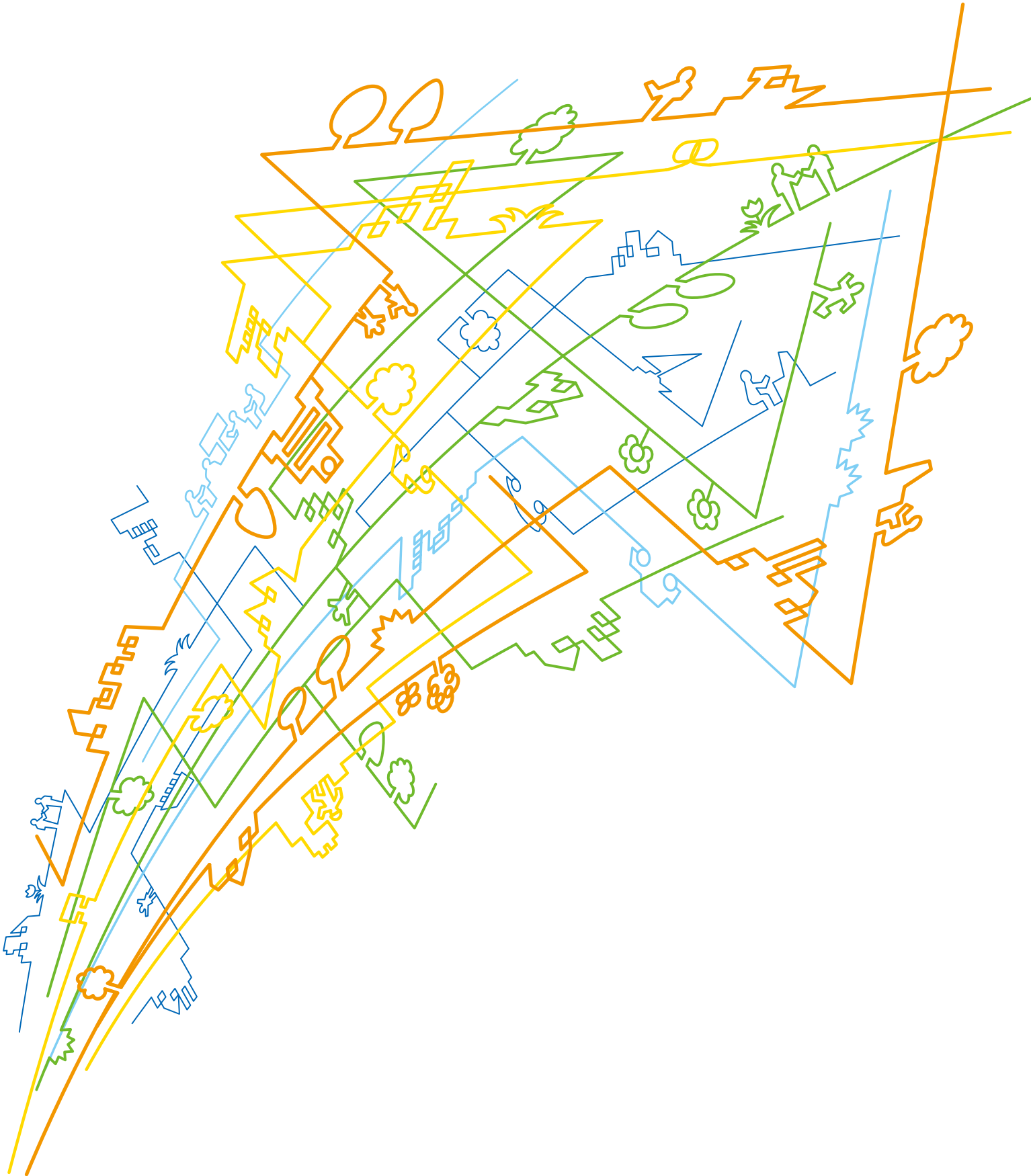
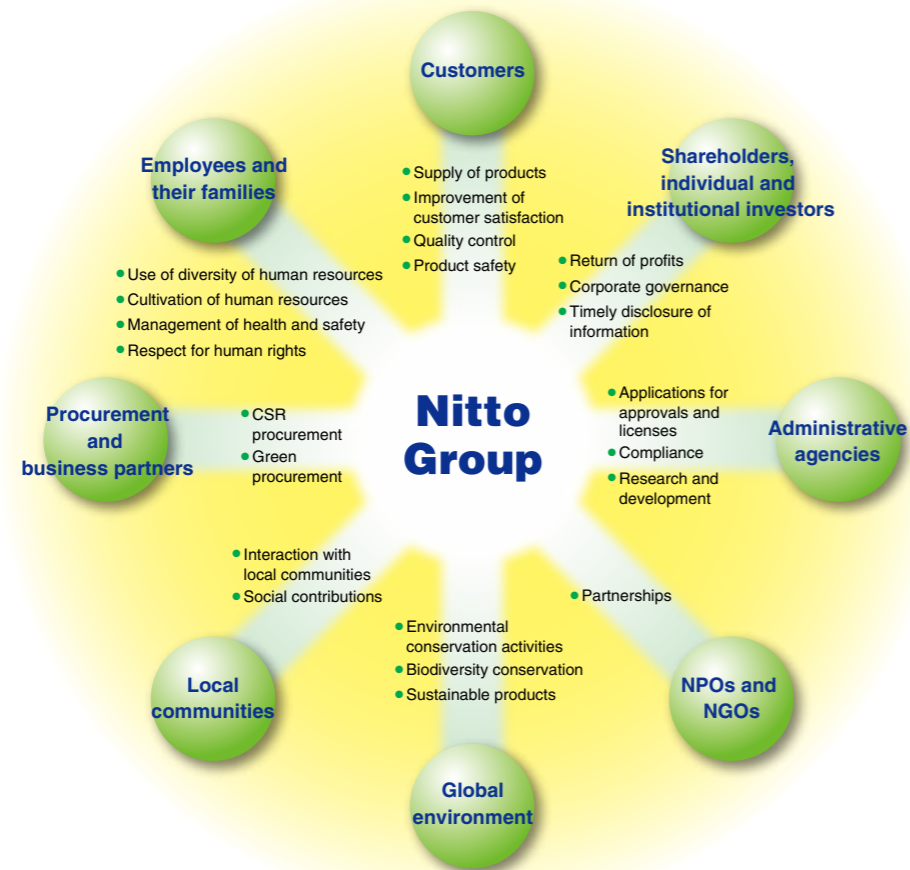


Nitto

Nitto Group Report 2015



The Nitto Group engages with our stakeholders through various activities.



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Corporate Philosophy



The Nitto Way Concrete Thoughts and Actions

- Place safety before everything else**

 - Achieve zero accidents and injuries.
 - Establish a safe and healthy workplace for all employees.
- Amaze and inspire our customers**

 - Have customers say, "This is exactly what we wanted."
 - Work with customers to create new values for society.
 - Start with customer satisfaction and translate that into prosperity for all stakeholders.
- Anticipate and leverage change**

 - Stay at the frontlines where we can 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 always take a bold step forward.
- Act promptly, and once a decision has been made, be determined to carry it through to completion**

 - 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.
 - Make a daily effort to ensure frank and open communication beyond organizational boundaries and hierarchies.
- Transform ourselves constantly**

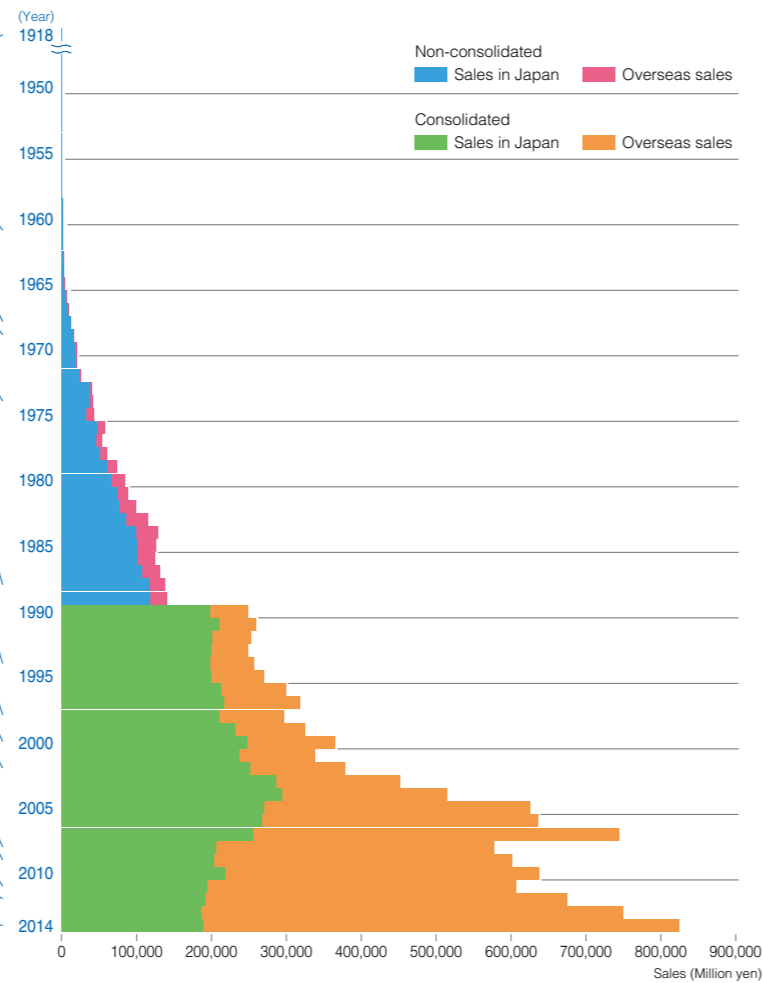
 - Anticipate challenges, implement reforms, and bring about growth in the spirit of Mu-Gen-Dai.
 - Keep on changing ourselves, seeing ongoing change as a starting point for growth.
 - Continue to challenge ourselves and the future, with the conviction that changes in individuals lead to growth of the entire organization.
- Have an attitude of integrity, and understand and respect diversity**

 - Take integrity as a starting point for action, and strive to build relationships of "respect and trust" with stakeholders.
 - Recognize the diversity of our global team, and accept and respect others.

History of the Nitto Group

- Nitto Electric Industrial Co., Ltd. formed in Osaka, Tokyo, to produce electrical insulating materials in Japan.
- Company opens its first overseas office in New York.
- Company forms Nitto Denko America, Inc.
- Company forms Nitto Denko Taiwan, its first overseas manufacturing base.
- Company forms Nitto Belgium NV. (now called Nitto Europe NV.)
- Company acquires Hydranautics of the U.S.
- Company forms Nitto Denko Materials Malaysia.
- Company forms Nitto Denko (Shanghai Pu Dong New Area) Co., Ltd.
- Company forms Nitto Denko Material (Thailand) Co., Ltd.
- Company forms P.T. Nitto Materials Indonesia.
- Company forms Nitto Denko Vietnam Co., Ltd.
- Company forms Korea Nitto Optical Co., Ltd.
- Company forms Nitto Denko America Latina in Brazil.
- Company forms Nitto Denko (Philippines) Corp.
- Company forms Nitto Denko Asia Technical Center in Singapore.
- Company forms Nitto Denko India Private, Ltd.
- Company acquires Avecia Biotechnology, Inc. of the U.S.
- Company acquires Bento of Turkey.
- Company forms Nitto Denko Europe Technical Centre Sarl. in Switzerland.
- Company forms Nitto (Qingdao) Technology Research Institute, Co., Ltd.

Sales Trends



Business fields and major products

Automotive and Transportation Equipment

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



Housing and Housing Equipment

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



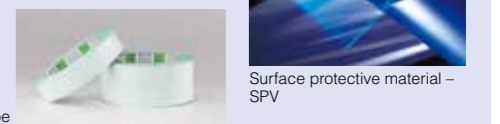
Infrastructure

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



Materials

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



Home Appliance and Electrical Industries

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



Displays

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



Electronic Devices

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



Medical Industry

Our products are used to create medical products such as those applied with adhesives gentle on the human body and help with the prevention and treatment of disease and injury.



Packaging Industry

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



Consumer Products

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

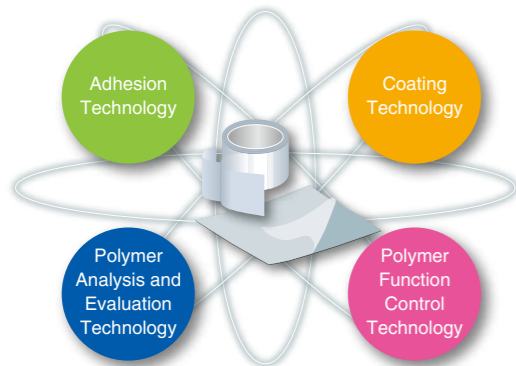


Strengths of the Nitto Group

Combined strength of technologies

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

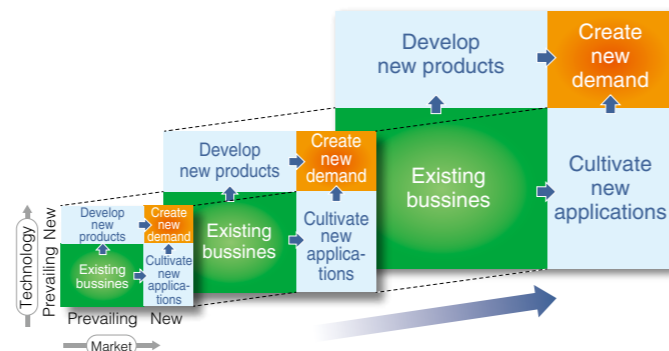
By combining these technologies, we have created a diversity of products adding value to sheeting and film.



Sanshin Katsudo (Three New Activities)

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

The Nitto Group has grown through such activities, what we call *Sanshin Katsudo*.



