begun shifting from liquid crystal displays (LCDs) to organic electroluminescence displays (OLED). Although OLEDs use just one polarizing film rather than two, they employ many other materials created by the Nitto Group,

including films for touch sensors. In tandem with the anticipated evolution of flexible displays for wearable terminals and other devices, we are working closely with our customers to develop new products by tapping into our unique strength of total design capability.

• Next-Generation Mobility

The development of electric vehicles (EVs) and self-driving technology has brought with it a major turning point in the auto industry, which is expected to boost demands for car electronics products. Among such products from the Nitto Group is a visible light-blocking material for head-up displays (HUDs). Used to counteract sunlight concentration on HUDs, there should be an even greater need for this product as such displays become increasingly larger in size. Other products under development include those for enhancing the performance and safety of electric motors and those for transportation equipment other than automobiles.

• Life Science

Comprising the two main pillars of contract manufacturing

and drug discovery, the oligonucleotide medicine business is developing into the core of the Life Science segment. Our strength in contract manufacturing lies in our one-stop support for development of oligonucleotide medicines, from contract manufacturing to pharmaceutical analysis and aseptic fill & finish services. For drug discovery, we are developing a liver cirrhosis drug jointly with Bristol-Myers Squibb (BMS) while also applying our technologies to cancer treatment, and both of these efforts are proceeding smoothly. We are doing our utmost to launch these drugs as soon as possible for the many patients who are fighting against those diseases.

The Nitto Group has set its numerical targets for fiscal 2020, which are revenue of one trillion yen and operating income of 175.0 billion yen. We intend to achieve these targets by developing businesses in the aforementioned three strategic domains into profitable ones, in addition to stabilizing our existing businesses.

competition, in which first-class players from across the globe exert their utmost efforts to reach the top, is similar to the Nitto Group’s corporate attitude of constantly striving for the leading position in various fields. It is our hope that this sponsorship will help to enhance our brand value.

Furthermore, we will recruit and develop diverse human resources from across the globe who will go on to advance these initiatives, and we plan to assign them to optimal positions so that they can provide even more impetus to such endeavors. By forging ahead with the “Jitsugen-2020” plan and living up to the Nitto Way, which is the sum of our corporate values, we aim to fulfill our corporate Mission of “contributing to customers’ value creation with innovative ideas” so that we can reach our goal of achieving sustainable growth of the Nitto Group.

Resource Allocation: 400.0 Billion Yen

As we announced in the previous year’s Mid-Term Management Plan, we will remain proactive in making strategic investments for M&As and environmental measures, in addition to capital expenditures, in our bid to support the aforementioned growth strategies.

Reinforcement of Business Foundations

To ensure that these growth strategies will make steady progress, we intend to further consolidate our business foundations by enhancing environmental and safety measures, advancing manufacturing, and improving product quality and brand value. To conserve the environment, we are focusing on reduction of CO₂ emissions, which are causing environmental problems on a global scale, as well as toluene emissions. In fiscal 2017, we were able to halve our toluene emissions by taking advantage of our newly established environmental fund. We are also planning to use this fund to significantly increase the water recycling ratio in order to combat the water crisis. In conjunction with such efforts, we will continue to expand measures to prevent environmental pollution by using products of the Nitto Group whenever feasible.

Recent years have seen one case after another of non-compliance among Japanese companies, resulting in a serious loss of public confidence in them. In response, we immediately conducted surveys on how product quality is managed at all of our production sites to see if there are any similar situations within the Nitto Group. Fortunately, we found no cases of legal violation, but we will nonetheless remain on guard and reinforce our auditing and other relevant systems so that we can always offer the best product quality possible to our valued customers.

Since 2017, Nitto has been a title sponsor of the ATP Finals, the season-ending finale of the ATP World Tour for men’s professional tennis. We believe that the spirit of this

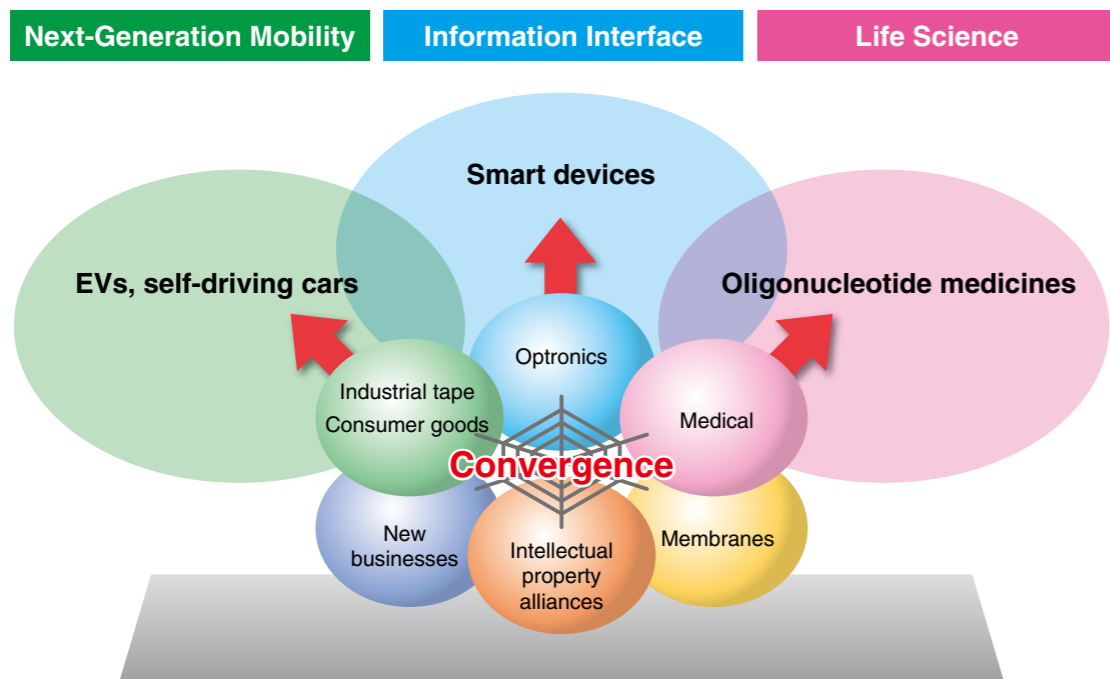
Placing Safety Before Everything Else

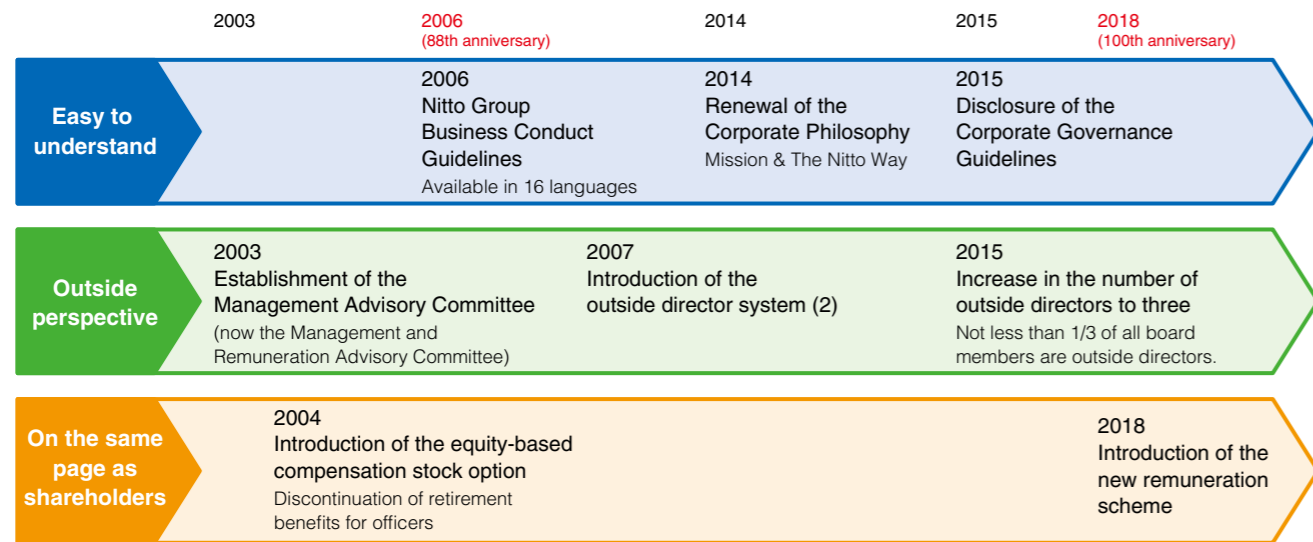
We clearly state in our Corporate Philosophy that “we place safety before everything else” based on our firm conviction that we can offer quality products and services that satisfy our customers only when we assure the safety and good health of everyone involved. Occupational safety is essential in guaranteeing a stable supply of products, safety in our host communities, and peace of mind for our employees and their families. Nevertheless, I must admit that the Nitto Group still has issues to address in this regard. Under the powerful belief that we will be able to achieve zero accidents and injuries, we will take safety measures from the three perspectives of “safety of machinery,” “safety of people,” and “safety of the organization.”

Safety of machinery	We will identify and assess risks to eradicate any possible causes of disasters that might be hidden on the shop floor.
Safety of people	We will develop people who not only observe rules, but also choose to act safely even without those rules.
Safety of the organization	Supervisors will visit the shop floor to determine whether “operators’ safety is assured and machinery can be operated safely,” while always remaining conscious of their responsibility to “protect their workplace, team, and subordinates.”

Strategic Domains in the Nitto-New Century

Allocating management resources to the three strategic domains to advance the business portfolio





Reinforcement of Corporate Governance

Even before Japan's Corporate Governance Code came into being in 2015, the Nitto Group had long been keen on "visualizing management." By taking the three approaches of being "easy to understand," taking an "outside perspective," and being "on the same page as shareholders," we have introduced a variety of measures in this regard.

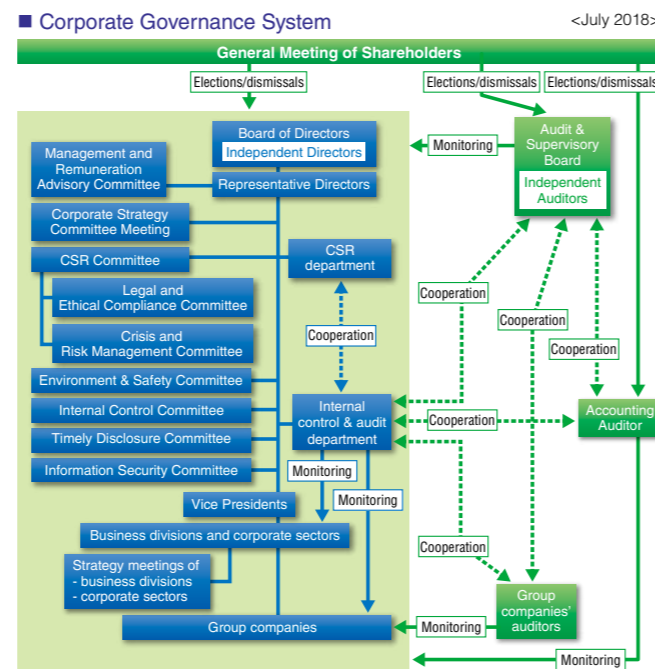
To make the Nitto Group's thoughts and actions "easy to understand" for our stakeholders, in 2006 we published the "Nitto Group Business Conduct Guidelines," which have been translated into 16 different languages for Group employees to share. In 2014, we renewed our Corporate Philosophy and have since had all employees of the Nitto Group comprehend it and act accordingly. Then, in accordance with the Corporate Governance Code of Japan, we established our own Corporate Governance Guidelines in 2015, thereby setting forth a series of measures that require continued efforts and an attitude of external disclosure. All of these documents are made public on Nitto's website.

To take an "outside perspective" toward management, in 2003 we set up the Management Advisory Committee (now the Management and Remuneration Advisory Committee), which comprises members from outside of the company. In 2007, we introduced the outside director system, and then increased the number of outside directors to three in 2015. Now, not less than one-third of all directors are outside directors.

Finally, to be "on the same page as shareholders," we introduced the equity-based compensation stock option for

Nitto's officers in 2004. As recently as this year, we also introduced a new remuneration scheme that we hope will be easy to understand and relate to for our shareholders.

Going forward, we will continue our corporate governance reforms with the above three perspectives in mind.



Amid major transformations in society and the industry, we at the Nitto Group will embark upon the Nitto-New Century to create new businesses and achieve sustained growth in a way that responds to anticipated changes in our business environment. We ask our stakeholders for their continued support and guidance in these endeavors.

The Nitto Group shares the value of "placing safety before everything else" and we engage in our daily business undertakings with this in mind.

We believe that it is possible to achieve our goal of zero accidents and injuries if all members of the Group unite together to create workplace environments where everyone can work in good health without anxiety.

Work-Related Accidents in FY2017

Thanks to our proactive safety activities to reduce risks associated with equipment and production processes, we have until recently been able to reduce accidents in which employees are crushed or cut by machinery.

In fiscal 2017, however, we had the largest number of critical accidents within the past five years, and we were unable to prevent the occurrence of critical accidents and serious accidents that might lead to such accidents. The number of accidents due to impacts and falling increased, accounting for 50% of all critical and serious accidents that occurred. With regard to impacts, the majority of the accidents involved vehicles, one of which was a tragic traffic accident within one of Nitto's plants that resulted in the death of someone from outside of the Nitto Group. In response to the sudden increase in the number of accidents due to falling, we acted promptly to implement safety measures and help workers to raise their safety awareness.

establish pedestrian walkways to separate pedestrian traffic from vehicle traffic. We also reviewed forklift operations and specifications, as well as the specifications and driving rules of staff parking areas, and invited all employees of the Group to join "kuruma-za" face-to-face discussions held at each site to remind them of the importance of traffic safety.

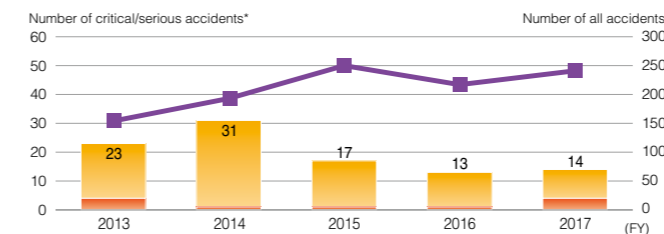


Pedestrian walkway (right)

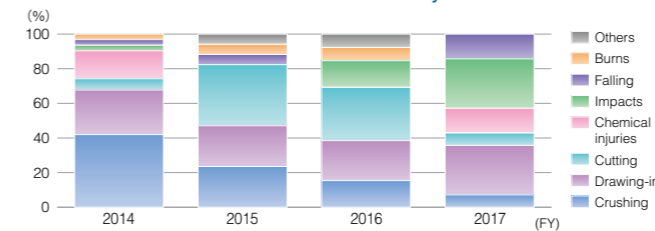
In addition, we continued to promote the "Po Ke Te Na Shi Activity" not only to ensure traffic safety, but also to prevent any form of disaster. Posters prepared in different languages are displayed at all Nitto Group sites to involve everyone in this educational campaign.



"Po Ke Te Na Shi Activity" posters in various languages



Breakdown of critical/serious accidents by cause



Initiatives in FY2017

Traffic Safety

In response to the surge in the number of critical/serious accidents involving vehicles, we carefully identified related risks and introduced traffic safety measures to our plants. One such measure is to oblige all Nitto Group sites to

Safety Training





So far, we have provided experience-based safety training through simulations in Japan, East Asia, South Asia, and elsewhere. Following a pilot study in fiscal 2017, we are introducing in steps a hazard perception training using virtual reality head-mounted displays in order to eradicate accidents caused by falling, which have increased in recent years. The training provides employees with the experience of falling, which can be difficult to simulate, and thereby helps to prevent such accidents by raising their safety awareness.

As in the previous year, we organized a safety session for our management to which we invited a visiting lecturer. We also conducted workshops for those on the management level at a total of 51 sites across the globe in order to enhance their understanding of safety.

Going forward, we at the Nitto Group will establish a new safety fund with a view toward achieving zero accidents and injuries by implementing more effective safety measures and raising safety awareness among our employees. Also, under the conviction that employees' good health can enhance occupational safety, we will assist them in maintaining and improving their health by reminding them of the importance of good health through a variety of events and other activities.

The Nitto Group remains committed to its environmental policy of “Protecting our planet to pass on to future generations.” Under a full recognition of the four types of risk that our business activities can pose to the global environment, we are engaged in addressing such risks while at the same time tapping into our vast experience so that we can offer solutions to society that contribute to environmental conservation.

■ Environmental risks incidental to the Nitto Group's business activities

 <p>Climate change • Global warming • Abnormal weather</p>	 <p>Resource depletion • Energy resource depletion • Increase of waste</p>	 <p>Water crisis</p>	 <p>Decrease of biodiversity • Use of harmful chemical substances</p>
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At the Nitto Group, as a part of the drive to integrate our management objectives with our environmental activities, environmental goals are set not only for the Group, but also for each division, and steady efforts are being made to achieve them. We have established an environmental fund to purchase state-of-the-art equipment and develop new technologies – something that had until now been difficult under the previous investment criteria. In fiscal 2017, we introduced high-efficiency solvent recovery equipment and treatment equipment for exhaust air containing toluene to the Toyohashi Plant and an advanced water purification system to the Shiga Plant, thereby reinforcing our environmental activities. We are also conducting a series of demonstrations of new technologies and products that make use of Nitto products, including cyclical utilization of water and photocatalytic air purification.

Climate Change Countermeasures

Two of the Nitto Group's key platforms for tackling climate change are reduction of CO₂ emissions and reduced use of hydrochlorofluorocarbons (HCFCs).

The amount of CO₂ emissions by the Nitto Group depends on how much energy is used at production processes and how much waste and solvents are combusted. We thus came up with an energy-conservation strategy that includes introduction of renewable energy and co-generation systems, with the result that our CO₂ emissions in fiscal 2017 exhibited a downward trend to amount to 829,868 tons.

Pursuant to the Montreal Protocol, the Nitto Group began abolishing equipment using HCFCs and has successfully scrapped approximately 10% of such equipment over the past two years. Our goal is to abolish all such equipment in Japan, Taiwan, the U.S., and Europe by fiscal 2020 and in other regions by fiscal 2030. At the same time, according to the Kigali Amendment, we preferentially purchase equipment using refrigerants with low global warming potential.

■ Mid- and Long-Term Environmental Plan

Target	Mid-term	Long-term
CO ₂ emissions	805,000 tons/year (Fiscal 2019)	730,000 tons/year (Fiscal 2025)
Atmospheric toluene emissions (non-consolidated)	200 tons/year (Fiscal 2020)	—
Waste reduction	3% reduction in per unit production (vs. the previous year)	21% reduction in per unit production (fiscal 2025 levels vs. fiscal 2015 levels)

Resource Depletion Countermeasures

In fiscal 2018, the Nitto Group embarked on a new initiative to reduce waste by 21% versus fiscal 2015 (target: 3% reduction per material input from the previous year) by fiscal 2025 by using the 3R (Reduce, Reuse, and Recycle) approach.

We also take note of the economic effects of Material Flow Cost Accounting (MFCA)* and promote efficient use of resources by proactively recycling waste plastics, organic solvents, and chemicals for production.

* MFCA: An environmental accounting method that monitors resource and energy loss from the production process in order to visualize waste

Water Crisis Countermeasures

Water is a vital resource for our business activities. At production processes where large amounts of water are used, we reduce such amounts by using our membrane products to recycle water. We have designated our Shiga Plant as a “recycling-oriented green plant” with a plan to increase the water recycling ratio from 50% to 90% within the next five years.

Decreased Biodiversity Countermeasures (Hazardous Chemical Substance Countermeasures)

In order to minimize any biological impact that our business activities might have, we are working to reduce atmospheric emissions of chemical substances and also to properly manage such substances. Accordingly, we have set the target of reducing our total atmospheric toluene emissions to 200 tons per year by fiscal 2020. In fiscal 2017, we implemented anti-leakage measures and switched to chemical substances with lower environmental impact at the Toyohashi Plant, where a large quantity of chemical substances is used, as well as other locations, thereby successfully reducing their atmospheric emissions by 313 tons from the previous fiscal year to 277 tons per year.

Recent years have seen one famous company after another becoming embroiled in scandals. For organizations to prevent such disgraceful incidents from recurring, they must remain alert to signs of injustice and nip them in the bud.

The Nitto Group takes a strong stance to ensure that each and every one of our members engages in compliance and never overlooks even the smallest suspicious point to eradicate the source of any problem.

Deepening Our Understanding of Compliance

We distribute the Nitto Group Business Conduct Guidelines, which are available in 16 different languages, to all of our employees who have various cultures, customs, and nationalities, and oblige all of them to receive training on the Guidelines as a part of our new employee orientation. Compliance is also one of the topics covered at CSR workshops for directors and management-level employees, and participants are encouraged not to stop at merely practicing compliance, but also to play an active role in monitoring and preventing injustice. In fiscal 2017, a total of 149 workshops were held in 20 countries, during which 2,368 attendees deepened their understanding of such topics as power harassment and injustice (organized crime) through case studies and group discussions.

Also, we ask our business partners to thoroughly observe compliance in the CSR-Based Procurement Guidelines. Starting from fiscal 2017, we began checking in advance whether our new suppliers are CSR conscious.



CSR workshop in the Philippines

Corporate Ethics Whistle-Blowing System

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

order to protect whistleblowers and respond to their reports appropriately.

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

In fiscal 2017, there were no issues concerning duty of disclosure under the Commercial Code of Japan. However, we did receive 12 reports concerning labor disputes, human rights violations, and dishonesty through this system. We have settled these issues after carefully interviewing the parties involved, while also ensuring the protection of all whistleblowers.

Ban on Child Labor and Forced Labor

The Nitto Group clearly states its ban on child labor and forced labor in its Business Conduct Guidelines and has it thoroughly implemented among all Group companies. We also ask our business partners to comply with this policy in the CSR-Based Procurement Guidelines and ensure that there are no issues with child labor or forced labor during preliminary checks with new suppliers, which we began in fiscal 2017.

Human Rights Enlightenment Activities

Endorsing the Universal Declaration of Human Rights, the Nitto Group has established its own Basic Policy on Human Rights. Twice annually, at the beginning of each new fiscal year and on Human Rights Day, a message from the Chairman of the Nitto Group Central Human Rights Enlightenment Committee reminds the entire Group to protect human rights.

In Japan, those in charge of human rights enlightenment at each plant/office and Group company take the lead in helping all employees to deepen their understanding of human rights. In fiscal 2017, training sessions on harassment, which included viewing of an informative DVD, were given.

At Group companies outside of Japan, similar programs are offered to address the human rights issues unique to each country and region.

The Nitto Group considers human resources to be our most valuable assets. In order for us to sustain our growth in the global market and make new innovations as we move into the Nitto-New Century, we are developing measures aimed at cultivating our human resources, including the creation of a work environment in which employees are encouraged to continue taking on challenges and find it easy to advance their careers.

Diversity

The Nitto Group employs approximately 30,000 people across the globe, who bring diversity to the Group in terms of nationality, cultural background, gender, age, and employment type. With a view toward cultivating Nitto Persons who contribute to the organization as they develop themselves, creating new values that help us to apply diverse perspectives to business management, and enhancing productivity through work style reform, we provide a work environment in which each and every employee feels satisfied with what they do and is given equal opportunities to play an active role.

Our priorities in this regard are to “achieve work-life balance” and “support diverse human resources in playing an active role.” As such, we also empower women to pursue their desired careers. Within the Nitto Group, the percentage of women in management is on the rise in both Japan and Europe. At Nitto (non-consolidated), the ratio was 4.13% at the end of fiscal 2017, having met its target of 4% one year early. With regard to our employment of individuals with disabilities, most of whom are on the payroll

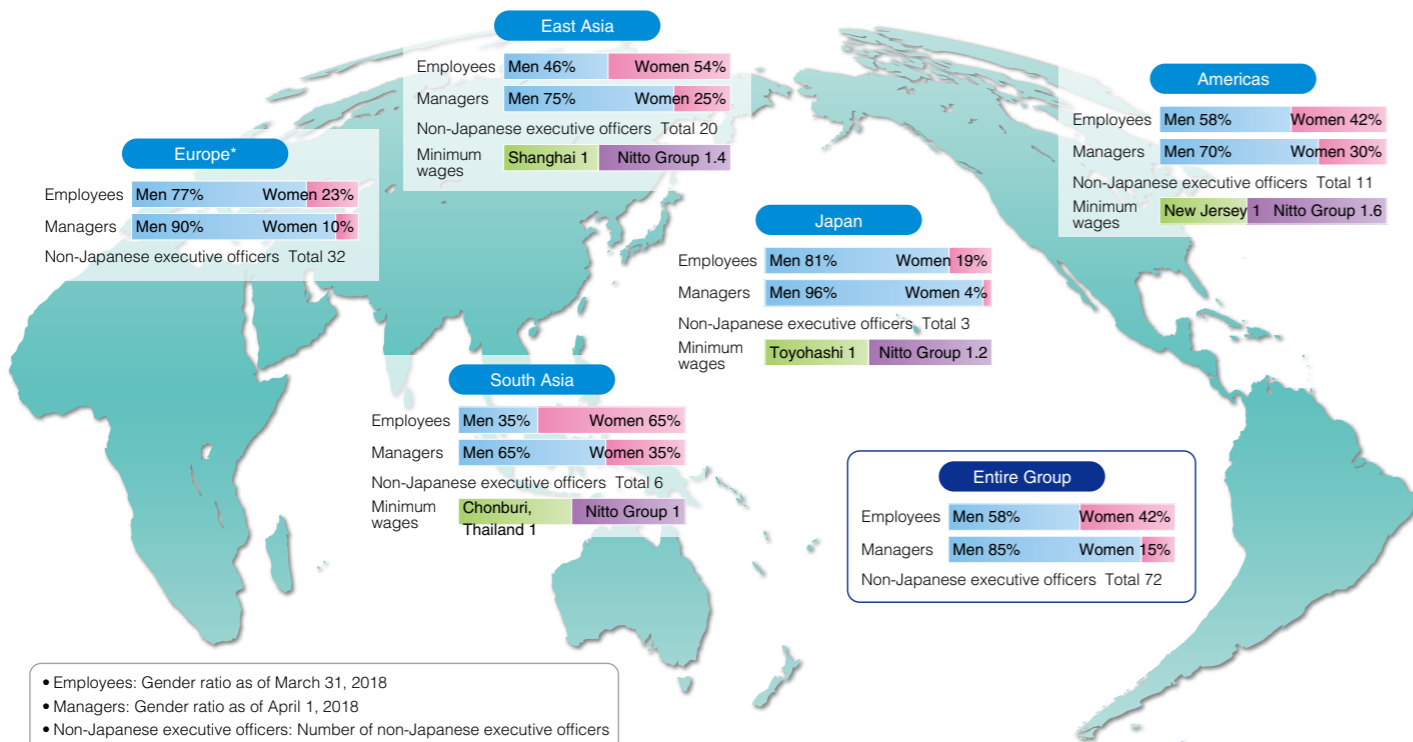
of Nitto Denko Himawari Group companies established at major sites in Japan, the Nitto Group in Japan maintained its percentage of such employees at 2.89% at the end of fiscal 2017, staying true to the concept of “contributing to society by realizing a company in which independence-oriented individuals with disabilities and elderly individuals who understand them can work together and take on the challenge of reaching their own limitless possibilities through their work.”

In order to achieve a good work-life balance, Nitto Denko Corporation drew up a Welfare Master Plan (mid-term plan) that embodies “work style reform.”