FY2014 Highlights

Revenue	825,243 million yen
Operating Income	106,734 million yen
Income before Income Taxes	105,947 million yen
Net Income	78,028 million yen
R&D Expenses	28,240 million yen
Capital Investment	56,721 million yen
Depreciation Cost	45,662 million yen

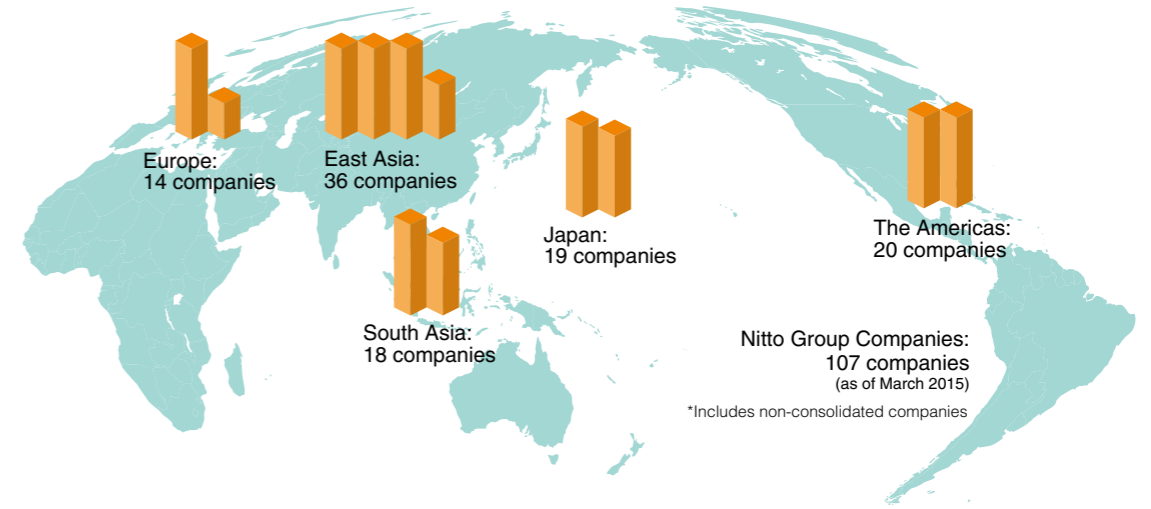
Total Assets	855,433 million yen
Equity Attributable to Owners of the Parent Company	612,016 million yen
ROE	13.7%

Amount per Share

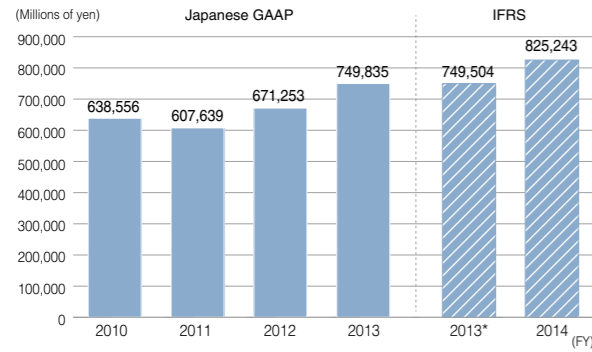
Basic Earnings per Share	471.8 yen
Dividends per Share	120 yen

Regional Breakdown of Revenue

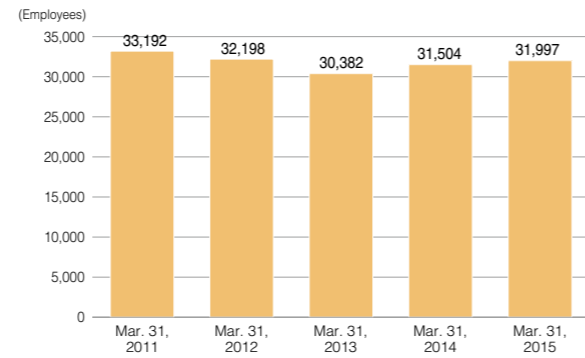
Japan	189,779 million yen
The Americas	59,451 million yen
Europe	43,041 million yen
Asia & Oceania	532,971 million yen



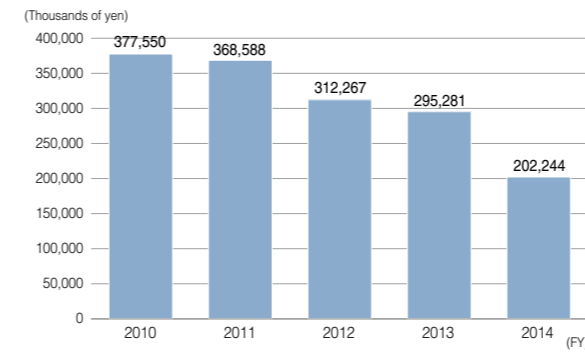
Revenue



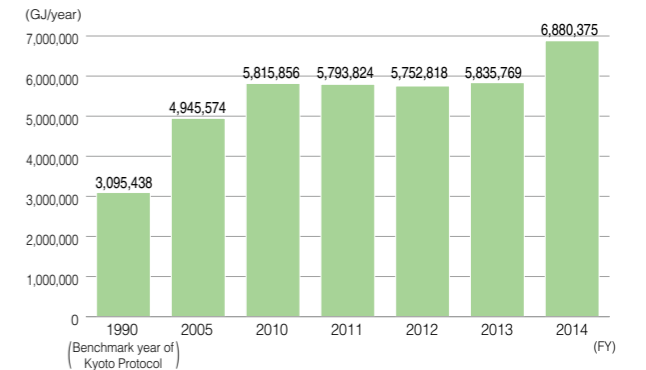
Number of Employees



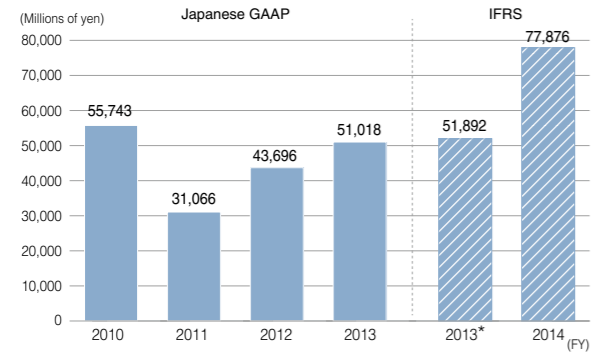
Total Amount Donated (non-consolidated)



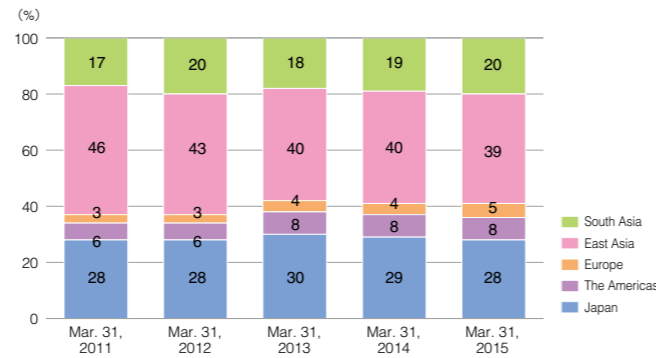
Fossil Fuels Used



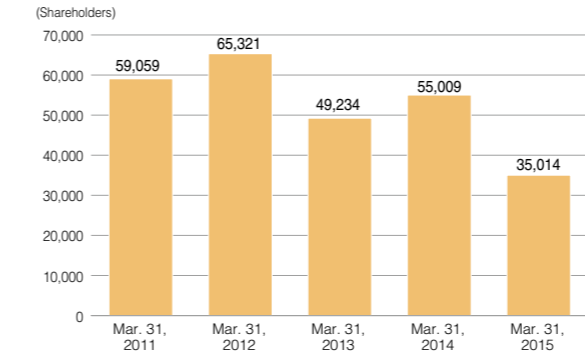
Net Income Attributable to Owners of the Parent Company



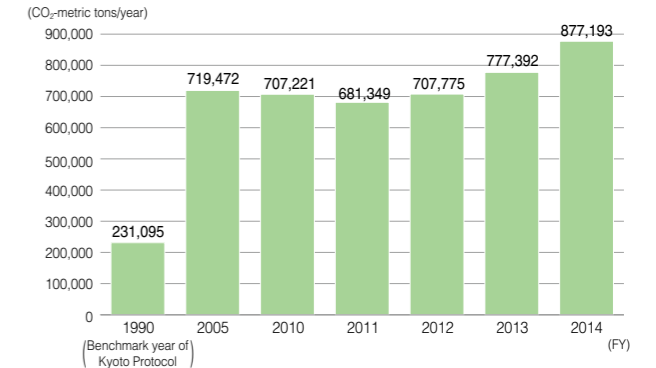
Breakdown of Employees by Region



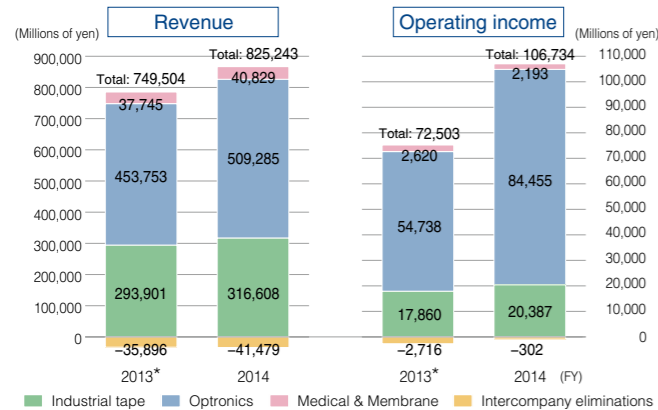
Number of Shareholders (non-consolidated)



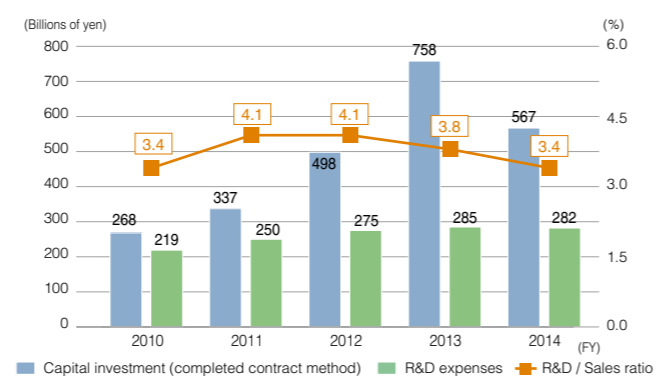
CO₂ Emissions



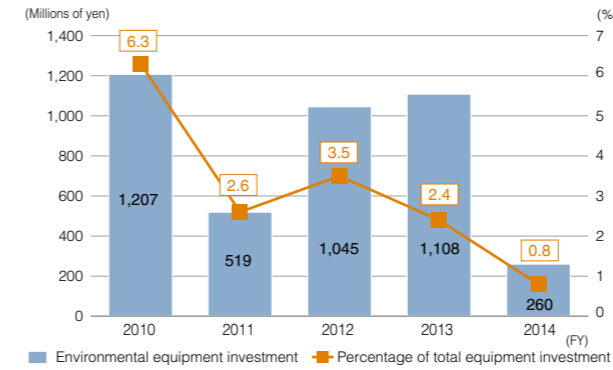
Business Performance of Each Segment



Capital Investment and R&D Expenses



Environmental Equipment Investment (non-consolidated)



* Data for sales, net income and business performance of each segment in fiscal 2013 are presented according to IFRS.



On behalf of the Nitto Group, I would like to express my appreciation for the understanding and patronage that the Nitto Group continues to receive from our shareholders, investors, customers, business partners and local communities. This report will outline our fiscal 2014 activities and present our key policies for fiscal 2015.

Business Summary of Fiscal 2014

Throughout fiscal 2014, the U.S. economy remained strong, in line with a recovery in corporate performance, growth in consumer spending and improvement in the employment environment, while the European and Chinese economies remained on a mild recovery path. In Japan, the economy showed signs of recovery, including improvement in corporate profits and expansion in capital investment, in spite of the deceleration in consumer spending after the spike in demand before the consumption tax hike.

The Nitto Group adopted the brand slogan "Innovation for Customers," signaling that we always make our customers a primary consideration and continue to create new things, engaging in structural reform and the creation of new business in a rapidly-changing environment. In our staple electronics business, we contributed to new value in the smartphone market with thin new optical film of information fine materials.

In automobile materials, a marketing activity known as *Sanshin Katsudo* (three new activities), which advances three "new" (exploitation of new applications, new product development and creation of new demand), showed successful results globally. In medical materials, promising mid- and long-term growth, clinical trials of a drug for liver cirrhosis using a molecular targeting drug delivery system, began in the U.S. in September 2014, as part of a steady effort to release a new anti-fibrosis drug.

Overall, sales (revenue) increased by 10.1% to 825.2 billion yen and operating income increased 47.2% to 106.7 billion yen, when compared to fiscal 2013. In fiscal 2014, we adopted International Financial Reporting Standards (IFRS). As a result, the standard is different from that of past years. That notwithstanding, both sales and operating income achieved new highs, exceeding sales of 749.5 billion yen in fiscal 2013 and operating income of 89.2 billion yen in fiscal 2005.

Approaches for Fiscal 2015

As for global economic forecasts for fiscal 2015, capital expenditure in the Japanese economy is forecast to expand. However, we find the economies of some countries

facing uncertainty, with anxiety about a decelerating U.S. economy, geopolitical instability in parts of Europe and decelerating growth in China.

In such circumstances, the Nitto Group will strengthen its growth strategy by developing ample business in the "Green" (environmental concerns), "Clean" (new energy) and "Fine" (life sciences) domains, while maximizing sales profits in existing fields and developing new businesses.