Others

At the Nitto Group, we adopt the motto of “open, fair, and best” in every personnel-related matter, including recruitment, assignment, evaluation, and training. In addition to strictly following the Equal Employment Opportunity Act of Japan, we make it a rule to treat people in a fair and equitable manner and manage their working

Employment Data of the Nitto Group



• Employees: Gender ratio as of March 31, 2018
 • Managers: Gender ratio as of April 1, 2018
 • Non-Japanese executive officers: Number of non-Japanese executive officers (including concurrent post) as of April 1, 2018
 • Minimum wages: Comparison of legal minimum wages in major cities where Group companies are located

*In Europe, there is no comparable data, as benchmarks and attitudes differ to those in Japan. That notwithstanding, we provide equal-opportunity employment with fair remuneration in accordance with an employee's business experience, personal attributes and the location.

Training System

	New employees	General-level employees	Management-level employees
Management literacy	Leadership, language, etc.		
	Finance, logical thinking		Cultivation of direct reports
Corporate Philosophy training	Corporate Philosophy workshop		
Job-function-specific training	Division A	Technical training	
	Division B	Technical training	
Objective-specific training	Safety and health training, language training, etc.		
			CSR workshop
		Overseas transferee / trainee training	

	New employees	General-level employees	Management-level employees	Directors
Grade-level training	New employee training		Mid-career employee training	Management-level employee training
			Director candidate training	
Selected group training	External	Think tank	Leadership training	Director training
	Internal	NGBA-F	NGBA-A	NGBA-E

hours properly in accordance with the labor laws of their respective countries and regions.

We place top priority on the maintenance of employees' safety and health and allocate full-time health staff members to our main sites to strengthen measures designed to promote their health.

Human Resource Development

Today's business environment is changing so rapidly that we cannot hope to recruit people who will help us to retain our competitive advantage if we continue to provide only conventional routine training. In order to build an organization flexible enough to respond to changes and sustain business growth amid the fierce competition, we are taking multifaceted approaches toward “talent management,” in which we focus on diverse “individuals” to discover and unleash their talents.

More specifically, we individually interview employees who are in important phases of their careers, namely, those who have recently joined the company, play a central role in day-to-day operations, have just been promoted, and so forth, in order to keep abreast of what is happening in the lives of those individuals and in the organization as a whole. To assist these individuals in developing their competency,

we offer a wide range of training opportunities tailored for each job function, such as sales and production engineering, and let them freely choose their own training programs so that we can better cater to their individual needs. In addition to such training opportunities, we will expedite our efforts to foster a workplace environment and culture in which the entire workplace serves as a vehicle for cultivating human resources.

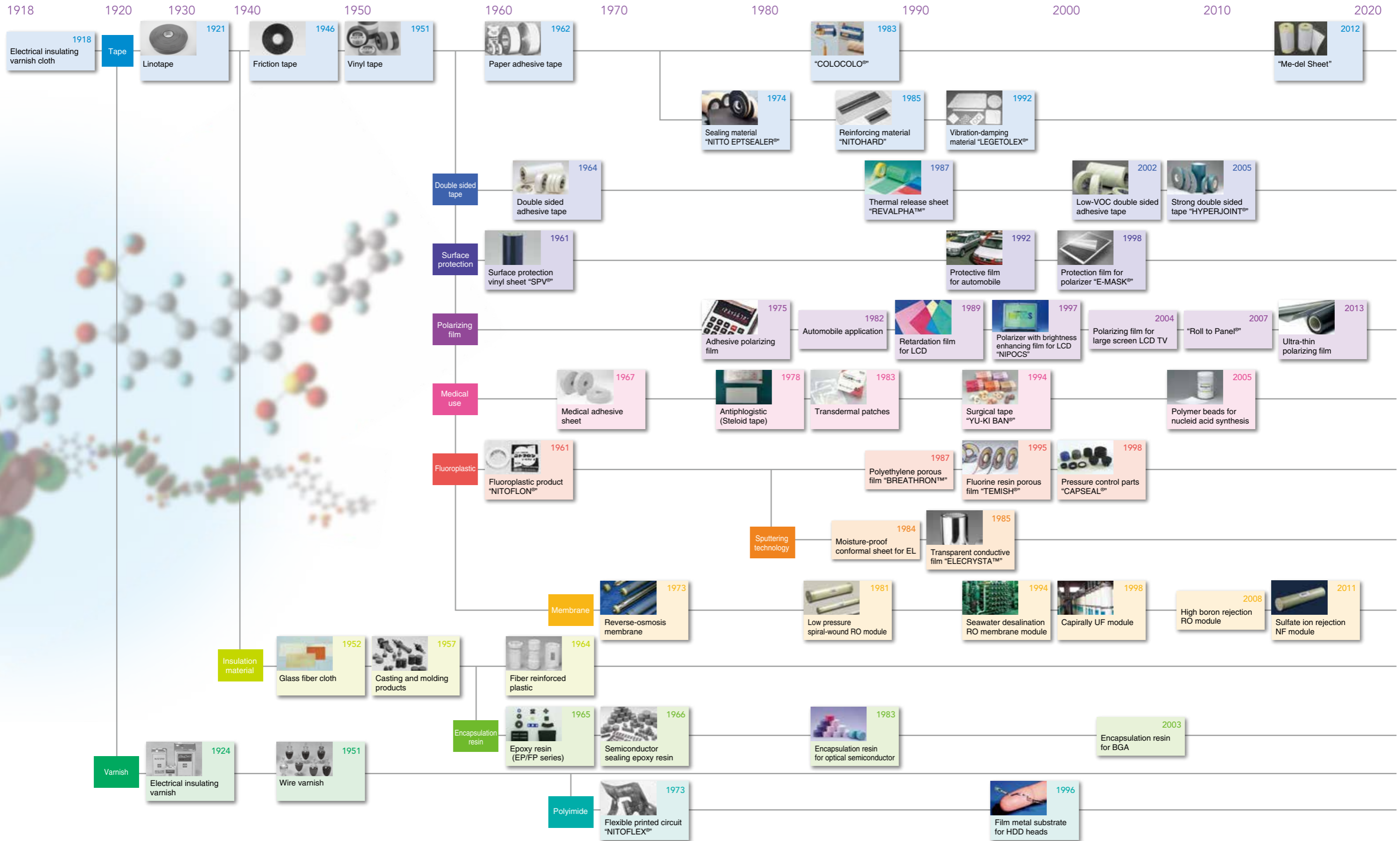
On the occasion of the centennial anniversary of Nitto's foundation, the Nitto Global Business Academy (NGBA, launched in 2011 to foster future senior executives) will drive the Nitto Group forward in the area of new business creation and transform itself into a program that better caters to practical needs as a vehicle to cultivate human resources who will form Nitto's future identity.

Number of NGBA participants in fiscal 2017

Course	Purpose	Number of participants	Nation of origin
NGBA-E	Cultivating next senior executives	6	Belgium, China, Korea and Japan
NGBA-A	Cultivating next regional/business leaders	15	U.S.A., Singapore, Korea, Hong Kong, Turkey, France and Japan
NGBA-F	Cultivating next-generation leaders	10	Japan (not held in other regions in fiscal 2017)

History of Technological Innovation

Throughout its century-long history, the Nitto Group has given birth to numerous products through combinations of its proprietary technologies and expanded the scope of its business to various fields by courageously adapting to the changes of the times and applying the technologies and products that it has developed.



Innovations to Shape the Next Generation

As progress in IoT, AI, and other emerging technologies accelerates, the society and market environment that we find ourselves in are undergoing major transformations. Identifying the opportunities presented by such changes, we at the Nitto Group strive to create new value through the convergence of technology, business, people, and business domains, which allows us to quickly perceive social needs and offer solutions to various issues.

Proposals for the Future!

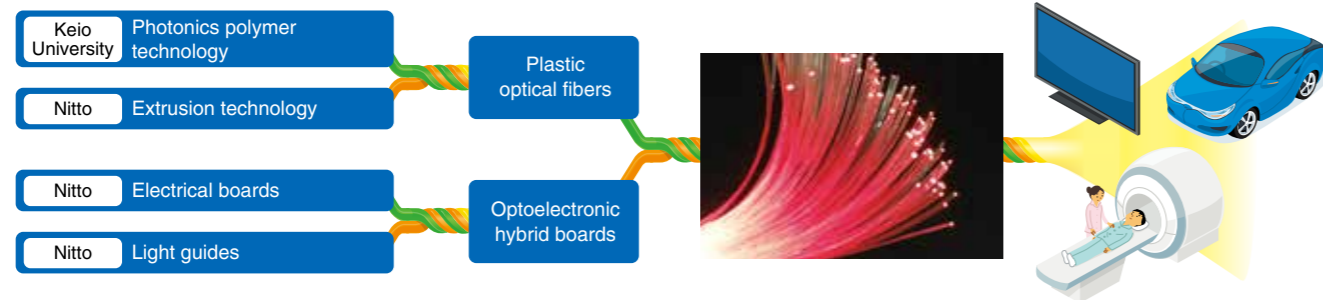
Entering the Plastic Optical Cable Business

The spread of IoT and the commercialization of 8K broadcasting have made it imperative to realize next-generation, high-speed, large-capacity communications.

In October 2017, we established an Optical Cable Joint Research Center together with Keio University. By fusing the photonics polymer technology accumulated over many years by Keio University with the extrusion technology of the Nitto Group, we are now jointly developing new plastic optical fibers that are

flexible, light, heat-resistant, and low-noise.

Also, by combining optical fibers with optoelectronic hybrid boards, which were born from the fusion of electrical boards and light guides, we are able to produce thinner, finer, and more compact optical cables. Our goal is to begin mass-producing this innovative product at an early date for a diverse range of applications, including 8K TVs, data centers, medical equipment, and autonomous cars.



Fine

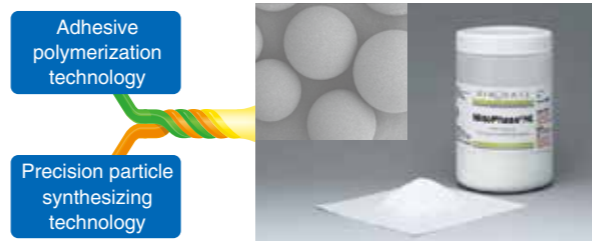
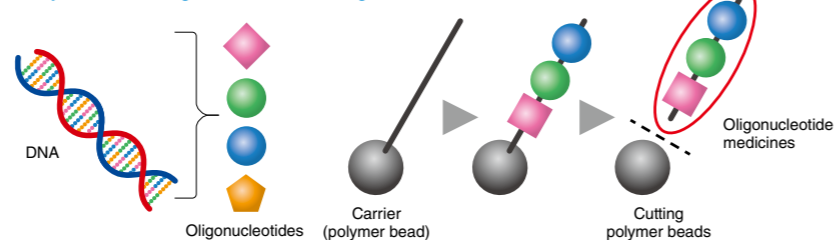
Oligonucleotide Business

Genes, the blueprints of life, are made up of oligonucleotides such as DNA and RNA. Oligonucleotide medicines are made by connecting several dozen DNA and RNA strands and are being hailed as next-generation pharmaceuticals, since they are expected to be effective against difficult-to-cure cancers and other intractable diseases.

NittoPhase®, a carrier for oligonucleotide synthesis, is indispensable for the production of such medicines because its porous polymer beads facilitate high-yield synthesis of highly pure oligonucleotides. This product was originally derived from particles for diagnostic agents, which were developed by combining the Nitto Group's proprietary technologies in adhesive and polymer design.

This oligonucleotide synthesis carrier opened the door to a new market, and now Nitto offers one-stop support for creation of oligonucleotide medicines, covering everything from contract manufacturing of oligonucleotides for use in preclinical studies, clinical studies, and commercial production to analysis and aseptic fill & finish services.

Synthesis of oligonucleotides using NittoPhase®



In this chapter, we introduce our new products and services, and those we aim to commercialize, as well as our existing products and services.

Green **Clean** **Fine**

Products and services in new domains that Nitto is putting emphasis on

Proposals for the Future!

Products and services which we aim to commercialize.

Fine

Wireless Charging of Hearing Instruments

Nitto teamed up with RION Co., Ltd. to jointly develop a wireless charging system for hearing instruments.

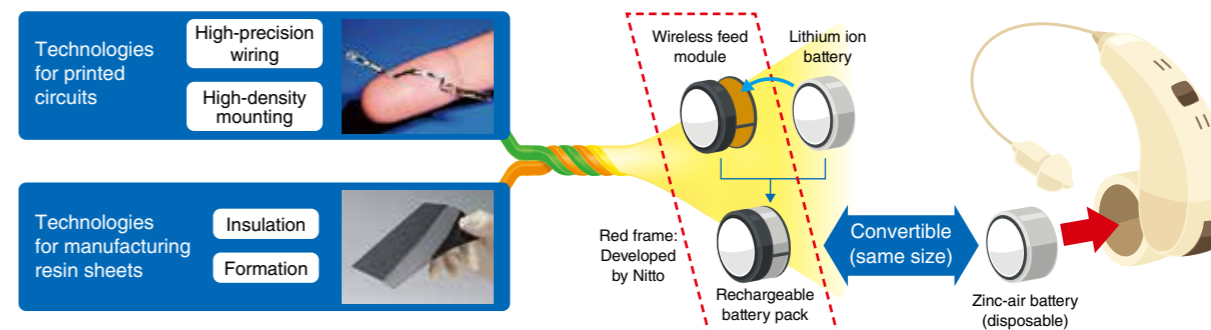
Typically, hearing aids use zinc-air batteries* or rechargeable batteries, but the former must be replaced regularly, while the latter need to be charged daily. Both of these battery types can be used with this brand new charging system. Even if the hearing instrument's rechargeable battery loses its charge, it can be replaced with a zinc-air battery, thus making it possible to immediately start using it again. By making use of the Nitto Group's proprietary technologies for printed circuits, including high-precision wiring and high-density mounting, as well as technology for manufacturing resin sheets, we have been able to downsize rechargeable batteries without compromising their performance.

Further adding to user convenience is the newly developed wireless charging system, which can be used by simply placing the hearing instrument on the adapter. This product is scheduled for launch in the summer of 2018.



The hearing instrument can be set in any direction when charging.

* Zinc-air batteries: Batteries that generate electricity by using oxygen in the air. Such batteries last longer than dry batteries.



Repositionable Tape

Repositionable tape is a double-coated tape ideal for wallpaper. Special resin applied in a stripe pattern to the adhesive face allows the tape to be adjusted by sliding. The tape can be pressed down once it is in the appropriate position. A special resin penetrates the adhesive layer for tight adhesion to substrates, and the smoothness of the resin, processing

technology for striped-convex application, and adhesive strength make it possible for the tape to glide on smoothly and adhere securely.

To secure convex lines on the adhesive face, a high-cushioning foam is used as a release liner.

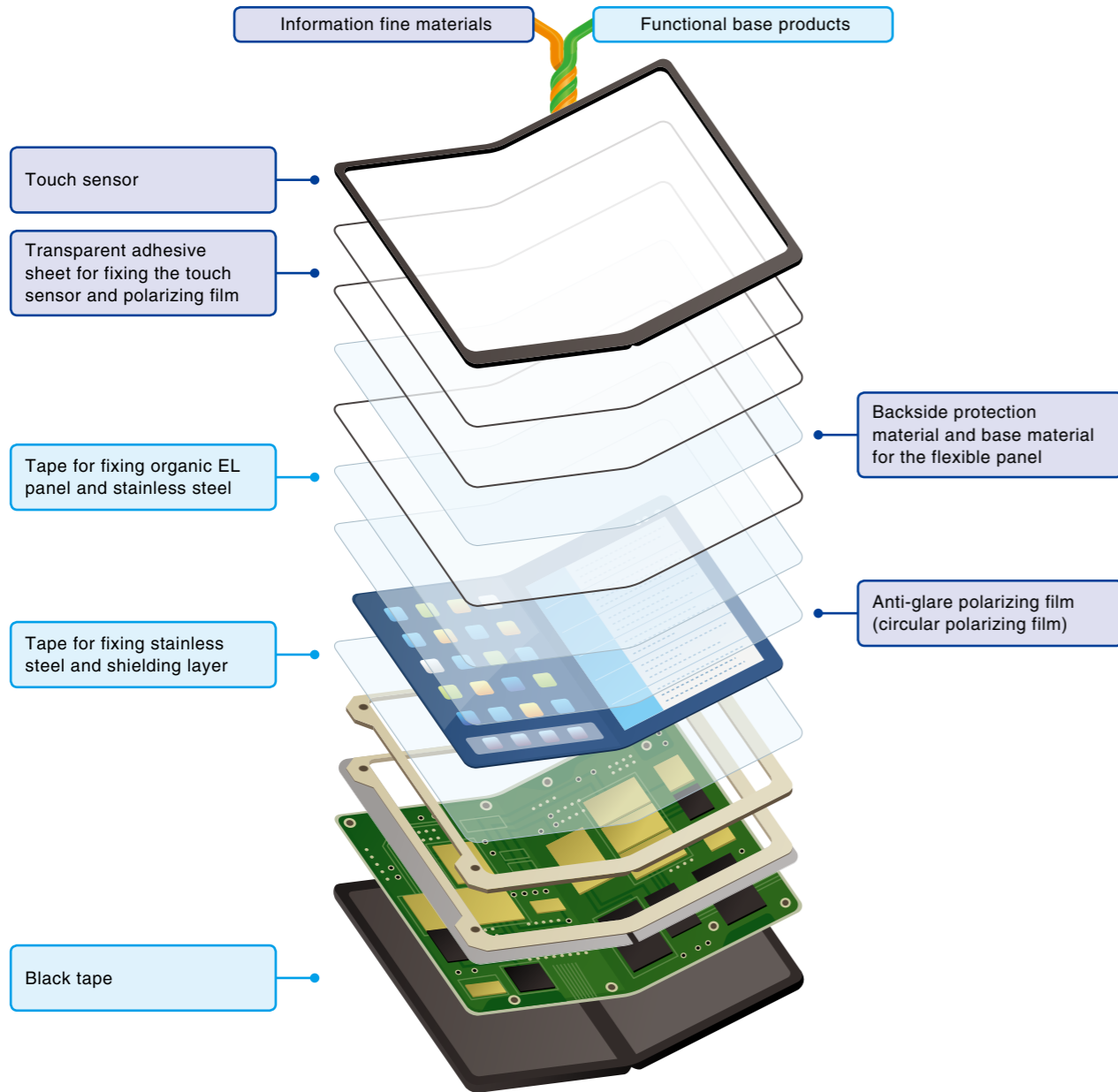


Nitto's Products Used in Organic EL Displays

Displays using naturally light-emitting organic electroluminescent (EL) materials do not require backlighting, and thus can be made extremely thin. In addition to TVs and smartphones, which already incorporate such displays, these materials are expected to be applied to flexible (bendable) displays, electronic paper,

and lighting equipment.

Like liquid crystal displays (LCDs), a variety of the Nitto Group's products are used in organic EL displays, including not only information fine materials, but also functional base products for fixing and protecting materials within the displays.



Technical Partnership with Hangzhou Jinjiang Group, etc. for Large-Scale Polarizing Films

Nitto entered into a technical partnership contract with Hangzhou Jinjiang Group Company Ltd. and its affiliated companies to help them to meet the increasing demand in China for large-scale

polarizing films used in LCD TVs. Through this partnership, Nitto will assist the Hangzhou Jinjiang Group in introducing one of the world's largest front-end polarizing film facilities to China.

Proposals for the Future!

Fine

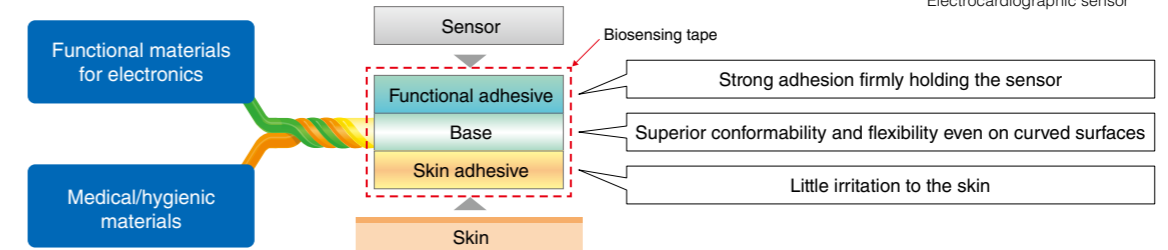
Biosensing Tape

Directly applied to the skin for electrocardiograms and other vital data measurements, biosensing tape material must adhere securely so that it does not slip off, yet must also be gentle on the skin.

The Nitto Group possesses technologies required for both functional materials, which are used chiefly in electronics applications, and medical/hygienic materials. To meet these requirements, we came up with the idea of combining highly adhesive functional materials for electronics with low-irritant medical/hygienic materials. We also chose a flexible base (core) from among many materials to develop tape exclusively for biosensing, and sample work started soon after that. While verifying any issues that come up, we will continue improving the product until we can fully meet our customers' expectations.



Electrocardiographic sensor



Green

Visible Light-Blocking Material for HUDs

As evidenced by rapid progress in autonomous cars, automobiles are becoming increasingly electronic, and head-up displays (HUDs) that let drivers see information on potential danger are expected to grow in demand. While HUD screens grow larger to display ever-increasing volumes of information on things like oncoming vehicles and pedestrians, solutions must be found to counteract sunlight concentration, which can cause trouble with HUD units.

Having quickly anticipated such latent issues through its customer-oriented marketing activities, the Nitto Group leveraged the optical material design technology cultivated for its information fine materials in order to develop a visible light-blocking material. Offering superb heat resistance, this groundbreaking product cuts sunlight to lengthen the HUD unit's service life. Since it can be attached directly onto the covering material, HUD units require no major design changes.

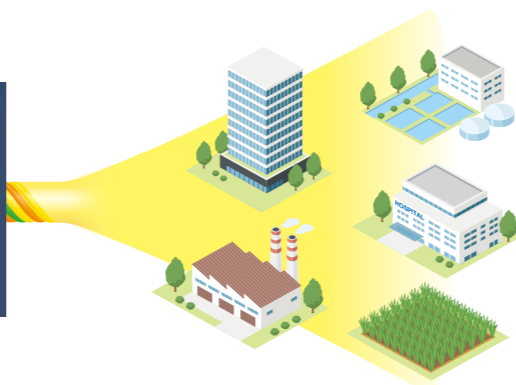
Going forward, we plan to release a new product that combines a visible light-blocking material with a covering material in order to help customers to simplify their production processes.

■ HUD projected image



Green Membrane Products

- Polymer design/ synthesis technology
- Coating technology
- Thin film forming technology



The Nitto Group's membrane products were created through the combination of multiple technologies, including polymer design/ synthesis and thin film formation. These various types of membranes are used for a wide range of applications, such as seawater desalination, wastewater treatment, and ultra-pure water production, with each membrane type having its own unique characteristics specialized for specific uses.

ESPA®2-LD MAX, for instance, is a reverse osmosis (RO) membrane that achieves both energy conservation and high permeability by maximizing the membrane area per element. This revolutionary membrane was adopted for use in the Keppel Marina East Desalination Plant (KMEDP) in Singapore, which will be the city-state's first large-scale water treatment plant capable of treating both seawater and fresh water. This plant has also been attracting attention thanks to its innovative design, as a lush green park will be built directly above the plant and the plant

itself will feature a public viewing gallery within its walls.

Due to its small land area and the resulting difficulty in collecting sufficient rainwater to meet its needs, Singapore is attempting to improve its water self-sufficiency by increasing the utilization of recycled wastewater (NEWater*) and desalinated seawater. Since the year 2000, the Nitto Group has been engaged in the Singapore Public Utilities Board's NEWater Projects. Through its water treatment membrane technologies, the Nitto Group has contributed greatly to furthering Singapore's water self-sufficiency. Furthermore, one of the main challenges faced by the KMEDP has been power efficiency, and ESPA®2-LD MAX is expected to be a key factor in addressing this issue.

* Recycled wastewater that is treated through cutting-edge membrane and ultraviolet disinfection technologies and satisfies the standards for potable water.

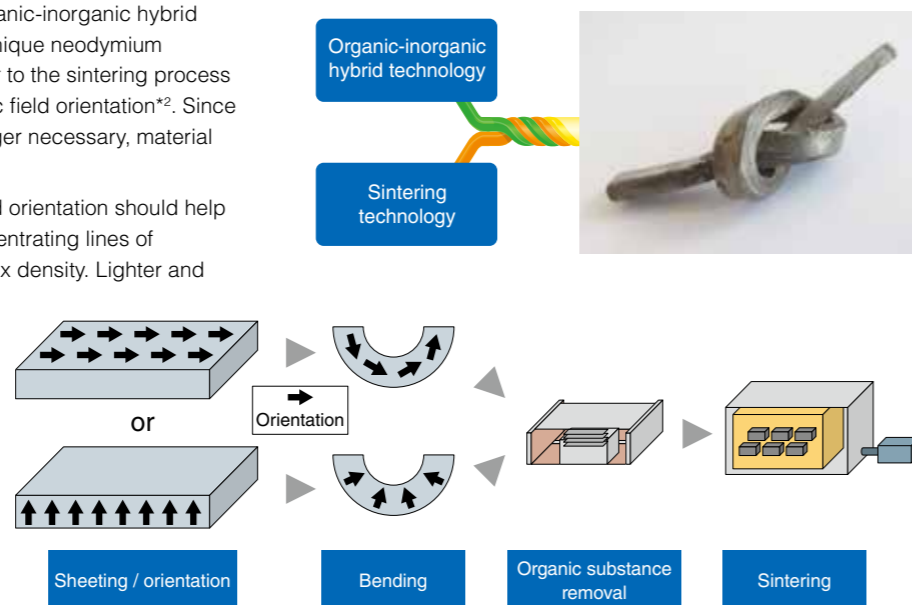
Clean Neodymium Magnets

In 2015, the Nitto Group applied its organic-inorganic hybrid technology*1 to successfully develop unique neodymium magnets that can be freely formed prior to the sintering process and are capable of controlling magnetic field orientation*2. Since post-sintering shaving tasks are no longer necessary, material losses are reduced.

Also, the ability to control magnetic field orientation should help to improve motor performance by concentrating lines of magnetic force to increase magnetic flux density. Lighter and more compact motors should also help to increase fuel efficiency and lower power consumption to conserve energy.

*1 Technology for combining organic and inorganic constituents on the nano and molecular levels

*2 Technology for manipulating directions of unidirectionally aligned magnet crystals



Mono (Products) and Koto (Value) for the Future

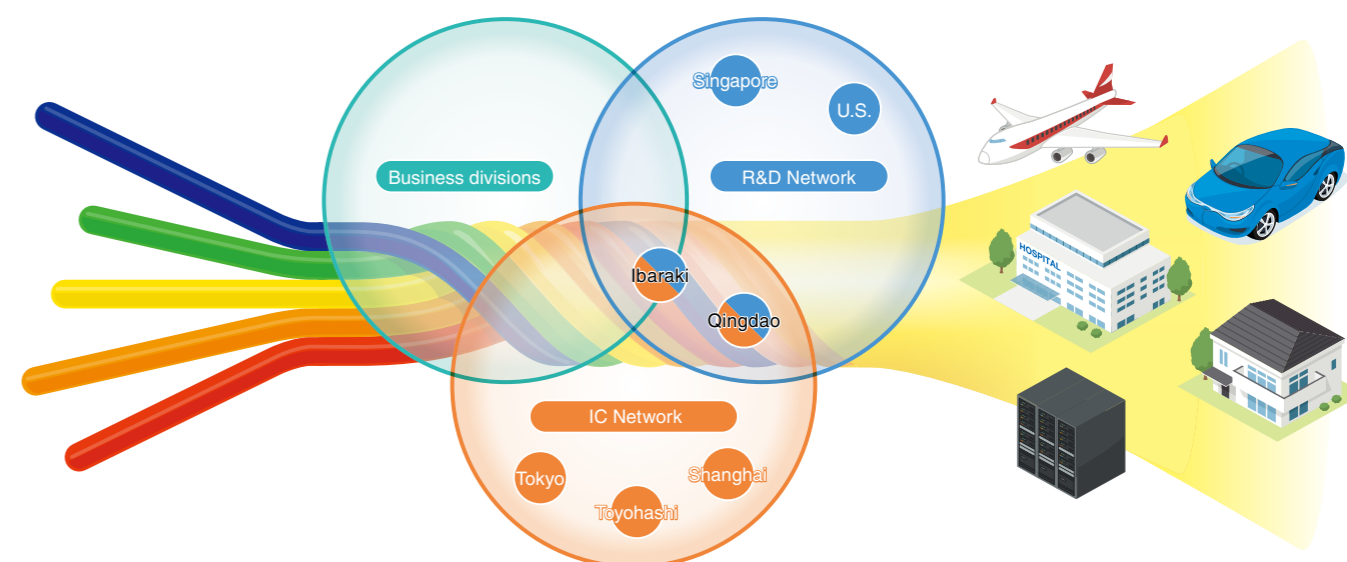
Convergence and Multi-Exit Approach

So far, a linear process has been followed from research and development and marketing to production under a set framework, such as a business division.