As for products for the electronics industry, we aim to make our thin polarizing films for smartphones and televisions the de facto standard, in parallel with achieving satisfactory results in wearable terminals, a market showing promise for the future. In printed circuits, we will supply fine-pitch circuit products, which is our forte, and will respond to such needs as high-volume hard disk drives (HDD) and super-fine definition panels for smartphones.

In our industrial tapes, we will firmly respond to demand for products for the automobile industry a market which is expanding in Europe and the U.S. In particular, in the auto-electronics field, we will consider providing new value, taking advantage of our technologies which we have cultivated in the electronics field.

As for our Area Niche Top® strategy, which aims to seize a leading market share in growing countries and areas by responding to change, we will launch new themes, with a steady stream of new products such as materials for disposable diapers from Turkey and for aircraft from the U.S.

In our medical and membrane businesses, we will expand by advancing our entry into new fields, while strengthening our business base. In particular, in the medical industry, we will focus on business expansion of contract oligonucleotide synthesis in both Japan and the U.S.

In fiscal 2015, we aim to achieve 870 billion yen in sales (revenue) and 120 billion yen in operating income, at an exchange rate of 118 yen to the US dollar.

Mid-term Management Plan

From fiscal 2015, we have drawn up a three-year mid-term management plan, Nitto-2017. In order to achieve 1,000 billion yen in sales and 135 billion yen in operating income in fiscal 2017, we will launch a new challenge. Nitto will celebrate its 100th anniversary in October 2018. We aim to achieve 1,000 billion yen in sales in fiscal 2017 (ending March 2018) before celebrating our anniversary.

In Nitto-2017, we focus our attention on three challenges.

The first challenge is business growth. In line with maximizing sales and profits in existing business fields, we will expand products befitting our Area Niche Top® strategy. In the Green, Clean and Fine domains, we will continue to advance new themes, sharpening our *Tajiku* (new business) Creation strategy. In order to support this growth strategy, we will make 200 billion yen in capital investment and 150 billion yen in strategic investment for M&As (mergers and acquisitions) and environmental measures, collectively 350 billion yen in three years, aiming at sustainable growth with aggressive and timely investment plans.

The second challenge is qualitative enhancement. Under our basic philosophy, "Place safety before everything else", we will tackle qualitative enhancement consistent with business growth. To that end, we will conduct productivity reform in every division and unit. In addition, we will improve corporate value by introducing and properly implementing the Corporate Governance Code, which will be applied in Japan from fiscal 2015. We will aim to be a corporation satisfying every stakeholder in future years.

The third challenge is HR development. In order for the Nitto Group to continue to develop throughout the world, not only an ability to succeed in business, but also having human resources understanding Nitto's corporate values and corporate culture and contributing to creating customer value will be necessary. With educational programs such as Nitto Global Business Academy (NGBA), we will cultivate human resources capable of becoming next-generation leaders, regardless of nationality or gender. We aim to be a corporation in which a variety of human resources are active, each performing to the best of his or her ability, throughout the world.

Profit Allotment Policy

The Nitto Group considers the return of profits to our stakeholders to be of the highest priority. As a corporation, it is imperative that we make positive prior investments in the fields of research and development and production. When determining cash allotments, we comprehensively assess the financial standing of our accounts, profit levels and dividend payouts.

The year-end dividend for fiscal 2014 was 65 yen per share, whilst the annual dividend per share was 120 yen, a 20-yen increase in dividends over fiscal 2013, in accordance with our achieving a record-high profit level. The forthcoming annual dividend is projected to be 130 yen, a 10-yen increase from fiscal 2013 and in line with comprehensive calculations regarding future profits and business investment.

Corporate Social Responsibility

The Nitto Group aims to be a centenarian company, enjoying sustained growth into the future and the trust of society.

The primary mission of companies in general is to contribute to society and the global environment through business performance. Companies are also required to provide value to each of their stakeholders. They should, of course, act according to rules and corporate ethics.

I consider that honest actions by individuals engaged in the Nitto Group are precisely the essential elements providing such value. I believe that with persistent effort, we will continue to be a company fulfilling our social responsibilities and grow sustainably into the future.

The Nitto Group will continue to make efforts to allocate resources so as to provide our stakeholders with safety and security, fostering a culture in which employees recognize and respect one another's diversity, and to drive our employees to carry out their social responsibilities under our corporate philosophy.

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



H. Takasaki

Hideo Takasaki
Board Member and President,
Nitto Denko Corporation

In the Report posted on July 31, there was an error in the article titled "Business Summary of Fiscal 2014." This error has been corrected.

Basic Policy

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

General policies for all employees to follow in order to function effectively as members of a business enterprise and society are outlined in our Corporate Philosophy and Business Conduct Guidelines. Our corporate philosophy describes "The Nitto Way" in which "attitude and mindset", "values" and "code of conduct" are laid out in statutory form, aiming to put into practice the general policies. In this way, we strive for healthy, transparent governance.

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

Governance System

Directors, Board of Directors, and Corporate Vice Presidents

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

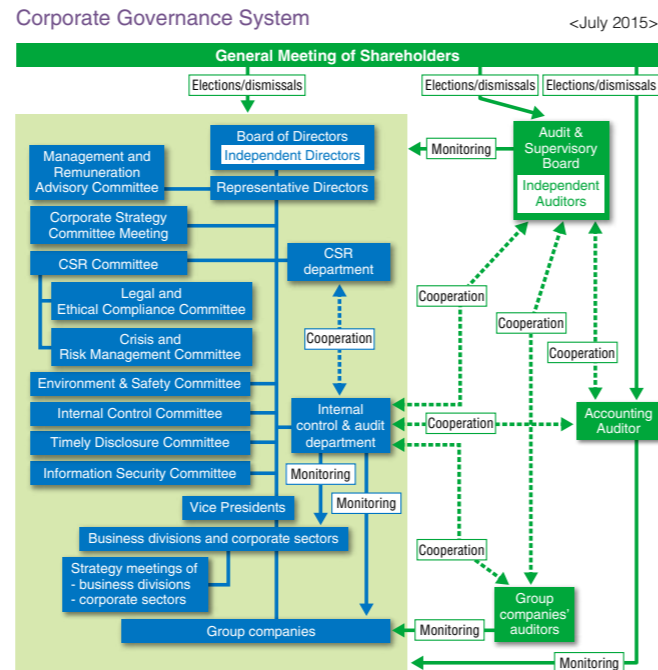
Management and Remuneration Advisory Committee

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

Corporate Auditors and Board of Corporate Auditors

Corporate auditors attend Board of Directors meetings to audit the business affairs of the directors. In addition, their tasks include: attending other important meetings; listening to the activity status of directors, corporate vice presidents and employees; viewing approval papers and other formal documents; inspecting the main office, technology and business divisions, plants and subsidiaries in Japan and overseas; and exchanging opinions and sharing reports

and hearings with accounting auditors.



Audits and Internal Controls

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

Audits (Internal Audits)

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

In addition, QES audits intended for quality, environmental and safety purposes are also conducted in order to ensure the safety of employees, customers and society.

External audits are also conducted periodically.

Internal Controls

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

Risk Management

The Nitto Group has investigated any risk areas that might present as serious concerns to management or business activities. Any potential risk areas have been prioritized and countermeasures aiming for prevention, avoidance, measurement and transformation of incidents have been taken. However, with the global development of our business, we are required to evaluate the risk of labor difficulties, information leaks, law violations, natural disasters, accidents and crime which are unique to each area and each company, and to take measures against such risks.

Since fiscal 2011, in order to enhance risk awareness

among management-level employees, we have been distributing questionnaires on the business risk of forty-two items to more than 2,000 such personnel throughout the whole group every year. With feedback from the questionnaires in CSR workshops for those employees, we discuss the unique risks in each base and group company, linking them to countermeasures. Levels of risk differ according to features of the business and area, and it is in the workshops where each management-level employee clarifies priority issues to be addressed.

As for common risks in the Group, we have established an Information Security Committee and expert committees for product risk management.

Business Continuity Management

Protecting lives and fulfilling our responsibility to supply products

Basic Policy

By following our four basic policies, the Nitto Group performs Business Continuity Management (BCM) with a strong connection between disaster mitigation (disaster prevention and damage minimization) and quick recovery.



BCM System

Each of the procurement (including supply chains),

Centralization of Monitoring System for Prevention and Reduction of Disasters

On October 24, 2014, Nitto Denko Toyohashi Plant set up a Disaster Prevention Center, which intensively monitors what is occurring at each point in the plant at all times and would be a headquarters in case of an emergency. The following week we conducted a training session on the assumption of a major earthquake and confirmed the proper operation of the center.

Furthermore, we have established disaster prevention centers in main bases such as Kameyama Plant, in preparation for a contingency.



Training session at a disaster prevention center

Occupational Safety and Health Policy

We, the Nitto Group, operate our business according to our slogan: "Place safety before everything else." However, we have not always been able to prevent accidents and injuries from occurring. In order to overcome this situation, we revised our Occupational Safety and Health Policy in September 2014. With our strong belief that "Our goal is to achieve zero accidents and injuries," we are redoubling safety activities throughout the whole Group.

At the same time, as criteria for our various safety activities, which every employee implements, we have established Safety Principles. We firmly believe that we will be able to change the safety culture of the Nitto Group through conducting ourselves in conformity with those principles.

Occupational Safety and Health Policy

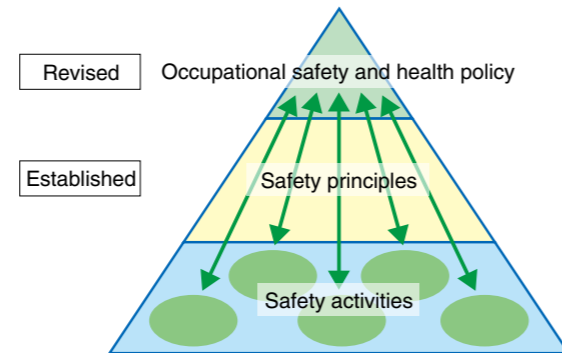
Our goal is to achieve zero accidents and injuries

Under the slogan "Place Safety Before Everything else".

The Nitto Group will work together to firmly establish a safe and healthy work place for all employees by observing company rules.

In order to realize our policy of "Zero-Accidents and Injuries", we will carry out the following safety principles.

- We have a strong belief that all accidents are preventable.
- We will always consider the consequences of unsafe behaviors and visualize any potential hazards.
- The first priority is to take accident prevention measures.
- We will make continual efforts to improve our ability to identify risks.
- We will establish behavior in the workplace so that safety and peace of mind are the primary considerations.
- We will always take actions to avoid risks.



Safety promotion poster (English version)



Japanese version



Chinese version

In order for our occupational safety and health policy and safety principles to be understood by all employees in the Nitto Group, we are implementing informative activities by distributing handheld cards and putting up safety promotion posters.

Occurrence of Accidents

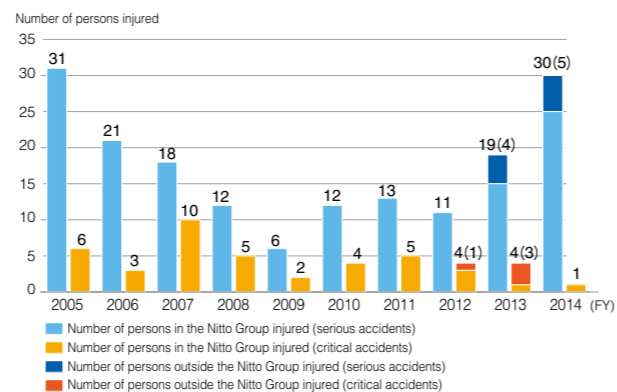
As a result of our belief that "Our goal is to achieve zero accidents and injuries" and by addressing approaches to safety, the number of persons injured in critical accidents has declined. However, the number of persons injured in serious accidents which might become critical accidents, has increased.

In the future, we will promote strengthening of our safety measures for serious accidents.

Since 2012, we have addressed safety approaches involving all of our contractors and concerned parties outside the Nitto Group.

Critical accident: Accidents causing permanent disability
 Serious accident: Accidents which could have caused permanent disability

Number of persons injured in critical accidents and serious accidents



Furthermore, at a safety session of GIW* held on October 25, 2014, Hideo Takasaki, CEO of Nitto Denko Corporation, announced and signed safety commitments to "Have a strong belief in zero accidents" and "Practice proactive safety activities." Every one of the ninety executive officers of the Group companies who participated in the session pledged implementation of the safety commitments.



CEO Hideo Takasaki signs off on the safety commitments

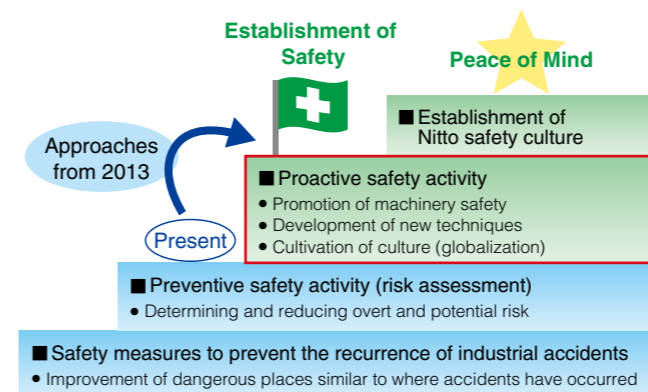
* GIW (Global Innovation Week): an intensive week of conventions and events recognizing the 100th anniversary of the founding of the Group in 2018.

Proactive Safety Activities

Since fiscal 2013, we have undertaken proactive safety activities in order to ensure safety in our workplaces. Proactive safety activities are to pre-empt risk, thereby eliminating the causes of accidents. The Nitto Group is strengthening protective measures through focusing on following three aspects.

Promoting machinery safety

We established "Group Regulations on Equipment Safety-Basic Concepts", based on international standards as our fundamental policies on safety design, in fiscal 2013, taking measures to reduce hazards at the equipment design stage. In fiscal 2014, we began establishing design



standards and specifications for every machine, according to these basic concepts. In addition, we are reconstructing our system of pre-installation inspections of machinery and undertaking a review of our operational structure.