However, this "baton-passing" approach no longer functions, and we have entered an age where it is required not only to manufacture "products," but also to think outside of the box and create "value," in order to survive. To stay current with constantly accelerating social changes, the Nitto Group intends to transcend its organizational framework to bring about brand new innovations by converging technologies and knowledge from both within

and beyond the Group. We will also take a multi-exit approach to find product applications not just in a limited number of industries, but in a variety of other fields as well.

The Nitto Group continues to create new value at its five innovation centers (ICs) and R&D centers in four countries. Opened in March 2016 within the Ibaraki Office, Japan, inovas has welcomed a total of more than 2,000 visitors over the past two years, receiving many positive hopes and hints for future innovations. We will tap into such input to sow a great number of research seeds and carefully cultivate them to achieve a bountiful harvest of results.

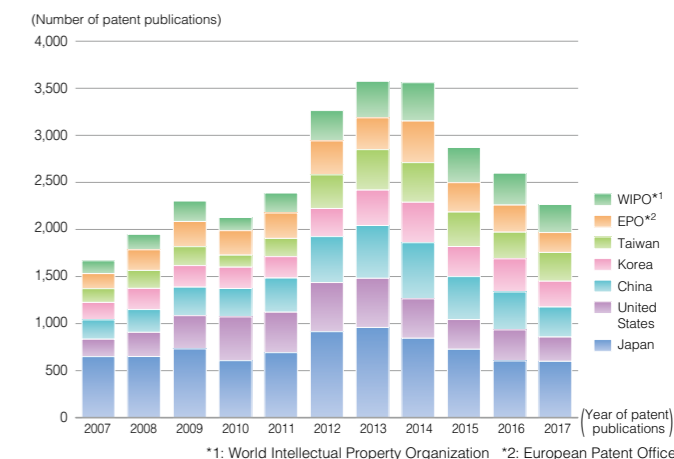


Amalgamation of Business and Intellectual Property

The Nitto Group has pursued intellectual property strategies through an amalgamation of its businesses and intellectual property in order to bring about business results. By adopting non-manufacturing business models, such as technological alliances and new approaches to intellectual property protection that also protect business models, we implement intellectual property-related activities that best match the circumstances of each market.

In recognition of our dedication to proper protection of ideas leading to inventions and maximization of their value through effective commercialization, the Nitto Group was selected by Clarivate Analytics as one of its "2017 Top 100 Global Innovators" for the seventh consecutive year. Among the four evaluation criteria of "number of patents," "success rate," "global performance," and "influence of the patent," we were particularly highly evaluated in terms of "influence of the patent," which shows how widely our patents are cited by other companies and organizations.

Patent Publications of the Nitto Group (In Japan and major countries)



*1: World Intellectual Property Organization *2: European Patent Office

Associated Business Risks Listed in the Financial Report for the Year Ended March 2018

Described below are potential risks that could have an adverse effect on the Nitto Group's business results, stock prices, and financial positions.

(1) Political, social, and economic trends

Because the Nitto Group operates across the globe, there are always inherent risks in the various countries that it operates in, such as deterioration of employment relationships, labor disputes, rising labor costs, and interruption of transportation services and electric power supply. When such risks emerge, the performance of the Nitto Group can be adversely affected. Furthermore, the Nitto Group's performance can be adversely affected by the occurrence of terrorism, wars, and coup d'états triggered by sudden turns in political situations, as well as market stagnation, unforeseeably large forex fluctuations, and financial instability that are brought about by abrupt changes in the global economy, such as the rise of "our country first" policies.

(2) Changes in laws/regulations and compliance

The Nitto Group carries out business in various fields and territories, and so it endeavors to abide by the laws/regulations of each host country in everything that it does. In the event of tightening of or significant changes in relevant laws/regulations and tax systems, discrepancies in their interpretation, or differences in business practices, the activities of the Nitto Group might be restricted and additional costs might be incurred, which in turn could adversely affect its performance. Moreover, failure to comply with the relevant laws/regulations on the part of executives and employees could also have adverse effects on the performance of the Nitto Group.

(3) Accidents and disasters

In accordance with the policy of "placing safety before everything else," the Nitto Group has drawn up a Business Continuity Plan (BCP) and promotes Business Continuity Management (BCM) in preparation for work-related accidents and natural disasters. Earthquakes, which are often accompanied by tsunami and floods, are particularly frequent in Japan, and can result in fires, chemical leaks, and damage to infrastructures, such as electricity and gas supplies, thereby causing disruptions of supply chains across a wide area. Also, regional and global economies would almost certainly be affected by massive outbreaks of new infectious diseases with a serious impact on human lives, and such occurrences could interfere with the continuity of the Nitto Group's business. Any of these contingencies would impact the performance of the Nitto Group.

(4) Environmental issues

The Nitto Group views "integrity with a commitment to environmental preservation on both a local and global basis" as one of its key business policies, and it has drawn up a voluntary environmental impact reduction plan that is geared toward reducing waste and preventing air pollution and global warming in an effort to fulfill its social responsibility. The Nitto Group has not been the cause of any serious environmental problems to date; however, there exists a possibility that it might fail to reduce environmental impact as planned, or that an unexpected accident or a natural disaster might lead to unforeseen environmental pollution, which would result in significant expenses. Any of these contingencies would influence the performance of the Nitto Group.

(5) Optoelectronics business

Materials used in LCD-related and touch panel products form the core of the Nitto Group's business. This market is crowded with many players that engage in fierce competition. Market trends for products using such materials, technical innovations, realignment and strategy changes of customer LCD panel / touch panel manufacturers, price erosions due to supply-demand imbalances, and sharp rises in material costs due to suppliers' capacity constraints or changing demands can all negatively affect the performance of the Nitto Group.

(6) Life science business

The Nitto Group is pouring an increasing amount of resources into the new business of life science. Should any difficulty exceeding the Group's assumptions occur in this business, including rigorous screening and resultant approval by regulatory authorities in the countries/regions concerned, the performance of the Nitto Group may be negatively affected.

(7) Research and development

With the aim of meeting the high expectations for technological innovation and cost competitiveness in many of the markets in which it is involved, the Nitto Group remains committed to the development of new products and applications and the creation of new demand by means of the Area Niche Top® strategy, wherein it supplies products that cater to the specific needs of each region, in addition to the Global Niche Top® strategy. Accordingly, the Nitto Group carries out all necessary research and development investments and capital expenditures. Nevertheless, changes in some markets are so rapid that it is difficult to predict them. Furthermore, new technologies or products from competitors can suddenly render the Nitto Group's offerings obsolete. Should such an event develop,

the performance of the Nitto Group could be negatively affected.

(8) Procurement of raw materials

The Nitto Group endeavors to reduce the risk of becoming unable to procure its key raw materials by sourcing such materials from multiple suppliers. However, some raw materials are sourced from specific individual suppliers. If the supply were to decrease or be disrupted due to unavoidable circumstances on the part of those suppliers, such as damage from natural disasters, accidents, or bankruptcy, the supply-demand balance could be disturbed, resulting in failure to procure necessary raw materials or an increase in costs. Any of these contingencies could influence the performance of the Nitto Group.

(9) Product quality

The Nitto Group manufactures components, devices, and other products in compliance with international quality standards and delivers them to its customers. Nevertheless, it is virtually impossible to completely eliminate liability risks associated with product defects. If the amount of compensation were to exceed the coverage of product liability insurance in such cases, the performance of the Nitto Group could be negatively affected.

(10) Intellectual property rights

The Nitto Group owns, maintains and manages a large amount of intellectual property rights for the purpose of enhancing its market competitiveness. However, it is possible that a third party could claim that such rights are invalid, or such rights could be inadequately protected, imitated, or involved in litigation in some regions. Should the protection afforded by intellectual property rights be seriously lost, the performance of the Nitto Group could be negatively affected.

(11) Mergers and acquisitions

With the aim of sustaining its business growth, the Nitto Group forges relationships with other companies in various ways, such as acquisitions of and alliances with companies possessing superior technologies. If such acquisitions or alliances do not produce their expected outcomes, the performance and financial positions of the Group could be adversely affected.

(12) Retention of human resources

In order to promote the business activities of the Nitto Group, it is necessary to recruit talented people in a variety of fields, including research, development, manufacturing,

sales, and administration. The Nitto Group proactively recruits global-minded human resources who will drive its business in the global arena. Nevertheless, failure to continually hire necessary personnel or to prevent the drain of such talents could negatively affect the performance of the Nitto Group.

(13) Financial position of customers

The Nitto Group makes it a rule to closely investigate the financial positions of its customers before starting business. Nevertheless, serious financial problems could develop at some customers with whom the Nitto Group holds accounts receivable due to major changes in their operating environments. Should such receivables become irrecoverable at any one of its largest customers in the fast-changing electronics and life science sectors, the amount to be written off could be enormous, which in turn could negatively affect the performance of the Nitto Group.

(14) Information management

Information systems play a crucial role in every aspect of the Nitto Group's business activities. Such systems become increasingly complicated and advanced with each passing year, and are often subject to cyberterrorism attacks and other forms of human-caused risk. The Nitto Group takes various security measures against both hardware and software problems in order to prevent leakage and unauthorized use of technical, customer, transaction, and personal information. However, if such systems should fail to prevent leakage or unauthorized use of such information, the performance of the Nitto Group could be adversely affected due to response to those situations.

(15) Litigation

In the course of performing business activities, the Nitto Group might become involved in litigation with its business partners or third parties. There is no telling whether or not the outcome of such litigation will be in accord with its assertions or predictions. Should such risks become a reality, the performance and financial positions of the Nitto Group could be negatively affected.

(16) Defined benefit liabilities

The Nitto Group's defined benefit liabilities are calculated on the basis of various assumptions used in actuarial calculations and investment yields of pension assets. As such, fluctuations in the market value of pension assets, interest rate behaviors, and changes in retirement allowance systems and pension plans can affect the amount of such liabilities that are recognized or reported, thereby having an impact on the performance of the Nitto Group.

Risk Management

Risk Identification and Countermeasures

The Nitto Group distributes questionnaires on business risks to over 2,000 management-level employees every year. The purpose of this survey is to determine risks concerning the entire Group and those specific to individual businesses and regions, as well as to enhance the level of each management-level employee's risk awareness. Based on the survey responses, we determine what actions are being taken to manage risks at each workplace and discuss anything else that needs to be done at CSR workshops for management-level employees, thereby helping each site and Group company to enhance their risk management. Going forward, we aim to raise the level of risk management of the entire Group by promoting horizontal cooperation among such individually taken measures against business risks.

Reinforcement of Information Security Management

In its efforts to achieve "a state of fewer security incidents*1 and no information leaks" the Nitto Group takes not only

tangible technical measures, but also intangible measures, including enhancement of information security systems and continuous employee training through e-learning and other methods.

In fiscal 2017, we began making an effort to further raise the Group's overall level of information security management by monitoring sites and Group companies that reported a less than satisfactory self-evaluation rating in information security management.

To follow up on the surprise e-mail test that was given last year, we gave an advanced test to over 400 IT engineers. This time, we sent out an e-mail that contained seemingly ordinary work instructions to see how the recipients would react to it, which helped us to better understand how they determine whether an e-mail is suspicious and what their initial responses would be if they were to open it for some reason. Together with the findings from the test that we sent out to all e-mail users within the Group last year, we are strengthening our efforts to prevent information leaks by targeted e-mail attacks*2.

*1 Incidents and accidents including data loss, virus infection, and unauthorized access.
*2 A type of cyber attack that attempts to steal information by sending an e-mail with an attached file or URL containing a computer virus to members of a targeted organization.

Business Continuity Management

We at the Nitto Group recognize the importance of a prompt initial response for "disaster mitigation (minimizing damage caused by disasters)" and "quick recovery." Accordingly, we distribute the "Emergency & Incident Reporting Guidebook" to top managers and their acting representatives at all of our sites and Group companies to ensure that any and all emergencies will be reported to Nitto's CEO without delay. We also develop reporting systems and communication infrastructures to allow two-way communications in times of emergency. We also continue to revise restoration plans based on past

experiences and issues that come to light during drills.