Development of new technologies

We are currently implementing reduction of hazards by developing new technologies for manufacturing processes. We are also taking measures at the construction stage of the production process. Specifically, with the aim of preventing a recurrence of the fire that occurred in the cleaning of a polymerization tank, we are exploring polymerization procedures which do not require the cleaning of polymerization tanks after polymerization processes using adhesives.

Fostering a safety-first culture

In order to foster a safety-first culture, we are implementing activities to have our occupational safety and health policy and safety principles understood by all employees. We have conducted experience-based safety training for all employees in Japan since fiscal 2005. Employees learn what kind of hazards may occur through simulated experience during this training, thereby fostering improvement of safety awareness among inexperienced employees with a lack of understanding of those hazards.

In fiscal 2014, we developed such activities overseas, introducing a transportable trailer for experience-based safety training to China and conducted training for 8,000 employees in sixteen manufacturing bases.

In fiscal 2015, we will develop our activities further through not only super-adding a trailer in China, but also constructing rooms for experience-based safety training in Taiwan and South Asia.



A trailer for experience-based safety training



Participants experience hazards in the safety training trailer

Human Resources are our most important asset. We support activities by a variety of human resources.

The Nitto Group undertakes business in the growing and changing global marketplace by promoting Global Niche Top® and Area Niche Top® strategies. Overseas regions now account for more than 70% of our sales and employees. Under such circumstances, we place much value on diversity, developing measures aimed at allowing a variety of human resources, irrespective of nationality or gender, to play active roles.

Employment

Human resources carrying the future of the Nitto Group are asked to play more active roles than ever, from a global standpoint. We promote employment without distinguishing according to nationality or gender, aiming to grow further by utilizing our human resources to their maximum abilities.

There are a variety of new employees recruited by Nitto Headquarters. Over the past four years, twenty-five non-Japanese nationals have joined Nitto and are now playing active roles within the company. We continue to make positive efforts to recruit more female employees. In fiscal 2015, female employees comprised 30% of the total recruited by Nitto Headquarters.

Promoting Women to Play Active Roles

Fourteen percent of management-level employees in the Nitto Group are women, a figure which is increasing with each passing year. Women are able to play active roles in an increasing number of positions. However, there are noticeable differences among areas. In Japan, we are

Participating in Inter-industry Exchange for Women in Sales

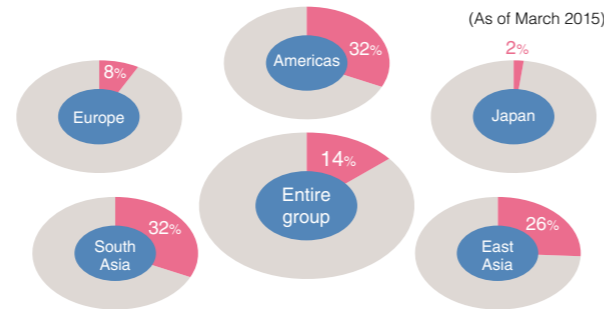
Seven companies, including Nitto, in which the number of women working in sales is low, cooperate in holding exchange meetings. In the meetings, participants foster a better understanding of the appeal of sales work, expectations from the environment and how to succeed in their roles and manage life events. The meetings are useful for participants, both allowing them to acquire the know-how of working with people with different values and enhancing their motivation for work.



A forum held in Tokyo, February 2015

working to make workplaces more comfortable for women, expanding the child support system, for example, and aiming to double the percentage of female management-level employees from the present 2% to 4% in fiscal 2018.

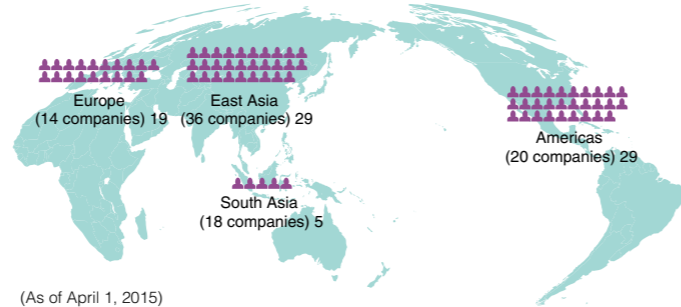
Ratio of female management-level employees by area



Diversity of Executive Officers

In each company of the Nitto Group, non-Japanese executive officers play active roles. In Nitto Denko (non-consolidated), three non-Japanese nationals occupied executive officer positions as of June 19, 2015. In the future, we will actively recruit capable human resources, irrespective of nationality, to create a solid pool of executive officers globally.

Total number of non-Japanese executive officers by area



(As of April 1, 2015)

Participation in Breastfeeding Enlightenment Campaign in China

In May 2014, Nitto Denko (Xiamen) was registered as an organization in the 10m² of Love campaign. Anxious about declining breastfeeding rates in China, the National Center for Women and Children's Health (under the Chinese Center for Disease Control and Prevention) and the United Nations Children's Fund (UNICEF) jointly launched the campaign, which aims to boost awareness of breastfeeding and to encourage the location of breastfeeding rooms in workplaces and public facilities. Nitto Denko (Xiamen) strives to provide an environment in which women can play active roles, establishing breastfeeding rooms in conformity with international standards and putting up posters encouraging breastfeeding.

Cultivation of Human Resources

In response to globalization of management, we launched Nitto Global Business Academy (NGBA) in fiscal 2011, aiming to foster future C-Level executives from a global standpoint. Every year, selected employees participate in NGBA sessions.

NGBA is an educational system composed of the following four streams:

(1) NGBA-E (Executive Course), developing future C-Level executives;

(2) NGBA-A (Advanced Course), developing future leaders in each region and business sector;

(3) NGBA-F (Future Course), developing the next generation of globally-active leaders; and

(4) NGBA-C (Challenge Course), a stimulating course for ambitious young employees

Selected employees from across the whole group participate in NGBA-E and NGBA-A, in English. By engaging in heated debates, participants are able to cultivate the ability to deal with management issues, thus developing into Nitto Persons, able to play active roles globally.

NGBA System of Selective Education



Number of NGBA participants in fiscal 2014

Course	Purpose	Number of participants	Nation of origin	
NGBA-E	Development of future C-Level executives	8	Belgium, U.S.A., Japan	Twenty (including twelve non-Japanese) have finished the course so far, one of them a woman
NGBA-A	Development of future leaders in each region and business sector	18	Taiwan, U.S.A., Hong Kong, Belgium, Korea, Singapore, China, Philippines, Japan	Sixty-seven (including forty-one non-Japanese) have finished the course so far, three of them women
NGBA-F	Development of the next generation of globally-active leaders	10	Japan	One woman out of total participants in 2014
NGBA-C	A stimulating course for ambitious young employees	16	Japan	Four women out of total participants in 2014

Furthermore, we have established NCS (Nitto Group Cultivation System) as the basic level of education for newcomers to the Nitto Group. NCS consists of the following six themes, and is administered in each group company.

Safety	5S	Quality	CSR	Environment	Corporate Philosophy
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NGBA-A lecture at Singapore Management University

Compliance and Human Rights Enlightenment Activities

We pursue a concept of compliance not limited to obeying the relevant laws, but one that also adheres to broad societal norms and ethical behavior.

Understanding Compliance Thoroughly

The Nitto Group defines compliance as constantly exercising ethical judgment, not limited to obeying the relevant laws, but also adhering to every societal norm. In order to have our employees understand compliance thoroughly and beyond the mere differences of culture, customs and areas, we translate our Business Conduct Guidelines into sixteen different languages and distribute them to all employees. Furthermore, we educate new employees about respect for human rights and compliance in basic induction courses when entering our companies.

In addition, we hold CSR workshops for management-level employees every year to enable each of them to implement compliance as leaders. In fiscal 2014, the workshops were held a total of 166 times in nineteen countries, with 2,290 management-level employees participating in them.



CSR workshop in Viet Nam

Human Rights Enlightenment in Nitto Sales and Marketing Bases

We have regularly conducted sessions on human rights in all sales and marketing bases in Nitto since fiscal 2012. In fiscal 2014, 532 employees participated in a total of twenty-seven sessions. Using educational materials such as DVDs, participants cultivated understanding of human rights and learned the art of communication while showing respect towards others through participating in group debates.



Group debate, Nagoya Sales Branch, November 17, 2014

Reporting and Counseling System on Corporate Ethics

To facilitate the early detection of violations of the law and ethics issues, we have an independent reporting system, as well as details in our business conduct guidelines, on a reporting and counseling system that allows employees to contact the CSR Department directly. In fiscal 2014, we received sixteen reports concerning labor disputes, human rights violations and dishonesty through these systems. We settle issues while ensuring the protection of all whistleblowers. There were no issues concerning duty of disclosure under the Commercial Code.

Ban on Child Labor and Forced Labor

The Nitto Group emphasizes the ban on child labor and forced labor in business conduct guidelines and has all group companies understand it. In fiscal 2014, there were no issues with child labor or forced labor.

Human Rights Enlightenment Activities

The Nitto Group supports the Universal Declaration of Human Rights and has established a Nitto Group Basic Policy on Human Rights. We address common issues across the Group, while also addressing issues specific to certain countries and areas.

As an example, in Japan we have participated in Corporate Federation for Dowa and Human Rights Issues, Osaka, since 2004. Furthermore, we have staffed persons in charge in each base and group company under the Nitto Group Central Human Rights Enlightenment Committee and pursue human rights enlightenment.

Human Rights Enlightenment in the U.S.

Seven companies of Nitto Denko Automotive and Nitto Americas each conduct annual human rights training for all employees. For an hour and a half, participants learn about what constitutes discrimination, harassment, violence and bullying in the workplace.

In Nitto Denko America, all employees are obliged to receive on-line education on harassment and bullying, not only on joining the company, but also every two years. In particular, prevention of harassment is emphasized. The program is two hours in length for management-level employees, which is twice as long as that for general employees.

Environmental Conservation Activities

Protecting our planet to pass on to future generations

The Nitto Group is implementing environmental management through two approaches: "minimizing the negative environmental impact of our businesses;" and "providing a positive impact through our products and services."

Protecting Our Planet for Future Generations – The Nitto Group's Environmental Policy

We contribute to the development of a sustainable society by minimizing the negative environmental impact of our businesses and providing a positive impact through our products and services.

Our environmental policy for business activities:

Integrity with a commitment to environmental preservation both locally and globally

- We understand the environmental impact of our business activities over our entire supply chain.
- We continually reduce the environmental impact of our operations.
- We appropriately manage environmentally hazardous substances.
- With gratitude to nature for her blessings, we balance our business activities with the cycle of natural materials
- As part of our social commitment, we make proprietary technologies and information that can benefit the environment publicly available

Helping to create a sustainable society by offering products and services

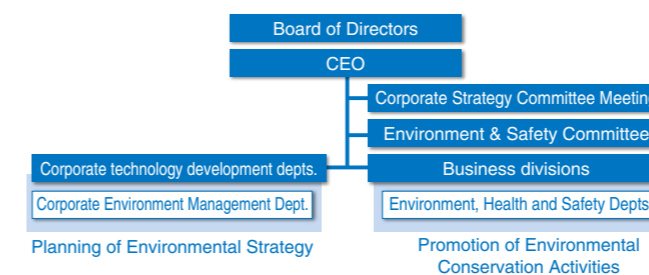
- We develop and provide products and services that help resolve global environmental problems.
- We create products along with our customers to eliminate environmental problems.
- We provide products and services that reduce the environmental impact of our customer's processes.

Compliance with laws in letter and spirit

- We comply with the letter and spirit of environmental laws in all countries where we operate.
- We observe relevant international standards and voluntary regulations.

Environmental Management System

We have an expert team in order to promote environmental



management across the entire Nitto Group. Our policies, visions and goals relating to environmental management are decided in Board of Directors or Corporate Strategy meetings, in which the CEO, COO, CFO and CTO participate. Business divisions play a central role in the activities.

Environmental Impact of Our Business Activities

Features of the Nitto Group's Business Activities

Our production processes are characterized by a large environmental impact caused by the use of organic solvents. In the process of coating film with adhesives, vast amounts of energy to volatilize organic solvents are necessary. Much of the energy that we now use is derived from fossil fuels, which involves the emission of carbon dioxide.

Volatile organic solvents are burned in treatment facilities, rendered harmless and vented to the atmosphere. However, some solvent gases escape into the atmosphere, though the amount is infinitesimal. Furthermore, in the treatment process, burning solvent gases generates carbon dioxide. As carbon dioxide and organic solvents cause climate change and air pollution, we wish to reduce the volume of organic solvents used as much as possible.

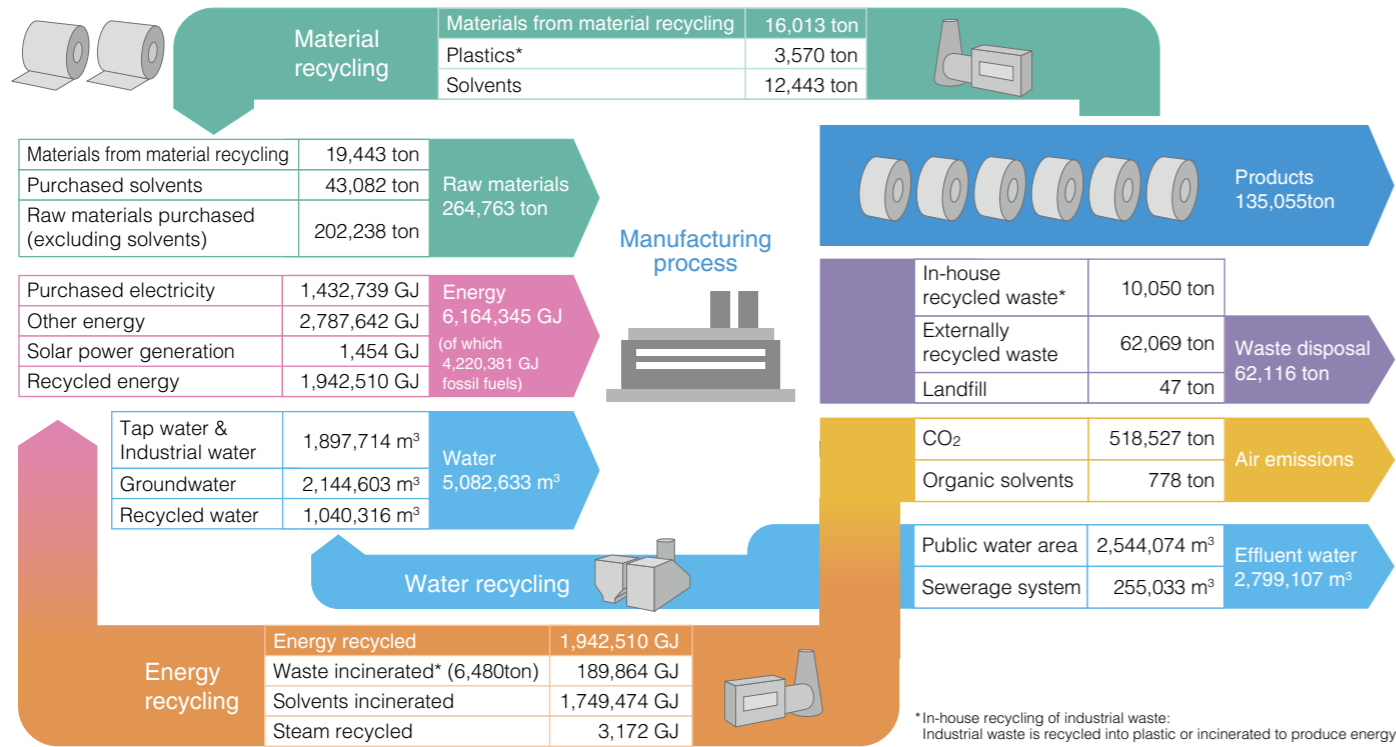
The Three Major Factors in the Environmental Load of the Nitto Group

We have identified not only the use of organic solvents, but also the use of energy and the disposal of industrial waste, which are characteristics of manufacturing, as the three major factors of the environmental load of the Nitto Group, and seek to reduce them.

Three Major Factors in Environmental Load	Approaches to Reduction
Use of Energy	<ul style="list-style-type: none"> • Reduction in energy consumed in production through change of production processes • Promotion of energy-saving activities
Disposal of Industrial Waste	<ul style="list-style-type: none"> • Reduction of loss by utilizing MFCA* methods • Promotion of reuse through separation of waste
Use of Organic Solvents	<ul style="list-style-type: none"> • Development of adhesives without the use of organic solvents • Reduction of amount of organic solvents used through change of production processes

* MFCA (Material Flow Cost Accounting): one method of environmental accounting. By focusing on the loss of raw materials and energy in the production process, we can visualize waste from both physical and monetary sides. Yoshikuni Furukawa, who belongs to Nitto's Sustainability Promotion Group and works in the diffusion of MFCA, had MFCA ISO standardized in 2011

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



Environmental Risks and Opportunities

We consider reduction of environmental impact will lead to prevention of environmental risk and the seizing of opportunities in the market. As listed in "Associated Business Risks" on page 15, supposing that new environmental regulations were introduced, business costs could be adversely affected. Preparing for such laws and regulations, we will seek not only to minimize our environmental impact as much as possible, but to also continue to improve the efficiency of energy and resources, which will lead to increased production efficiency.

In addition, environment- and energy-related markets are expected to continue to expand in the future. As the Nitto Group considers this will present opportunities for us to provide our products and services in such markets, we will engage in the development and provision of sustainable products contributing to environmental conservation.

Providing Products Useful in Solving Global Environmental Problems

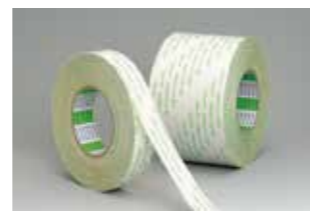
By setting a new theme concerning the growing fields of Green and Clean, we are engaged in research and development aimed at the industrialization of those fields, as well as improving existing business.

Providing Sustainable Products in Our Existing Business

In our existing business, we are also advancing the development and refinement of products contributing to environmental conservation. We will continue to improve products contributing to negative environmental impact in our customers' production processes.



Energy-saving desalination membrane for seawater and brine water



Low-VOC, solvent-free, double-sided tape

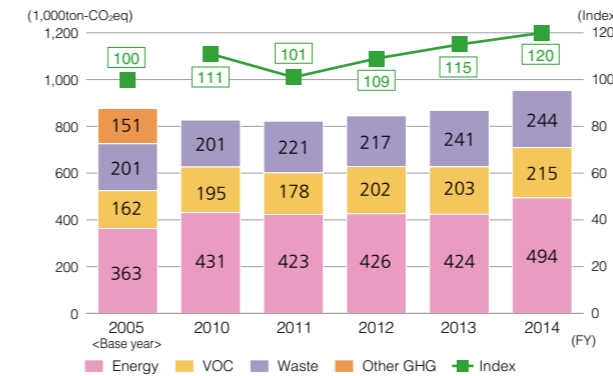
Environmental Management Index

In order to evaluate the environmental management status of the entire Group, we use an Environmental Impact Value-Added Productivity*1 index. The Nitto Group has set fiscal 2005 as the base year and aims to double the index (Index=200) by 2015.

Environmental Impact Value-Added Productivity in fiscal 2014
0.435 million yen/ton-CO₂eq Index*2: 120

In fiscal 2014, the Environmental Impact Value-Added Productivity Index rose to its highest level since the base year of fiscal 2005. This result was achieved because we were able to more than offset an increase in environmental impact (converting energy consumed, industrial waste generated and organic solvents purchased into CO₂ equivalent) in fiscal 2014 with greater added value. However, an index reading of 120 is still substantially short of our target of 200, or a doubling of the index by 2015. More reductions in environmental impact and a greater generation of added value will be necessary.

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



Environmental Impact Value-Added Productivity (consolidated)

FY	2005	2010	2011	2012	2013	2014
Added Value (million yen)	318,098	332,153	300,365	332,860	362,594	414,730
Environmental Impact (ton-CO ₂ eq)	876,846	826,178	822,979	845,349	867,878	952,709
Productivity	0.363	0.402	0.365	0.394	0.418	0.435
Relative Index	100	111	101	109	115	120

*1 Environmental Impact Value-Added Productivity = Added Value (million yen)/Environmental Impact (in CO₂ equivalent)

*2 Index shows variation in Environmental Impact Value-Added Productivity by setting the index at 100 as of fiscal 2005.

Our Approach to Climate Change Issues

Our Policy on Climate Change

We are implementing reductions in CO₂ emissions in conformity with our Environmental Policy: "Integrity with a commitment to environmental preservation both locally and globally."

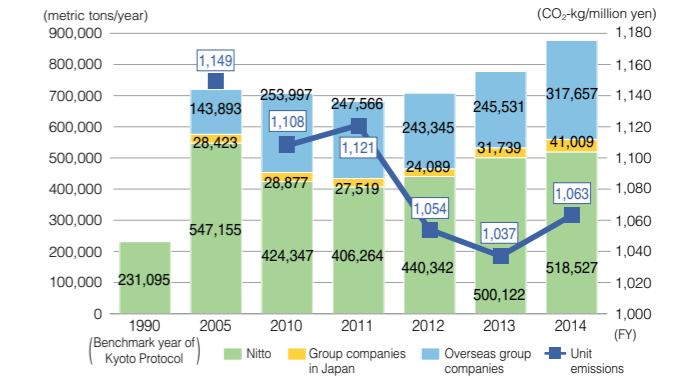
CO₂ Emissions (Scopes 1+2)

Total CO₂ emissions in fiscal 2014:
877,193 metric tons (consolidated)

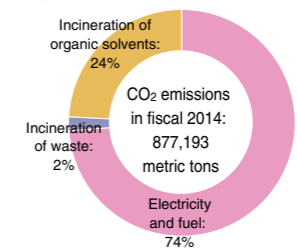
In fiscal 2014, total CO₂ emissions increased. Total CO₂ emissions increased primarily because the amount of energy used, which accounts for 74% of CO₂ emissions, did not decline. In addition, a deterioration in the CO₂ emission factor of purchased electricity, caused by the shutting down of nuclear power plants supplying production bases in Japan, affected the result.

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

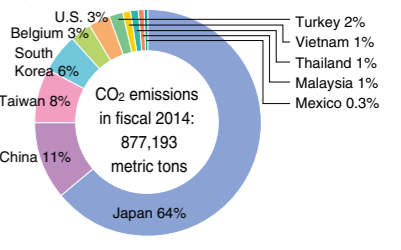
Total and Unit CO₂ Emissions (Scopes 1+2) (consolidated)



CO₂ Emissions by Source (consolidated)



CO₂ Emissions by Country (consolidated)



Scopes 1 and 2 described on this page indicate the scope of the GHG Protocol. The Nitto Group releases information on climate change through the association, the CDP.

In the Report posted on July 31, there was an error in the article titled "CO₂ Emissions (Scopes 1 & 2)." This error has been corrected.

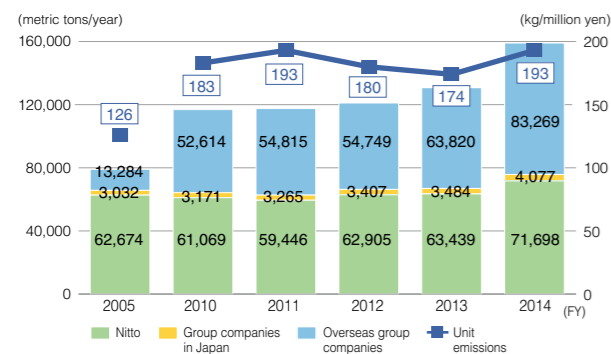
Waste* Disposed

Amount of waste disposed divided by net sales in fiscal 2014:
193kg/million yen (consolidated)

Waste within the Nitto Group is mainly log roll edges of tape and off-cuts of film generated from the cutting process. We try to reduce such loss through improving the production process. Furthermore, we properly dispose of as much waste generated as possible under Nitto Group Regulations for Waste Management.

*Waste: Total of industrial waste, general waste and scrap materials.

Total and Unit Generation of Waste (consolidated)

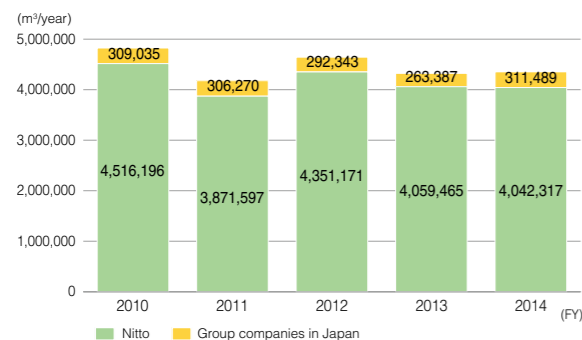


Management of Water Resources

Water withdrawals in fiscal 2014:
4,353,806 m³ (bases in Japan)

Large amounts of water are used in the production of display materials and electronic devices. We tackle the effective utilization of water resources by utilizing our membrane products and recycling drainage water. We do not manufacture our products in areas that suffer from physical and economic water scarcity (where demand exceeds 75% of water resources). In discharging water used in the production process, we adequately process then drain the water before it is released into the environment.

Water Consumption (including water recycled at bases in Japan)



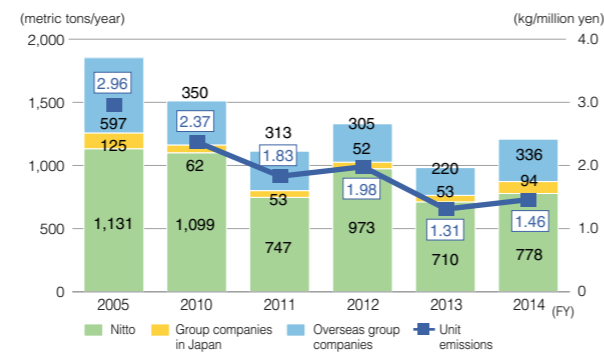
Organic Solvent Emissions

Amount of organic solvent emissions in fiscal 2014:
1,207 tons (consolidated)

Large amounts of organic solvents are used in the production of tape and adhesives. In order to reduce our environmental impact, we install incineration equipment used for solvent gases or solvent recovery units, on every line as needed.

To reduce solvent gases escaping in spite of our existing measures, we are engaged in developing adhesives without the use of organic solvents and in improving the production process.

Total and Unit Organic Solvent Emissions (consolidated)



Biodiversity Conservation

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

Further Promotion of MFCA Management

Since 2001, the Nitto Group has approached the reduction of loss of raw materials and energy in the production process by using Material Flow Cost Accounting (MFCA). Recently, some processes have been transferred overseas with more globalization, increasing the opportunities to analyze production processes cutting across several bases with MFCA. As bases are located in a great many areas, it might normally be difficult to grasp all of the data. Therefore, we developed a simplified procedure of the ISO standardized MFCA compatible with Nitto's own procedures. We will promulgate MFCA throughout the Group and enhance resource efficiency utilizing the simplified procedure, too.