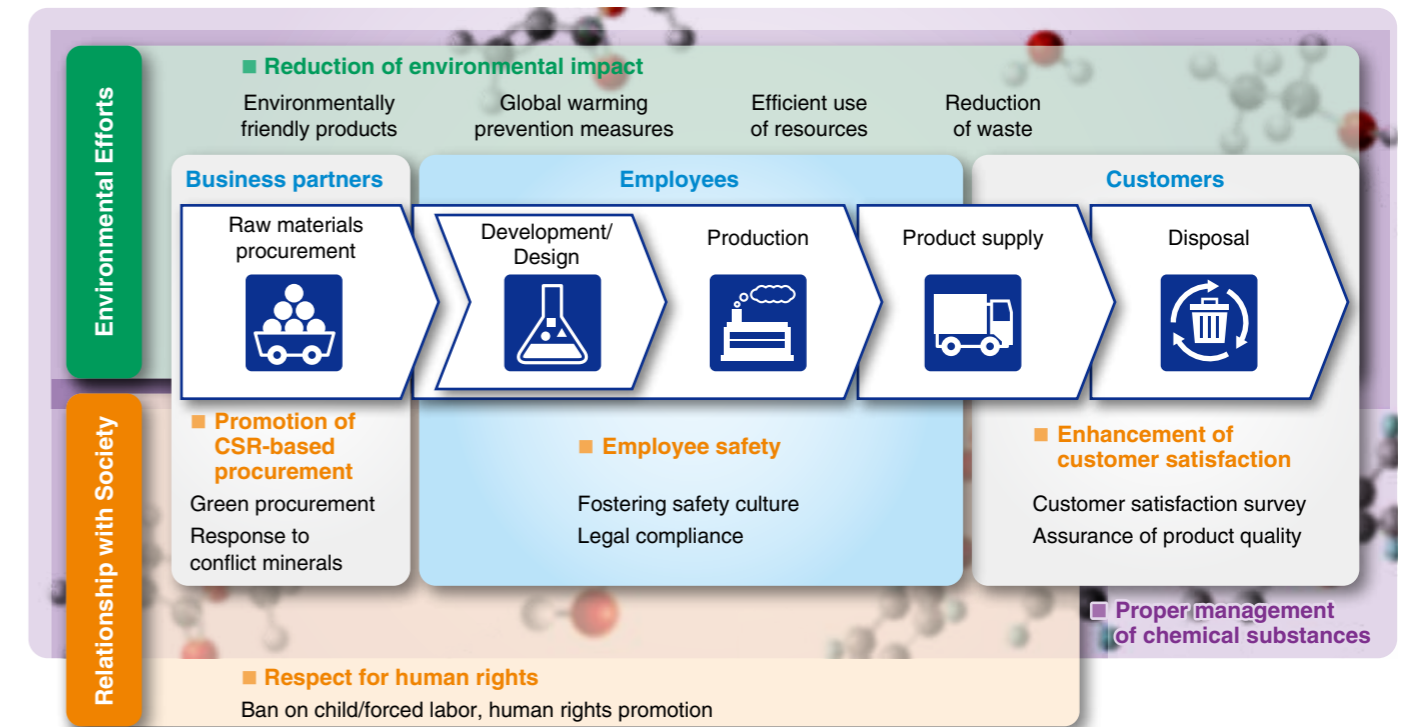
While constantly updating these systems and plans, we have also formed working groups for each function, including Procurement, Logistics Services, Production, Environment, Safety, and IT in order to have them work on business continuity with the supply chain in mind. In fiscal 2018, we aim to increase the effectiveness of our business continuity plan (BCP) by accelerating initiatives where these working groups act in unison.

Inter-Site Combined Drill by Sales Teams



On November 28, 2017, Nitto's key domestic sales offices in Sendai, Tokyo, Nagoya, Osaka, and Fukuoka, participated in a joint drill in preparation for a major earthquake. In a simulated situation with limited means of communication, they began by ensuring the security of employees and confirming their safety, and then established a disaster countermeasures headquarters, determined the extent of the disaster, and verified the backup system for resuming business. We will conduct such drills on a regular basis to continuously validate and improve the BCP so that we can work in close collaboration with one another when any of our key sites are affected.

Value Chain Management



When going about its business undertakings, the Nitto Group takes into account any and all social impacts that might be incurred throughout the entire value chain from procurement of raw materials to disposal. We fulfill our corporate social responsibility by complying with the laws and regulations in every country and region that we operate in and by fully respecting the spirit of such legislation.

Relationship with Society

While always bearing in mind the environmental impact of our business activities, we promote the wellbeing of our stakeholders by practicing CSR-based procurement, increasing customer satisfaction, ensuring the safety of our employees, and respecting human rights.

Promotion of CSR-Based Procurement

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

In fiscal 2017, we started a new initiative designed to evaluate our business partners' commitment to CSR. The CSR-Based Procurement Business Partner Check Sheet is used to assess the adequacy of new supplier candidates. We have also sent out a questionnaire to our existing business partners on the status of CSR-based management. The questionnaire was first distributed to key business partners in Japan. The evaluation results have been fed back to the respondents so that they can improve their practices accordingly. Going forward, we plan to send out this questionnaire to a greater number of business partners at a higher frequency in order to gather even more substantial data.

We will continue to periodically monitor our business partners' efforts in this regard, thereby promoting CSR-based procurement together with them.

Green Procurement

So far, the Nitto Group has continually pursued green procurement by preferentially procuring materials with low environmental impact from environmentally conscious business partners. In fiscal 2017, we revised the sixth edition of the Green Procurement Standards and the Green Procurement Supplier Evaluation Checklist, which is used to

Value Chain Management

evaluate environmental efforts by new supplier candidates. We also newly introduced chemSHERPA* as a survey form on chemical substances in raw materials. These initiatives are expected to help our business partners to further promote green procurement and facilitate the exchange of information on chemical substances through the supply chain.

* chemSHERPA: Chemical information SHaring and Exchange under Reporting PArtnership in supply chain
chemSHERPA is a scheme that facilitates sharing of information on chemicals in products that has been developed under the lead of the Ministry of Economy, Trade and Industry of Japan.

Enhancement of Customer Satisfaction

We make constant efforts to identify, analyze, and reduce product-related risks in order to deliver products and services that satisfy our customers.

In 2017, following the exposure of Japanese companies' inappropriate practices involving product quality, the Nitto Group ordered all of its production sites to investigate the status of their quality management to confirm that there were no cases of legal violation.

In order to prevent any logistics accidents or delayed delivery, we optimized the operational rules on exports from Japan as a way of reinforcing our global logistics management system. These operational rules are now an integral part of the Group's training program scheme that serves as the basis for all of our training. Started in fiscal

2016, the initiative to attach dashboard cameras to forklifts has been incorporated at all of our plants in Japan and has reduced the number of accidents within internal logistics services by 30% (vs. fiscal 2016).

Thanks to these endeavors, every product and service provided by the Nitto Group is highly regarded by both customers and markets. With the aim of further improving our product quality and services, we periodically conduct customer satisfaction surveys and then feed the survey findings back to the relevant departments.

Environmental Efforts

We are dedicated to reducing the environmental impact generated by our business activities out of consideration for the environment on both a regional and global scale.

Efforts for Stable Use of Renewable Energy

At Nitto's Tohoku Plant, a solar power generation facility with 100% self-consumption went into full-scale operation in February 2018. Equipped with storage batteries, the facility is designed to consume all of the energy that it generates within the Plant and is expected to cut CO₂ emissions by approximately 600 tons per year and significantly reduce the amount of electricity purchased, in addition to cutting peak power demands in the area during the summer months. The facility also features an autonomous power supply system, and thus will play a key role in ensuring business continuity in the event of a major power outage.

Recycling Process Wastewater and Liquid Waste Using Nitto's Products

Nitto's Shiga Plant aims to make the transition to a "recycling-oriented green plant" that reuses process wastewater and liquid waste generated from its



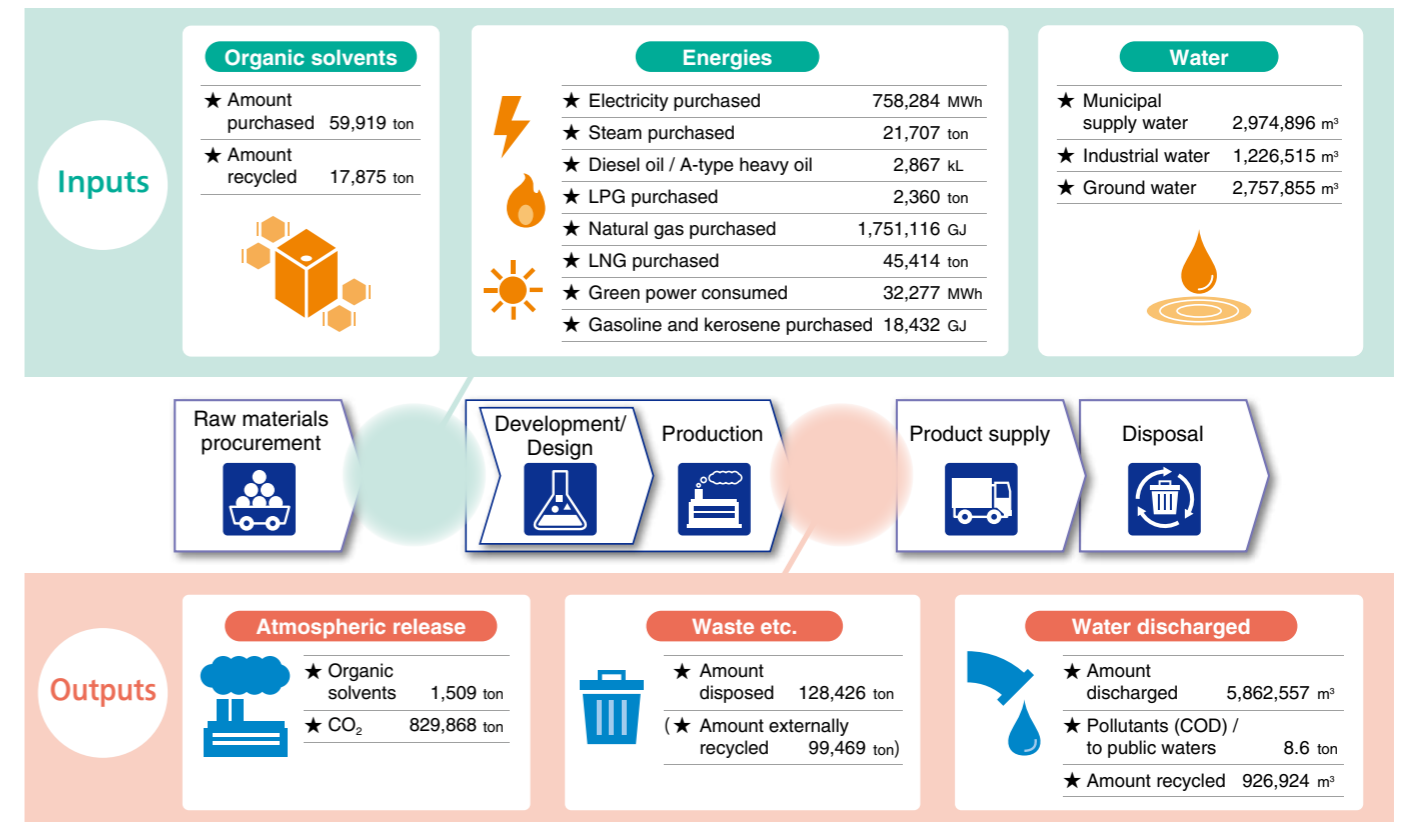
Solar power generation facility at Nitto's Tohoku Plant

Introduction of the New Chemical Substance Management System SACRA*

At the Nitto Group, a multifunctional chemical substance management system has been in use for approximately ten years to manage information on the compositions of products and raw materials and search for laws and regulations concerning chemical substances. With the rapid globalization of our business in recent years, however, it has become difficult for the system to cope with changes in chemical substance management by the Nitto Group and transformations in operating environments. Furthermore, the increase in registration data has caused various technical difficulties, including unstable system operations. In an attempt to solve these problems, we have implemented SACRA, our new chemical substance management system, which has been implemented starting with Group companies in Japan since April 2018.

* Smart Application for Chemical Regulation in All Nitto Group

Material Flow



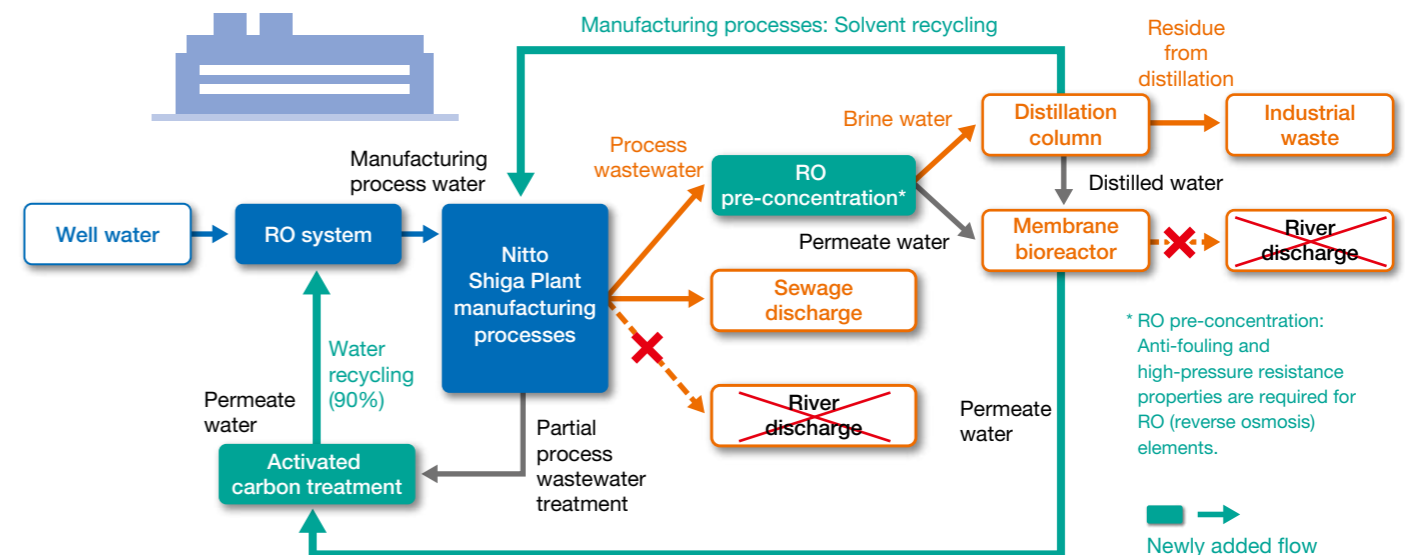
manufacturing processes. Through continual testing and validation of the technologies required for concentrating such process wastewater and liquid waste using Nitto's membrane products, we are planning to not only increase the water recycling rate from the current 50% to 90% over the next five years, but also to promote the reuse of such liquid waste. By utilizing our proprietary technologies, we will continue to take on the challenge of creating new water

environment innovations and reduce the impact of our business activities on the environment.