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

Supporting UNEP Activities

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

The Next 10 Years

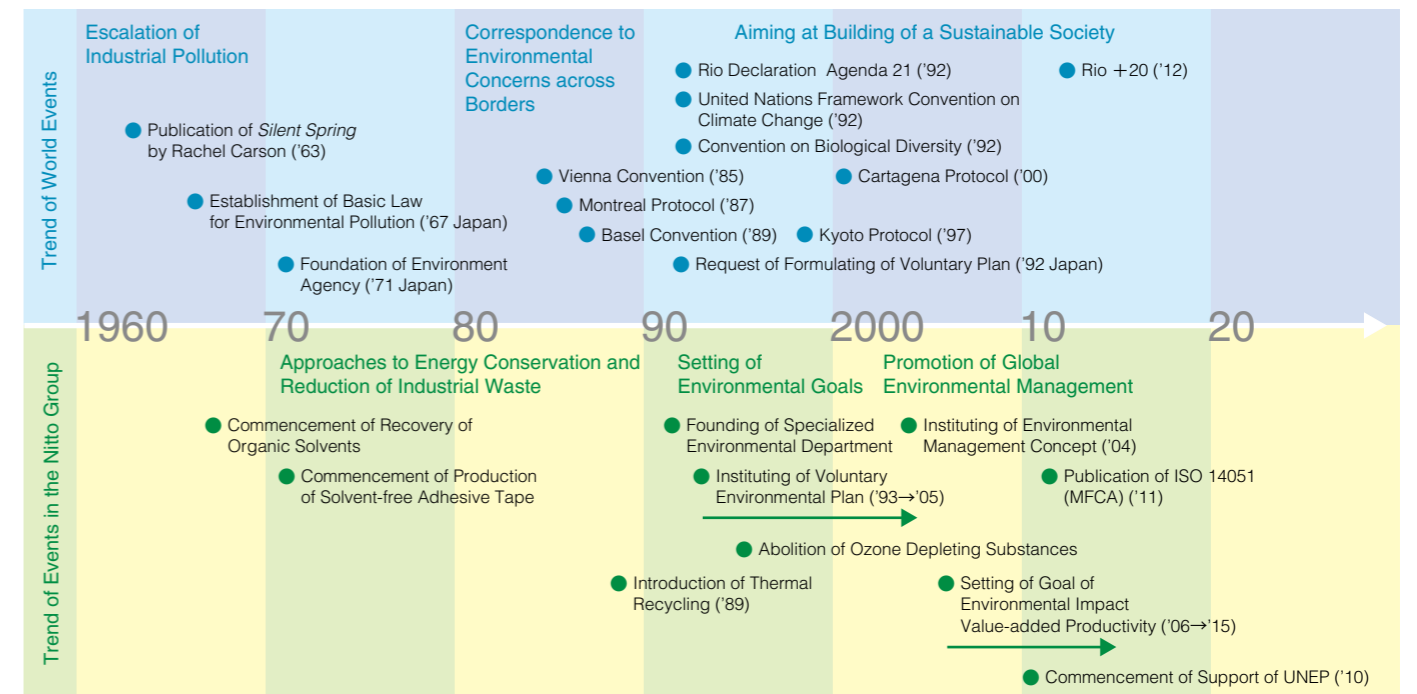
Since 1993, the Nitto Group has been promoting environmental conservation activities by setting an environmental vision and goals every ten years. In 2015, we will reach a milestone of the present active period. However, it will be difficult for us to accomplish our goal of doubling the Environmental Impact Value-Added Productivity Index. Though we have certainly made efforts to reduce our negative environmental impact, production volumes have increased in response to changes in business circumstances. We consider the reason why the

Environmental Impact Value-Added Productivity Index is not within range of the target level for 2015 is that we have not created added-value corresponding to the environmental impact.

We reduced environmental investment in fiscal 2014, compared to the previous fiscal year. However, we are currently drawing up a new environmental vision and goals, and a new investment plan for the next ten years. By making use of methods to improve resource and management efficiency, such as Material Flow Cost Accounting (MFCA), we will continue to reduce the impact of the three aspects of negative environmental impact: the use of energy; the waste disposed, including industrial waste; and the use of organic solvents. Furthermore, we aim for minimization of environmental impact not only within the Group, but also across whole supply chains. In addition, in order to increase added value, we will have to construct a mechanism for promoting the provision of products and services contributing to environmental conservation.

Aiming to protect our planet to pass on to future generations, the Nitto Group will continue to promote environmental management in the future.

Topics Related to Environmental Conservation and Trend of Events in the Nitto Group



The Nitto Group thoroughly conducts product management in every value chain from planning to disposal in order to offer safe and reliable products for our stakeholders.

Chemical Substance Management Policy

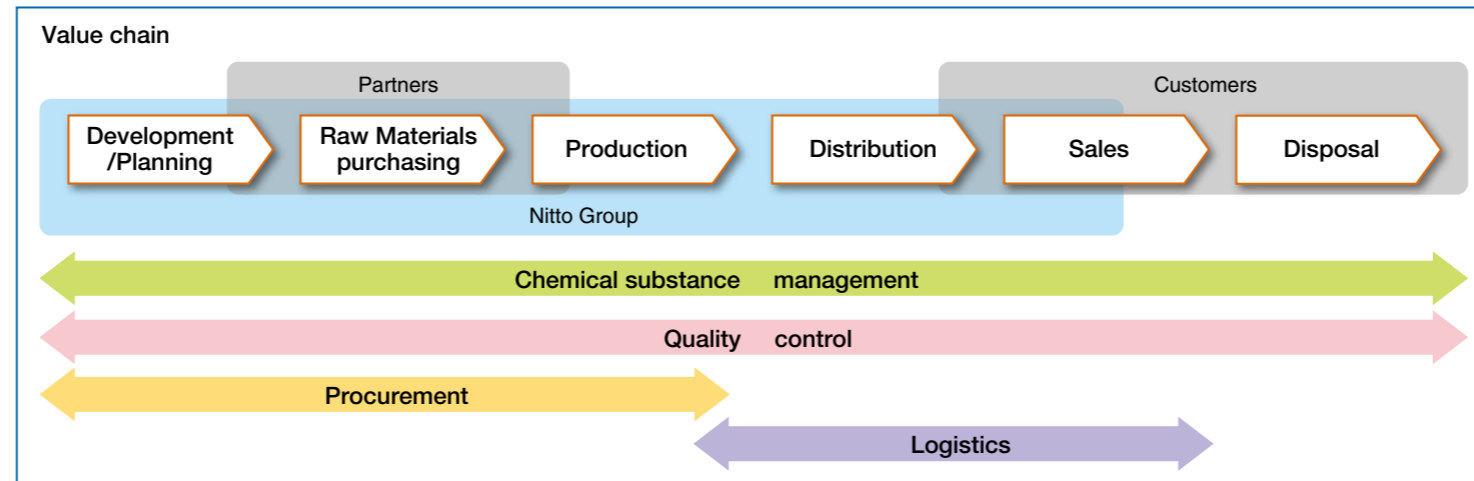
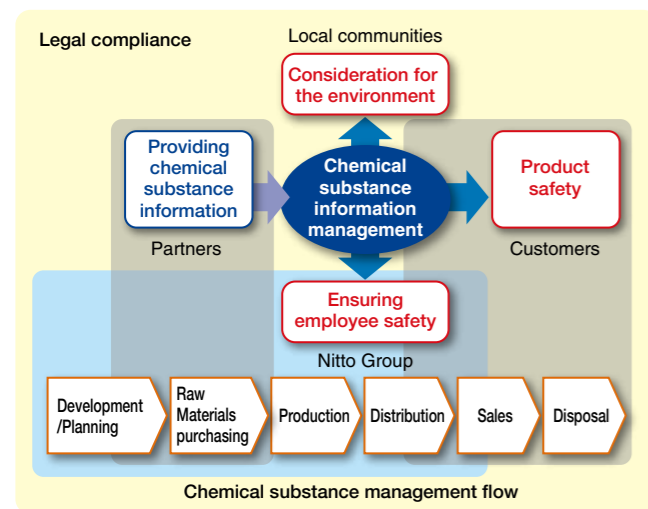
We conduct chemical substance management with the aim of providing our customers and employees with safety and confidence. In order to fulfill our social responsibilities as an enterprise, we anticipate social changes while complying with the letter and spirit of the law in every country where we are developing our business.

Chemical Substance Management Policy
 “Offering safety and confidence to our customers and employees”

Our Approach to Chemical Substance Management

In line with the international movement towards “aiming at the minimization of the adverse impacts of the production and use of chemical substances on human health and the environment by 2020,” we fully understand the risks of chemical substances and are engaged in reducing them.

With a harmonious exchange of information with our partners, we properly manage information on the chemical substances contained in raw materials, and promote green procurement, procuring environmentally-friendly materials throughout the entire group. In this way, we give consideration to the environment, while ensuring the safety of our products and our employees.



Ensuring Product Safety

In order to provide our customers with peace of mind, we have not only constructed a regulatory management system, but also control chemical substances contained in our products. Furthermore, we ensure the safety of our products through disclosing information to our customers accurately and promptly.

Recently, against a background of heightened public concern about chemical substances and globalization, prompt responses to the establishment of new or changes in the laws and regulations of each country and area are required. In order to obtain information on laws and regulations in a timely manner, we will continue to strengthen our management system in every area in the future.

Ensuring Employee Safety

In order to provide our employees with peace of mind, we implement chemical risk assessment and abstract every hazard source which may occur in using chemical substances. This allows us to continue to reduce risks and prevent accidents and disasters from occurring through thoroughly implementing proper handling.

Consideration for the Environment

In order to provide society with peace of mind, we implement proper management of chemical substances, aiming to keep the impact on the environment to a minimum. We not only voluntarily forbid the use of some chemical substances thought to have an environmental load, but are also reducing the amount of chemical substances used. Furthermore, we are advancing the development of both alternative materials and alternative technologies.

Quality Policy

We have developed quality control in order to offer safe products and services satisfying our customers' demands under our philosophy “Amaze and inspire our customers.”

Quality Policy
 “Quality to fulfill customer satisfaction”

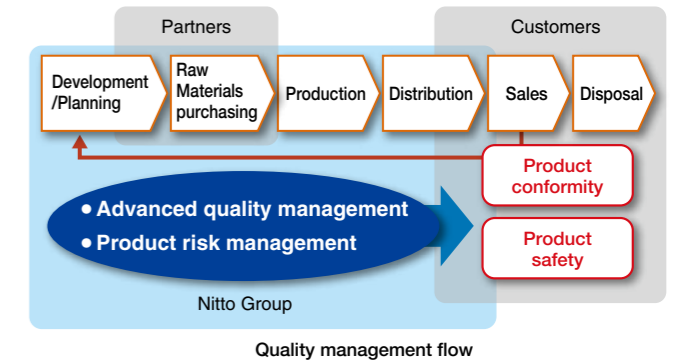
In April 2014, we newly established the Nitto Group's quality criteria. With an unwavering determination to deliver the highest quality to our customers, we provide products and services that are:

- Safe for customers, society, and the environment
- Possess functions that satisfy customer demands
- Easy to use, and appropriate for customer applications and use
- Contain clear information provided quickly upon request
- Reasonably priced with reliability of supply meeting customer-requested delivery dates

Approach to Quality Control

In order to provide a stable supply of safe, quality and reasonably-priced products as demanded by our customers, we are addressing Advanced Quality Management (AQM), which will not only obviate any issues concerning quality, but also minimize risk.

In the future, we will pre-empt changes in advance of society and markets, taking new ideas into consideration.



Advanced Quality Management

In order to ensure quality conformity, we employ FMEA (Failure Mode and Effect Analysis) to forecast any potential issues, without omission, occurring in the design and operations processes and investigate whether proper measures that should be taken in response to them are taken. In addition, we employ SBSQ (Same Brand Same Quality), maintaining the same quality standards for products of the same serial number, irrespective of production base.

Product Risk Management

By establishing an expert committee, we aim to clarify risks associated with our products and to minimize the effects of such risks. We conduct risk management in three section meetings. In the future, we will further develop our activities, aiming for speedier and more global responses.

Risk Management Section Meeting	Main Activities
Quality	<ul style="list-style-type: none"> • Review of contracts with customers • Implementation of conclusion of quality assurance agreement • Prevention of recurrence of serious complaints arising from lack of information on the part of customers
Chemicals	<ul style="list-style-type: none"> • Response to REACH (including CLP) • Response to the chemical substances control laws of each country • SDSs prepared in accordance with GHS • Review of Nitto Group Regulations on Voluntary Management of Chemicals
Logistics	<ul style="list-style-type: none"> • Response to GHS product description (including GHS in China) • Response to physical distribution risks • Establishment of Product Lot Number Standardization Guidelines • Response to indication of source • Response to indication method established by export control order



Procurement Management Policy

We approach procurement from a global point of view in order to improve our corporate value, in accordance with our spirit of being "Open, Fair and Best." With our goal of remaining an enterprise favored not only by our customers but also by our business partners, we make efforts to build relationships of trust and conduct fair and honest transactions.

Procurement Management Approach

We have established Action Guidelines to ensure that each employee involved in procurement acts in accordance with corporate ethics and societal norms. In the event that there is, or might be a violation of the Action Guidelines, our business partners can report via Partner Hotline.

Furthermore, we respond to issues raised by society, such as the development of green procurement and disclosure of information concerning conflict minerals, and address supply chain management in order to provide products satisfying the needs of our customers.

Promotion of Green Procurement

Every year, laws and regulations concerning chemical products are being strengthened in each country and area. To reduce our environmental impact as much as possible, we promote green procurement in concert with chemical products management, providing environmentally-friendly products to our customers.

Information Disclosure on Conflict Minerals

The Nitto Group has a policy opposing the use of conflict minerals, which are an international concern. With our partners' cooperation, we continue to provide accurate information to our customers, while trying to reduce contamination risk.

Supply Chain Management

In doing business with approximately 1,700 partners in Japan, we address supply chain management, with the aim of stable procurement of raw materials. In addition, we strive to construct a system which will allow us to fulfill our procurement responsibilities in times of emergency, such as in the event of a natural disaster, fire, or equipment failure.

Logistics Policy

We address logistics globally for the purpose of efficiently delivering products and services satisfying our customers without delay.

Logistics Approach

We are constructing a system for strengthening our logistics management, ensuring safety as well as showing regard for the environment in our physical distribution. Furthermore, we are advancing supply chain management.

Construction of Logistics System

In order to improve the efficiency of our physical distribution, standardization of sales operations and the development of a system supporting such standardization are necessary. In fiscal 2014, we embarked on such standardization in Korea. In the future, we will expand standardization to China and Taiwan, aiming to construct a logistics system to improve productivity globally.

Environmental Consciousness

We are promoting modal shifts in Japan; that is, converting from long-distance road transport (between the Chubu and Kyushu areas) to rail transport capable of mass transit, and will develop the same system globally in the future. Furthermore, we have established a delivery system improving the carrying efficiency of trucks.

We have established an estimative index to properly manage these approaches. In fiscal 2014, by optimizing transportation and delivery routes, these approaches contributed to greenhouse gas (GHG) emission reduction.

Supply Chain Management

We are implementing supply chain management aiming not only for the stable procurement of raw materials, but also to fulfill our responsibility to supply our customers.

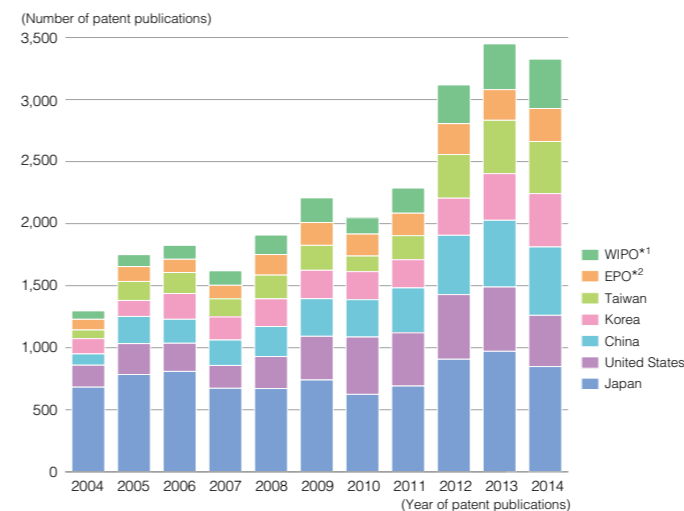
In addition, by not only preparing an emergency response manual on the assumption of a major earthquake or other large-scale disaster, but also by conducting training drills based on the manual, we are addressing the construction of a supply system for emergencies.

In line with the globalization of each of our business units, we are also required to demonstrate optimum responses in intellectual property activities in every region and technical field. Furthermore, in launching new business, we are promoting the transition to intellectual property activities which will enable the protection of new business models, seeking to provide management stability and maximization of revenue across the whole Group.

Specifically, under our policy of "Securing rights to intellectual property necessary in operating our business", we will actively:

- Practice intellectual property strategies aligned with management and business
- Practice intellectual property activities which are optimum globally and in each area
- Aim at improvement in quality of intellectual property and practice a wide variety of intellectual property activities, from acquiring intellectual property to protect our own products to acquiring intellectual property covering our business models.

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



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

As one of these activities, we are actively advancing overseas applications for and acquisition of patents. According to the *Japan Patent Office Annual Report 2014*, the global application rate of Japanese applicants is approximately 30%, which is low compared with the global application rate of applicants in the U.S. and Europe, each of which is about 50%. In contrast, the global application rate of Nitto has reached 65.3%, which is a high level and ninth out of the top two hundred companies utilizing the patent system.

Thomson Reuters 2014

Top 100 Global Innovators

Nitto Selected One of Top 100 Global Corporations in Intellectual Property and Patents for Fourth Consecutive Year

In November 2014, Nitto received a Thomson Reuters Top 100 Global Innovator award for the fourth consecutive year. This award is given to the most innovative corporations and research institutes by Thomson Reuters Professional KK (Head Office: New York City, U.S.A.; Japan Office: Chiyoda Ward, Tokyo). In particular, Nitto won recognition for achieving exemplary results in intellectual property.

Nitto considers intellectual property as the essence of management itself, strengthening our business by amalgamating business strategy and intellectual property strategy. In line with the global development of our business, we have promoted globalization of intellectual property activities. Furthermore, by asserting our property rights to adequately protect our innovations throughout the Group, and by efficiently industrializing those innovations, we have endeavored to maximize the value of our intellectual capital, which led to our receipt of the award.

We were awarded a 2014 Top 100 Global Innovator trophy by Mr. Masaki Nagao, Thomson Reuters' Managing Director, IP & Science, Asia-Pacific, at Nitto Head Office on December 17, 2014.

With this as encouragement, we will seek to further enhance our intellectual property and to maximize our corporate value in the future.



Mr. Masaki Nagao, Thomson Reuters' Managing Director, IP & Science, Asia-Pacific (left) with Mr. Hideo Takasaki, President of Nitto



Based on our core expertise of adhesion and coating technologies, we will continue to create various functional products.

Opening of a New Facility for R&D and Cultivation of Human Resources, Spring 2016

We will establish a new facility known as inovas at the Ibaraki Plant, where research and development and cultivation of human resources will be conducted in an integrated manner. The four-story facility, with a total floor space of approximately 20,000 m², will be completed in October 2015, and will open in the spring of 2016.

Aiming to create future value for our customers, inovas will be tasked with encouraging interaction and exchange between people and technologies. It will be a workplace for approximately 350 employees in such sectors as research and development and intellectual property, and will also be

an analysis center and a human resources education center. With accelerating research and development in the environment (Green), energy (Clean), life sciences (Fine) and core technology (Basic) fields providing opportunities for dialog with not only customers, but also other people inside and outside the company, we will strengthen development of new products.

The name of the facility was chosen from submissions made by members of the Nitto Group. *Nova*, whose meaning in Latin is 'new', also means 'new star', depicting a sudden burst of light. As Nitto has adopted "Innovation for Customers" as our brand slogan, we are determined to be a base producing thousands of 'nova' through innovative activities, just as the name inovas suggests.

An artist's impression of the facility



Gallery accommodating more than four hundred people



Future Center hosting a productive dialog with people from inside and outside of the company

R&D fields in which the Nitto Group is investing its energies

<p>Green</p> <p>Developments in Agribusiness Controlling growing conditions to produce higher crop yields</p>	<p>Clean</p> <p>Energy Management Providing new solutions for society with new ideas and technologies</p>
<p>Fine</p> <p>Preparing for a super-aging society Contributing to prevention, diagnosis and treatment</p>	<p>Basic</p> <p>Providing customer value with core technologies Providing customer value by harnessing our cultivated adhesion</p>

Accelerating Creation of New Themes in China

The Nitto Group has established a global R&D system spanning four key global sites in Japan, the U.S., Switzerland and Singapore, promoting a locally-led global R&D structure making use of the unique characteristics of each area.

To ensure the further growth of our existing businesses and to create future value in the Chinese market, which will become increasingly important in the coming years, Nitto recently concluded an agreement with the Qingdao Municipal Science and Technology Commission, and established Nitto (Qingdao) Technology Research Institute, Co., Ltd. It is our fifth overseas research center and the first in China, and will ultimately employ about thirty personnel.

The new research institute will carry out R&D, focusing on wavelength conversion materials, photocatalyst materials and nanomaterials, and will create new products for use in sectors related to agriculture, energy and the environment.



Building exterior, Nitto (Qingdao) Technology Research Institute



An exhibition room

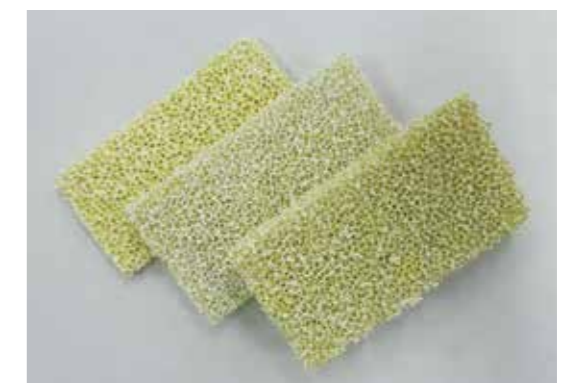
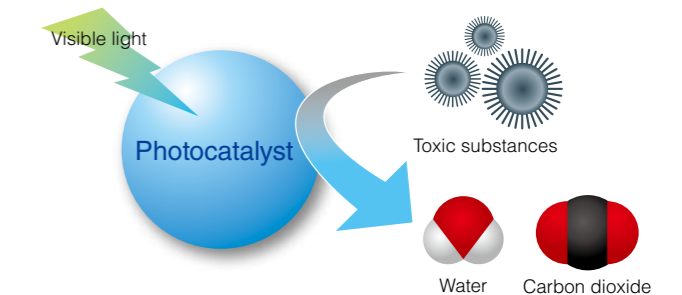
Development of Visible-Light Responsive Photocatalyst

By radiating light, photocatalysts generate strong oxidation power on their surfaces, which enables the decomposition and removal of toxic substances such as gases and

odorous components. As such intermediary substances are ultimately converted into harmless substances such as carbon dioxide and water, photocatalysts are attracting interest for their applications in environmental cleanup technologies.

Nitto is improving conventional photocatalysts which respond only to sunlight, including ultraviolet light and UV lamps, and is developing photocatalysts responsive to visible light, too. This will lead to the use of LEDs as a light source, resulting in an expansion in the range of prospective applications, from preserving the freshness of fruit and vegetables in refrigerators, to removing odors from the interior of automobiles.

Principles of photocatalysts



Filters supporting Nitto's photocatalysts

Toward Prevention of Global Warming - Participating in the Development of CO₂ Separation Membrane Modules

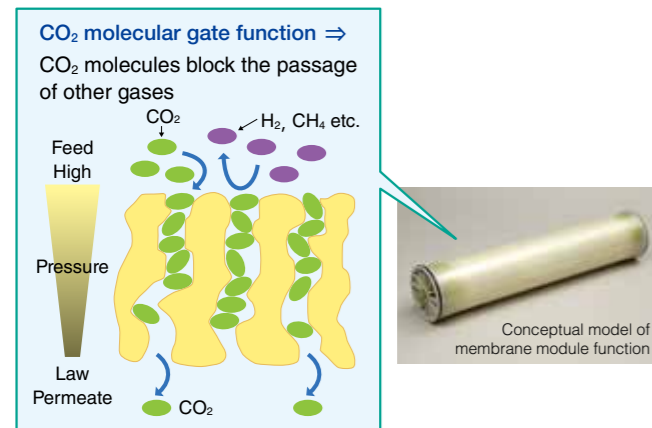
On commission from the Ministry of Economy, Trade and Industry, Nitto is promoting a CO₂ Separation Membrane Module R&D Project as a member of Molecular Gate Membrane Module Technology Research Association, whose members also include Research Institute of Innovative Technology for the Earth, Kuraray Co., Ltd., and Nippon Steel and Sumikin Engineering Co., Ltd., and was established in 2011. In this project, we are developing a

Research and Development

molecular gate membrane module actualizing CO₂ recovery at a cost of 1,500 yen/t-CO₂.

The ultimate purpose of the project is the application to CO₂ capture and storage (CCS), in which CO₂ separated and collected from pre-combustion emissions in integrated coal gasification combined cycle (IGCC) is sealed deep in the ground. Its chief advantage over other CO₂ separation and collection methods is its ability to curb costs.

Structure of membrane separation



In membrane separation, amino groups contained in a membrane take CO₂ molecules from emissions and allow them to penetrate the membrane. There is no heating requirement, so there is no need for additional energy. It follows that we can separate gases at low cost. Nitto has charge of membrane modules, contributing to the project by utilizing our technology cultivated in water treatment.

From 2015, we plan to improve research of the practical use of membrane separation using live gas. When fully applied to CCS, it is expected to be a strong measure contributing to the prevention of global warming.

Development of Anti-fibrosis Drug with Molecular Targeting DDS Technology Platform Clinical studies ongoing

Since 2008, Nitto has been tackling the development of a drug for treating liver and other organ fibrosis. In June 2013 we initiated clinical studies of the drug (evaluation on human subjects) in the US, and have verified a high level of safety in healthy volunteers. The studies will be followed in the next stage by verification of the safety of the drug in patients. In fiscal 2015, clinical studies will be launched in Japan, too.

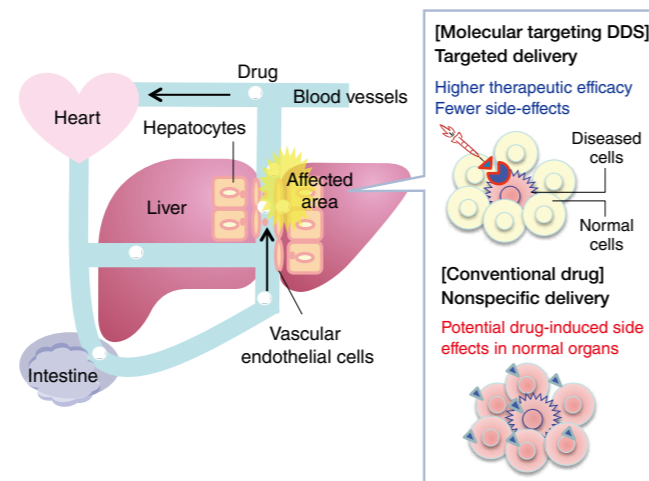
Liver cirrhosis is considered to result when the liver is chronically inflamed. Collagen secreted by hepatic stellate

cells is deposited in the liver in excess and consequently, function of the liver is impaired.