Collection of Solvents

For about four decades, the Nitto Group has used activated carbon to absorb, collect, and recycle organic solvents contained in exhaust gases from production process at its

Water Supply and Drainage System Flow Chart (Goal)



main sites, thereby achieving efficient use of resources. In Japan, where some 70% of such solvents are used, the recycling rate within the plants is approximately 20%. We are planning to increase this recycling rate by continuing to expand the scope of collection and recycling of renewable solvents.



Solvent recycling equipment at Nitto Belgium NV

A new solvent recycling facility was installed at Nitto Belgium NV in fiscal 2017 as part of our bid to roll out this initiative on a global basis.

Rapid Remediation of Environmental Law Violation in Shanghai

In response to the tightening of China's Environmental Protection Law and the Regulations of Shanghai Municipality on Environmental Protection that has occurred since 2015, Nitto Denko (Shanghai Songjiang) Co., Ltd. introduced high-performance exhaust gas treatment equipment to remain compliant with the local environmental requirements.

In March 2017, however, they were fined by the local authorities for the possible leakage of air pollutants (VOCs) into the atmosphere from windows and other openings that were not exhaust vents. They have since installed an anti-leakage system and completed the introduction of high-performance exhaust gas treatment equipment. They now boast one of the most advanced VOC control strategies within the Group.

Third-Party Assurance

In order to enhance the reliability of its disclosed information, the Nitto Group has such information assured by a third-party organization. In this Report, environmental performance indicators marked with a ★ have been assured accordingly.



Independent Assurance Report

To the President, CEO & COO of Nitto Denko Corporation

We were engaged by Nitto Denko Corporation (the "Company") to undertake a limited assurance engagement of the environmental performance indicators marked with ★ (the "Indicators") for the period from April 1, 2017 to March 31, 2018 included in its Nitto Group Report 2018 (the "Report") for the fiscal year ended March 31, 2018.

The Company's Responsibility
The Company is responsible for the preparation of the Indicators in accordance with its own reporting criteria (the "Company's reporting criteria"), as described in the Company's website.

Our Responsibility
Our responsibility is to express a limited assurance conclusion on the Indicators based on the procedures we have performed. We conducted our engagement in accordance with the "International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements other than Audits or Reviews of Historical Financial Information" and the "ISAE 3410, Assurance Engagements on Greenhouse Gas Statements" issued by the International Auditing and Assurance Standards Board. The limited assurance engagement consisted of making inquiries, primarily of persons responsible for the preparation of information presented in the Report, and applying analytical and other procedures, and the procedures performed vary in nature from, and are less in extent than for, a reasonable assurance engagement. The level of assurance provided is thus not as high as that provided by a reasonable assurance engagement. Our assurance procedures included:

- Interviewing the Company's responsible personnel to obtain an understanding of its policy for preparing the Report and reviewing the Company's reporting criteria.
- Inquiring about the design of the systems and methods used to collect and process the Indicators.
- Performing analytical procedures on the Indicators.
- Examining, on a test basis, evidence supporting the generation, aggregation and reporting of the Indicators in conformity with the Company's reporting criteria, and recalculating the Indicators.
- Visiting one of the Company's factories selected on the basis of a risk analysis.
- Evaluating the overall presentation of the Indicators.

Conclusion
Based on the procedures performed, as described above, nothing has come to our attention that causes us to believe that the Indicators in the Report are not prepared, in all material respects, in accordance with the Company's reporting criteria as described in the Report.

Our Independence and Quality Control
We have complied with the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior. In accordance with International Standard on Quality Control 1, we maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

KPMG AZSA Sustainability Co., Ltd.
KPMG AZSA Sustainability Co., Ltd.
Osaka, Japan
July 18, 2018

Environmental Data

Total Energy Input

GJ

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017★
Japan	4,385,508	4,218,336	4,384,177	4,551,713
The Americas	245,444	377,032	486,766	527,447
Europe	342,474	353,345	443,864	456,242
Asia and Oceania	1,781,411	1,732,841	1,870,231	1,864,447
Total	6,754,837	6,681,554	7,185,038	7,399,849

CO₂ Emissions (Scope 1: Direct emissions)

ton

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017★
Japan	310,316	265,958	252,119	250,736
The Americas	11,053	16,659	18,071	19,022
Europe	36,836	37,905	41,131	43,196
Asia and Oceania	81,207	76,622	68,829	67,468
Total	439,412	397,144	380,150	380,422

CO₂ Emissions (Scope 2: Energy indirect emissions)

ton

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017★
Japan	230,373	255,604	265,949	262,029
The Americas	16,006	20,771	24,224	25,649
Europe	7,253	7,014	7,455	7,278
Asia and Oceania	160,088	157,361	161,462	154,490
Total	413,720	440,750	459,090	449,446

CO₂ Emissions (Scope 3: Other indirect emissions)

ton

Purchased goods and services ★	396,698	Upstream leased assets	—
Capital goods	57,791	Downstream transportation and distribution	—
Fuel-and-energy-related activities (not included in Scope 1 or 2) ★	44,380	Processing of sold products	—
Upstream transportation and distribution	9,789	Use of sold products	—
Waste generated in operations ★	36,103	End of life treatment of sold products ★	74,536
Business travel	790	Downstream leased assets	—
Employee commuting	2,515	Franchises	—
		Investments	—

Water Withdrawal

m³

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017★
Japan	4,328,713	4,171,581	4,140,776	4,445,897
The Americas	580,896	719,810	666,324	643,168
Europe	85,351	88,057	82,641	78,488
Asia and Oceania	2,202,531	1,966,708	1,818,916	1,791,713
Total	7,197,491	6,946,156	6,708,657	6,959,266

For the sake of accuracy, figures from fiscal 2016 have been partially altered.

COD Discharge / to Public Waters

ton

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017★
Japan	15.1	11.4	9.3	6.2
The Americas	0	0	0	0
Europe	0	0	0	0
Asia and Oceania	2.2	2.0	2.1	2.4
Total	17.3	13.4	11.4	8.6

Total Waste etc.

ton

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017★
Japan	74,658	73,365	69,518	68,214
The Americas	7,532	8,370	11,423	9,468
Europe	9,697	10,426	10,902	9,789
Asia and Oceania	66,040	57,893	51,905	40,955
Total	157,927	150,054	143,748	128,426

Percentage of Waste etc. Recycled

%

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017★
Japan	92	93	98	98
The Americas	23	17	20	24
Europe	57	56	97	97
Asia and Oceania	31	28	41	50
Total	61	61	71	77

Hazardous Waste

ton

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017★
Japan	6,114	6,248	10,071	9,416
The Americas	438	495	2,033	1,186
Europe	656	654	597	620
Asia and Oceania	37,311	30,055	23,823	15,184
Total	44,519	37,452	36,524	26,406

Atmospheric Release of PRTR Substances (non-consolidated)

ton

	Fiscal 2014	Fiscal 2015	Fiscal 2016	Fiscal 2017★
Toluene	437.1	585.7	590.3	276.9
Xylene	8.9	9.0	5.1	3.1
N-hexane	10.6	11.5	10.1	8.7
Butyl acrylate	2.6	3.1	0.3	0.3
2-hydroxyethyl acrylate	0.2	0.1	0.0	0.0

Atmospheric Release of NO_x and SO_x (non-consolidated)

ton

	Fiscal 2016	Fiscal 2017★		Fiscal 2016	Fiscal 2017★
NO _x	206.2	224.8	SO _x	3.8	0.2

Consolidated Financial Statements
Consolidated Statements of Financial Position

(Yen in Millions)

	Amount	
	As of March 31, 2018	As of March 31, 2017
Current assets	622,027	563,798
Cash and cash equivalents	304,709	280,343
Trade and other receivables	192,120	173,362
Inventories	95,068	88,701
Other financial assets	8,815	5,455
Other current assets	15,398	15,936
Subtotal	616,112	563,798
Assets held for sale	5,914	—
Non-current assets	315,768	316,100
Property, plant and equipment	248,417	249,541
Goodwill	6,927	7,300
Intangible assets	12,355	13,829
Investments accounted for using equity method	338	326
Financial assets	9,361	8,799
Deferred tax assets	28,295	27,087
Other non-current assets	10,073	9,215
Total assets	937,796	879,899

(Yen in Millions)

	Amount	
	As of March 31, 2018	As of March 31, 2017
Current liabilities	187,436	174,557
Trade and other payables	110,114	110,840
Bonds and borrowings	4,049	1,097
Income tax payables	19,270	15,978
Other financial liabilities	13,362	9,660
Other current liabilities	40,379	36,980
Subtotal	187,175	174,557
Liabilities directly associated with assets classified as held for sale	260	—
Non-current liabilities	56,364	50,920
Bonds and borrowings	—	3,000
Other financial liabilities	1,183	1,449
Defined benefit liabilities	46,227	42,838
Deferred tax liabilities	612	847
Other non-current liabilities	8,339	2,784
Total liabilities	243,800	225,477
Equity attributable to owners of the parent company	693,278	653,772
Share capital	26,783	26,783
Capital surplus	55,981	56,139
Retained earnings	665,561	603,886
Treasury stock	-69,867	-50,876
Other components of equity	14,819	17,839
Non-controlling interests	716	648
Total equity	693,995	654,421
Total liabilities and equity	937,796	879,899

Consolidated Financial Statements
Consolidated Statements of Income

(Yen in Millions)

	April 1, 2017 - March 31, 2018	April 1, 2016 - March 31, 2017
Revenue	856,262	767,710
Cost of sales	574,879	528,592
Gross profit	281,382	239,118
Selling, general and administrative expenses	118,421	109,317
Research and development expenses	31,243	30,366
Other income	5,709	6,773
Other expenses	11,703	13,618
Operating income	125,722	92,589
Financial income	1,185	1,065
Financial expenses	752	1,848
Equity in profits (losses) of affiliates	12	-13
Income before income taxes	126,168	91,791
Income tax expenses	38,704	28,101
Net income	87,463	63,690
Net income attributable to:		
Owners of the parent company	87,377	63,453
Non-controlling interests	85	236

Consolidated Financial Statements
Consolidated Statements of Cash Flows

(Yen in Millions)

	April 1, 2017 - March 31, 2018	April 1, 2016 - March 31, 2017
I. Cash flows from operating activities		
Income before income taxes	126,168	91,791
Depreciation and amortization	49,283	48,556
Impairment losses	52	2,341
Increase (decrease) in defined benefit liabilities	2,338	944
Decrease (increase) in trade and other receivables	-18,493	-25,161
Decrease (increase) in inventories	-6,860	-1,328
Increase (decrease) in trade and other payables	-4,471	15,382
Interest and dividend income	1,047	829
Interest expenses paid	-419	-385
Income taxes (paid) refunded	-35,153	-13,742
Others	9,059	710
Net cash provided by operating activities	122,551	119,939
II. Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-48,466	-43,178
Proceeds from sale of property, plant and equipment and intangible assets	99	537
Decrease (increase) in time deposits	-2,811	2,550
Purchase of shares of subsidiaries resulting in change in scope of consolidation	—	-4,796
Payments for transfer of business	—	-4,752
Others	963	-99
Net cash provided by investing activities	-50,215	-49,739
III. Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	74	-1,973
Decrease (increase) in treasury stock	-19,354	0
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	—	-3,224
Cash dividends paid	-25,166	-23,533
Others	-472	-151
Net cash provided by financing activities	-44,919	-28,884
IV. Effect of exchange rate changes on cash and cash equivalents	-270	-1,864
V. Cash and cash equivalents included in assets held for sale	-2,780	—
VI. Net increase (decrease) in cash and cash equivalents	24,365	39,451
VII. Cash and cash equivalents at the beginning of the period	280,343	240,891
VIII. Cash and cash equivalents at the end of the period	304,709	280,343

Consolidated Financial Statements
Consolidated Statements of Changes in Equity

April 1, 2017 through March 31, 2018

(Yen in Millions)

	Share capital	Capital surplus	Retained earnings	Treasury stock	Other components of equity	Total equity attributable to owners of the parent company	Non-controlling interests	Total equity
Balance at the beginning of current year	26,783	56,139	603,886	-50,876	17,839	653,772	648	654,421
Net income			87,377			87,377	85	87,463
Other comprehensive income					-3,556	-3,556	0	-3,555
Total comprehensive income	—	—	87,377	—	-3,556	83,820	86	83,907
Share-based payment transactions		-174				-174		-174
Dividends			-25,166			-25,166	-18	-25,185
Changes in treasury stock		17		-18,990		-18,973		-18,973
Transfers from other components of equity to retained earnings			-536		536	—		—
Total transactions with owners	—	-157	-25,702	-18,990	536	-44,315	-18	-44,333
Balance at the end of current year	26,783	55,981	665,561	-69,867	14,819	693,278	716	693,995

<Note>

- Part-time employees are included.
- The exchange rate used was JPY110.83 to USD1.00, which was the rate as at March 31, 2018.
- Effective from the fiscal year ended March 31, 2014, the Company and some of its consolidated subsidiaries changed the method of recognition of revenue to one based on the time of delivery to customers from the prior one which was based mainly on the time of shipment. The figures for the fiscal year ended March 31, 2013, are those after the retrospective application of the change except for the figures in "Segment information by geographic area."
- From the fiscal year ended March 31, 2015, the Nitto Denko Group has implemented the International Financial Reporting Standards (IFRS) to prepare its consolidated financial statements (date of transition to IFRS: April 1, 2013). Accordingly, the financial data for the fiscal year ended March 31, 2014 is also presented based on the IFRS.
- The above 10-year Summary is presented based on the International Financial Reporting Standards (IFRS). The term based on the Japanese standard for "Revenue" is "Net sales," "Net income attributable to owners of the parent company" is "Net income," "Equity attributable to owners of the parent company per share" is "Net assets per share," "Basic earnings per share" is "Net income per share," "Total assets" is "Total assets," "Equity attributable to owners of the parent company" is "Equity," "Ratio of profit attributable to owners of the parent company to total assets" is "Return on assets," "Return on equity attributable to owners of the parent company" is "Return on equity" and "Ratio of equity attributable to owners of the parent company to total assets" is "Equity to total assets."

Business Results
10-Year Summary

Consolidated financial results of the fiscal years (April 1- March 31)

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

	Japanese GAAP						IFRS					IFRS
	2008	2009	2010	2011	2012	2013	2013	2014	2015	2016	2017	
Statement of income												
Revenue	577,922	601,859	638,556	607,639	671,253	749,835	749,504	825,243	793,054	767,710	856,262	7,725,905
Operating income	13,838	56,086	85,245	56,491	68,482	72,254	72,503	106,734	102,397	92,589	125,722	1,134,368
ratio to revenue	2.4%	9.3%	13.3%	9.3%	10.2%	9.6%	9.7%	12.9%	12.9%	12.1%	14.7%	14.7%
Ordinary income	14,807	58,833	85,143	58,436	67,182	71,658	-	-	-	-	-	-
ratio to revenue	2.6%	9.8%	13.3%	9.6%	10.0%	9.6%	-	-	-	-	-	-
Net income attributable to owners of the parent company	267	37,570	55,743	31,066	43,696	51,018	51,892	77,876	81,683	63,453	87,377	788,388
ratio to revenue	0.0%	6.2%	8.7%	5.1%	6.5%	6.8%	6.9%	9.4%	10.3%	8.3%	10.2%	10.2%
Segment information by geographic area												
Japan Revenue	207,263	203,982	218,528	194,636	192,600	186,320	185,990	189,779	180,987	186,979	199,441	1,799,522
Japan Operating income	3,305	34,897	64,376	39,571	44,338	43,263	44,112	70,322	60,793	51,979	75,982	685,572
Americas Revenue	39,002	37,766	36,116	35,739	40,014	52,085	52,085	59,451	75,344	80,123	82,568	744,997
Americas Operating income	-1,298	2,012	-289	-1,363	1,768	1,198	1,373	-1,725	12,241	16,570	12,225	110,304
Europe Revenue	25,519	26,933	23,245	21,189	31,057	38,834	38,834	43,041	42,750	40,521	45,578	411,242
Europe Operating income	-20	1,147	1,471	480	898	3,104	3,025	2,729	3,081	3,727	4,218	38,058
Asia & Oceania Revenue	306,136	333,177	360,665	356,074	411,942	472,594	472,594	532,971	493,972	460,085	528,672	4,770,116
Asia & Oceania Operating income	8,368	17,952	19,032	15,514	20,258	22,158	23,874	36,573	24,410	22,905	32,793	295,886
Per share information						Yen					Yen	U.S. dollars
Equity attributable to owners of the parent company per share	2,148.2	2,320.9	2,540.3	2,635.9	2,961.9	3,172.0	3,159.9	3,706.0	3,785.9	4,027.6	4,328.5	39.06
Basic earnings per share	1.6	225.5	337.4	188.9	265.5	309.3	314.6	471.8	495.2	390.9	539.0	4.86
Dividends per share	80.0	40.0	90.0	100.0	100.0	100.0	100.0	120.0	140.0	150.0	160.0	1.44
Shares outstanding (thousands)	173,758	173,758	173,758	173,758	173,758	173,758	173,758	173,758	173,758	173,758	173,758	-
Number of shareholders	63,479	66,032	59,059	65,321	49,234	55,009	55,009	35,014	37,694	29,742	35,847	-
Total assets	558,258	624,992	653,961	651,908	740,949	781,352	783,583	855,433	825,905	879,899	937,796	8,461,572
Equity attributable to owners of the parent company	357,839	386,664	417,606	433,541	488,179	523,391	521,385	612,016	614,425	653,772	693,278	6,255,328
Ratio of profit attributable to owners of the parent company to total assets (ROA)	0.0%	6.4%	8.7%	4.8%	6.3%	6.7%	6.8%	9.5%	9.7%	7.4%	9.6%	-
Return on equity attributable to owners of the parent company (ROE)	0.1%	10.1%	13.9%	7.3%	9.5%	10.1%	10.5%	13.7%	13.3%	10.0%	13.0%	-
Ratio of equity attributable to owners of the parent company to total assets	64.1%	61.9%	63.9%	66.5%	65.9%	67.0%	66.5%	71.5%	74.4%	74.3%	73.9%	-
Capital investment	55,926	37,147	26,882	33,758	49,807	75,814	75,814	56,721	60,420	36,538	47,193	425,814
Depreciation cost	50,556	44,810	39,940	36,806	36,467	43,188	43,223	45,662	48,537	48,556	49,283	444,672
R&D expenses	21,716	20,876	21,949	25,003	27,573	28,573	28,444	28,240	32,120	30,366	31,243	281,900
Number of employees (Note 1)	28,640	31,288	33,192	32,198	30,382	31,504	31,504	31,997	30,007	29,617	29,704	-

Contributing to Local Communities

Bringing Smiles to Children's Faces at Nitto ATP Finals

During the Nitto ATP Finals, which were held at London's The O2 Arena from the 12th to the 19th of November, the Nitto Group organized a variety of charitable activities. Through these activities, we hoped to bring to life our mission of "bringing smiles on the faces of the children."

We donated mascot spaces to the United Nations Children's Fund (UNICEF) which gave children the opportunity to walk on court with their tennis heroes. Through the support of spectators at the event, we also raised over £3,800 for UNICEF. Further to these activities, Nitto made a £30,000 donation to UNICEF, split evenly across two of their programs; Water, Sanitation and Hygiene (WASH) that aims to ensure that all children have the right to clean water and basic sanitation; and Health where UNICEF envisions a world where no child dies from a preventable disease and that all children reach their full potential in health and well-being.

Through the British children's hospital Great Ormond Street Hospital and the children's cancer charity CLIC Sargent, we



Raising funds at the venue



Special gifts

invited young patients battling serious diseases and their family members to enjoy the Nitto ATP Finals as our VIP guests. The 57 invitees all thoroughly enjoyed watching the exciting matches and their faces beamed with smiles as they were presented with special gifts which included premium Nitto Group products. As a special surprise, they were also individually greeted by the players and left the arena with personal words of encouragement from them.

Donations to the Earthquake Victims in Mexico

The two severe earthquakes that hit Central Mexico in September 2017 claimed many lives and caused extensive damage. In the wake of these disasters, employees at Nitto Denko Automotiva de Mexico S. de R.L. de C.V. and Nitto Denko de Mexico S. de R.L. de C.V. made appeals for contributions. The funds that they raised were used to purchase water, preserved food, toilet paper, diapers, and other relief supplies, which were donated via the Mexican Red Cross together with 2,000 U.S. dollars gifted by the companies.



Supporting a Turkish Autism Foundation

In December 2017, members of Nitto Bento Bantçilik visited the Tohum Autism Foundation to present gifts to the children there and also donated 950 euro. The Foundation was established with the purpose of raising public awareness of autism and leading and disseminating early diagnosis and education services for autistic children. In January 2018, Nitto Bento Bantçilik organized in-house training to help its members to deepen their understanding of the condition. The company remains committed to continuing such education for employees and supporting the Foundation.

Christmas Meals for Homeless in the U.K.

For a few weeks leading up to Christmas of 2017, Nitto Denko U.K. Ltd. (NUK) set up a table in its canteen to

collect foodbank donations. Staff members were asked to donate any unwanted non-perishable food items from their kitchens, such as pasta and tinned foods, and ten boxes full of food were delivered to the Bridge Street Methodist Church in NUK's hometown of Mansfield. The Church runs a soup kitchen to help feed the homeless and less fortunate, and later sent a letter of thanks to NUK.



Promotion of Education / International Interaction

Children in California Filtering Water

On March 29, 2017, the annual Children's Water Education Festival was held at the University of California, Irvine, which provided an opportunity for children to learn about the importance of water. Hydranautics provided filtering devices using its products. Through presentations by engineering staff members and water filtration trials, children came to know the wonders of membranes.



Taiwanese Inspection Group Visits Japan to Learn about MFCA

The Nitto Group was the first in Japan to introduce material flow cost accounting (MFCA) on a trial basis, and we have long been instrumental in spreading this management tool. As such, we welcome visitors from within Japan and abroad every year.

On March 28, 2017, about a dozen individuals, including representatives from the MFCA Forum Taiwan Branch, paid a visit to Nitto Ibaraki Office. The visit not only helped them to deepen their understanding of MFCA in Japan, but also provided us with an excellent opportunity to learn about what they do in Taiwan.



Supporting Sports

Monetary Donations to the 2018 National Sports Festivals* in Fukui, Japan

Nitto Shinko Corporation donated one million yen to the 73rd National Sports Festival and 18th National Sports Festival for People with Disabilities*, which will be organized in its home prefecture of Fukui in autumn 2018. For their efforts, they received a letter of gratitude from the Fukui Prefectural Government. The donated money will be used to operate the National Sports Festival for People with Disabilities and build barrier-free infrastructures.

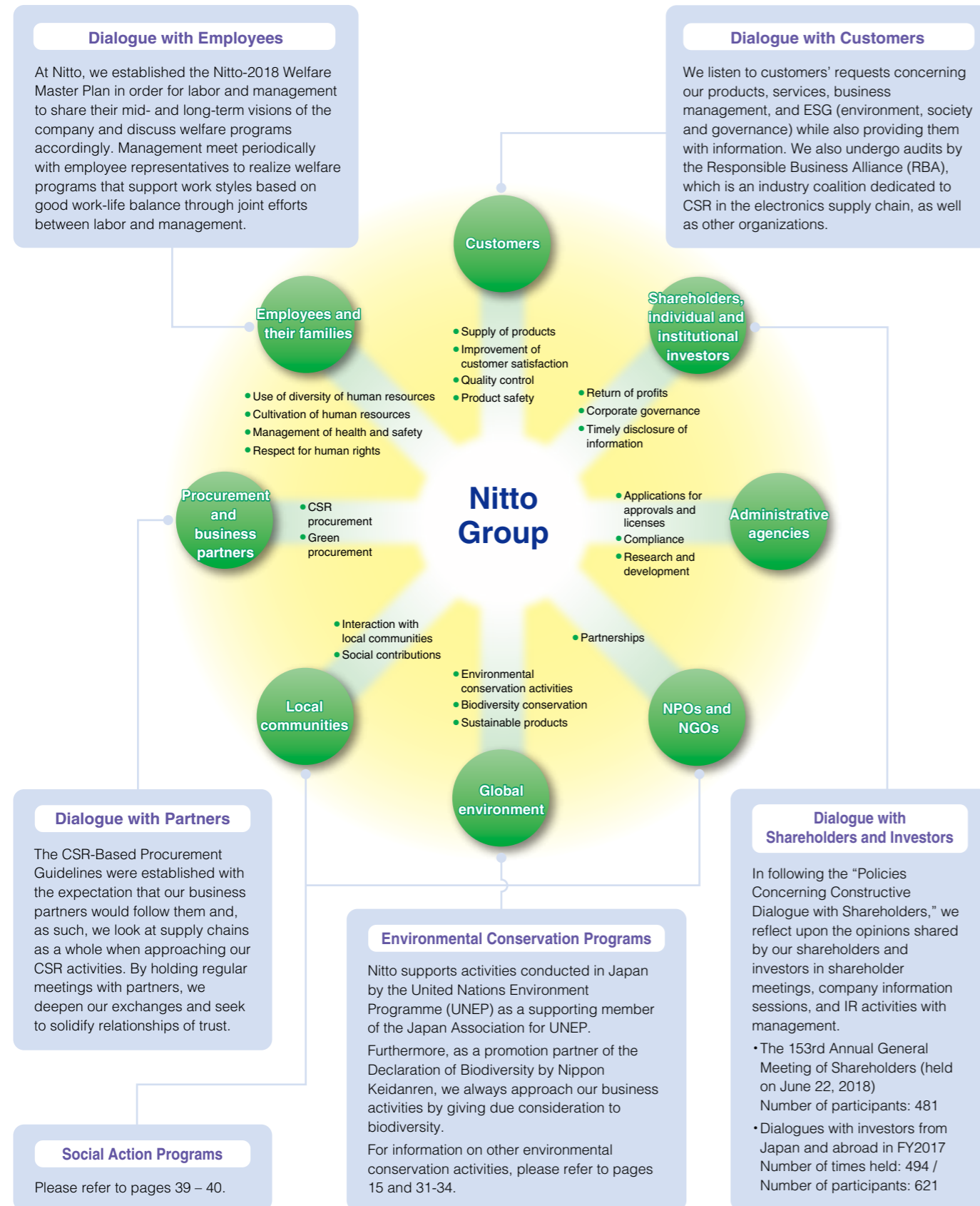
* Japan's largest national sports events
The annual National Sports Festival began in 1946, and the event for individuals with disabilities has been organized in conjunction with the Festival since 2001. Each prefecture takes turns to host these events.



Fukui Governor Issei Nishikawa (center) and Nitto Shinko President Yasuyuki Aizawa (right)

Relationships with Stakeholders

The Nitto Group engages with our stakeholders through various activities. We have developed alongside those stakeholders by establishing face-to-face relationships as much as possible, aggregating their opinions, and repeatedly feeding them back to our business activities.



Disclaimer

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

About Business Performance and Financial Information

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

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About Environmental Data

For the sake of accuracy, figures from fiscal 2016 have been partially altered.

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Nitto Denko Corp. has been reconfirmed for inclusion in the Ethibel EXCELLENCE Investment Register since 30/06/2017. This selection by Forum ETHIBEL (www.forumethibel.org) indicates that the company performs better than average in its sector in terms of Corporate Social Responsibility (CSR).

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