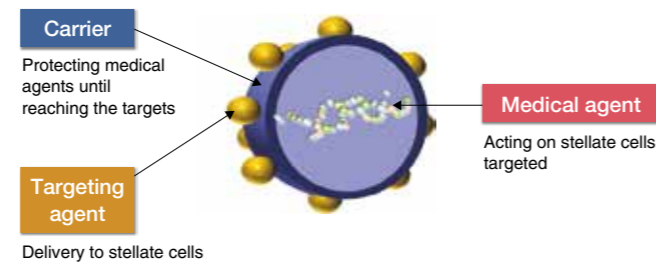
Nitto has developed a safe drug which leads to resolution of fibrosis by combining the concepts of targeted delivery to hepatic stellate cells by Professor Yoshiro Niitsu of Sapporo Medical University and Nitto's drug delivery system (DDS) technologies, with the technical collaboration of Hokkaido University. In order to suppress collagen synthesis, we employed siRNA (oligonucleotide), inhibiting the function of a specific RNA (ribonucleic acid), as a medical agent. Furthermore, in order to facilitate delivery of the highly-degradable siRNA to the hepatic stellate cells, we have designed a unique drug formation using a special carrier protecting the medical agent and a targeting agent targeting the hepatic stellate cells.

Patents for this new drug, covering all of its active medical agents, drug formulation, and therapeutic delivery, are currently being assessed in the U.S. and other countries. In order to provide this new drug to the six million patients suffering from liver cirrhosis, we are diligently working to ensure early approval. We also expect our DDS platform to be applicable to other intractable diseases such as cancer, so further research is ongoing.

Molecular targeting DDS technology



Drug formulation



Business Activities

Contributing to society with “Green, Clean and Fine” products produced according to our creed of creating new value

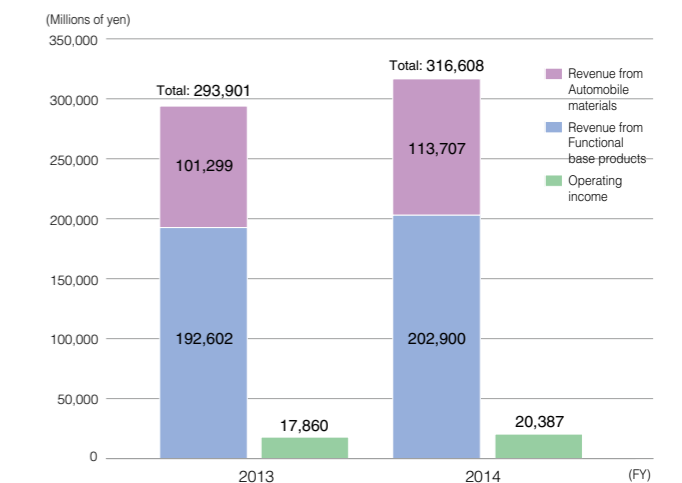
Industrial Tape Business (Functional Base Products)

In the automotive industry, the Group was able to keep growing ahead of the increase in unit automobile production, as we began to see the fruits of *Sanshin* activities in the global arena. Some of the businesses that performed particularly well were lamp inner pressure controlling materials for China and paint protection films for Europe. Also worth mentioning is the renovation of the Automotive Technical Center (ATC) within the Toyohashi Plant in Aichi Prefecture, which was carried out in a bid to combine our material and evaluation technologies for integrated solutions that better cater to the ongoing shift toward lighter-weight, electronic automobiles.

Sales to the electronics industry were driven primarily by double-sided adhesive tapes for smartphone panel modules and waterproof/sound-passing functional products. For general-purpose double-sided adhesive tapes, which are used for a broad range of industrial applications, adverse conditions in the European market were offset by orders from East Asian countries. Meanwhile, processing materials, and heat-resistant fluoroplastic products for the electronics market all fared well.

		Fiscal 2013	Fiscal 2014	Year-on-year comparison
Revenue	Functional base products	192,602	202,900	105.3%
	Automobile materials	101,299	113,707	112.2%
	Total	293,901	316,608	107.7%
Operating income	Total	17,860	20,387	114.1%

Millions of Yen

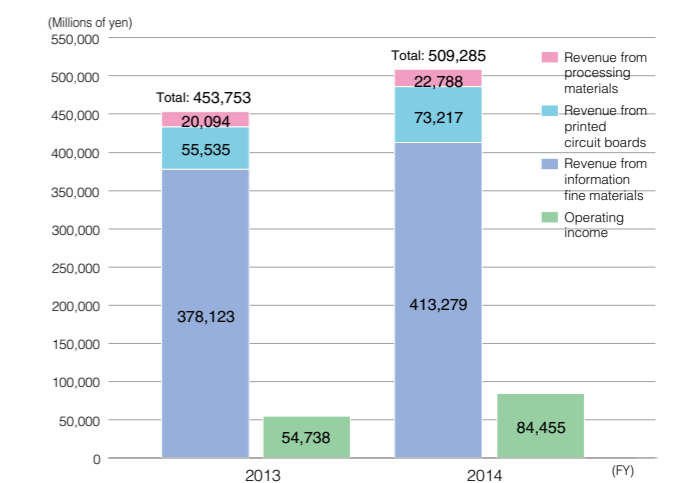


Optronics Business

In information fine materials, new smartphone and tablet PC releases, larger-sized panels used in those new models, and customers' increased production on the back of healthy sales sustained the excellent performance of our optical films for those product categories. Optical films for LCD TVs also gave a strong showing owing to special demand triggered by the FIFA World Cup and the shift toward demand for larger-sized panels following the market debut of 4K TVs. Meanwhile, sales of transparent electroconductive films for touch panels were sluggish overall, as they sold well to Chinese customers but production by other major customers did not grow as expected. Sales of flexible printed circuits remained robust as the number of smartphone models using them in displays grew throughout the year. The number of such circuits used also increased due to expansion of the high-capacity HDD market. In processing materials, tapes used for downstream processing in semiconductor fabrication sold favorably, as the semiconductor market was buoyed by continued expansion of the smartphone market.

		Fiscal 2013	Fiscal 2014	Year-on-year comparison
Revenue	Information fine materials	378,123	413,279	109.3%
	Printed circuit boards	55,535	73,217	131.8%
	Processing materials	20,094	22,788	113.4%
	Total	453,753	509,285	112.2%
Operating income	Total	54,738	84,455	154.3%

Millions of Yen



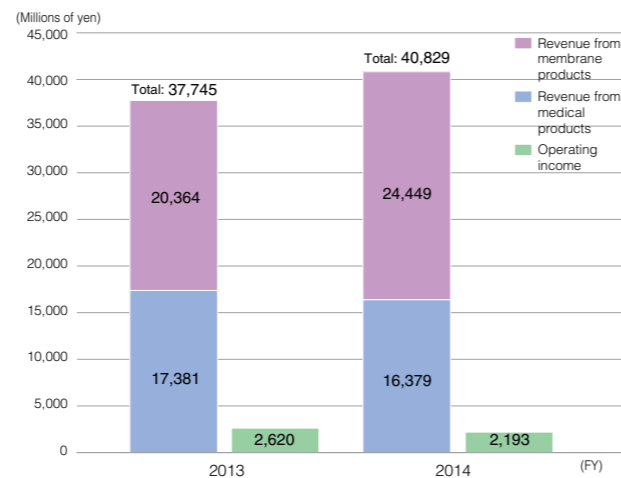
Medical and Membrane Businesses

In medical products, an attempt was made to offset the earnings decline in Japan due to the National Health Insurance (NHI) drug price revision of transdermal therapeutic patches and the government's promotion of generic drugs by boosting orders at a U.S. group company in the oligonucleotide field. Nonetheless, medical product revenues were weak overall. Sales of membrane products (polymer separation membranes), on the other hand,

		Fiscal 2013	Fiscal 2014	Year-on-year comparison
Revenue	Medical	17,381	16,379	94.2%
	Membrane	20,364	24,449	120.1%
	Total	37,745	40,829	108.2%
Operating income	Total	2,620	2,193	83.7%

Millions of Yen

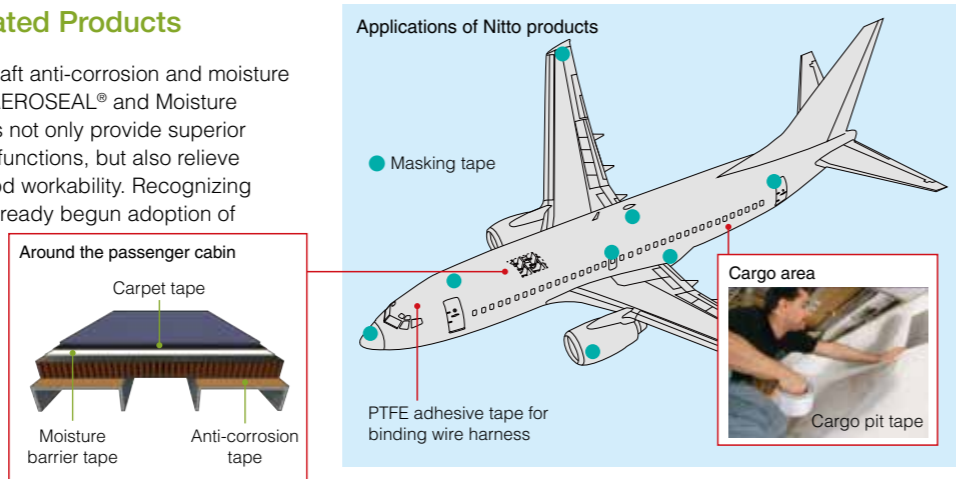
remained strong, as we were able to receive orders for high-value-added ultrapure water projects from the semiconductor and LCD panel markets, in addition to a steady inflow of replacement orders for boiler feed water membranes and waste water recovery membranes in China and South Asia.



Expansion of Aircraft-related Products

Nitto developed and launched aircraft anti-corrosion and moisture barrier materials (product names: AEROSEAL® and Moisture Barrier) in fiscal 2014. The products not only provide superior anti-corrosion and moisture barrier functions, but also relieve the customer's workload due to good workability. Recognizing such features, a major airline has already begun adoption of the products for use.

By adding this new product-lineup to our existing masking films and double-coated adhesive tapes for aircraft, we aim not only to expand Nitto's presence in the airline industry but also to further develop and supply aircraft-related products.



Introduction of Production Line for Personal Hygiene Materials in Malaysia

In March 2015, we introduced a production line for personal hygiene materials at Nitto Denko Materials Malaysia, a local subsidiary in Malaysia. Malaysia is in Asia, a region where a rapid expansion in production of diapers is anticipated. Many diaper manufacturers have plants in neighboring countries in South Asia and in China.

Diaper requirements vary slightly from country to country. We will develop and provide products satisfying consumers' needs by taking advantage of the location of our manufacturing presence in Malaysia.



A diaper component manufactured using Nitto materials

Revamping ATCs to Produce Optimum Automotive-related Materials

The Nitto Group has its own testing facilities, known as Automotive Technical Centers (ATCs), in Japan, the U.S., Belgium, China and Thailand, where we evaluate and verify the performance of our products mounted in vehicles.

In July 2014, we thoroughly revamped the ATCs, which make quantitative evaluations of complete vehicles possible, allowing our customers to experience the benefits of our products in a near real-life environment. In the future, we will seek to create new customer value, paying attention



A revamped ATC

to the keywords safety, comfort and efficiency required of vehicles, seamlessly integrating the evaluation of vehicles, component design technology and materials technology.

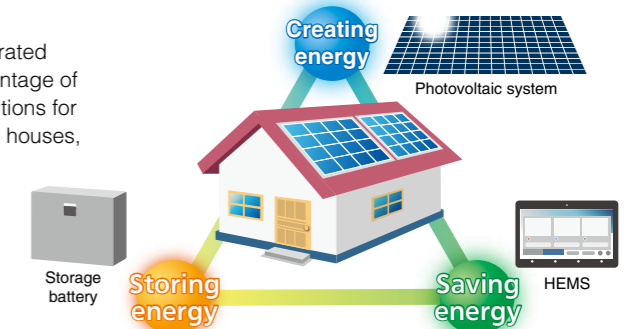


ATC global system

Rebuilding Our Housing Materials Business

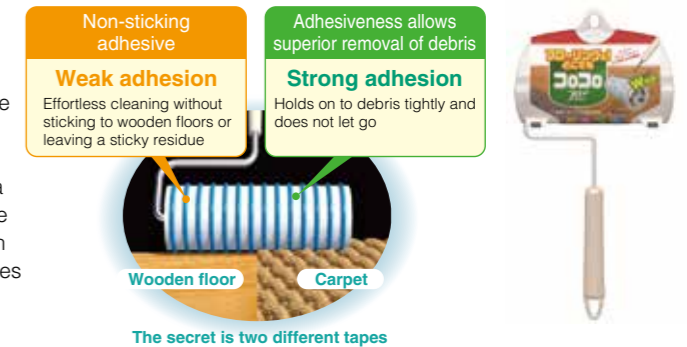
On April 1, 2015, the Nitto Group's housing materials business was integrated with L Nissho, and its name changed to Nitto L Materials. By taking advantage of the Nitto Group's comprehensive strengths, we will provide optimum solutions for the industry targeting the residential electronics industry, including smart houses, smart cities and HEMS*. In the future, we will develop the business globally, and aim to become a solution provider in social infrastructure such as home and general construction and civil engineering.

*HEMS (Home Energy Management System): a management system for the conservation of energy used in the home



COLOCOCO® FLOOR CLEAN, Cleaning Every Type of Floor

Nitoms' s COLOCOCO® FLOOR CLEAN can be used on every type of floor surface, such as wood, carpet, tatami and tile. We created this new product by combining two different adhesives, one a strong adhesive which removes dust from carpets, and the other a weak adhesive which does not stick to floors. This was in response to customer requests for another COLOCOCO®, suitable for use on both carpets and hard floors. COLOCOCO® FLOOR CLEAN provides dust-trapping performance applicable to every type of floor.



The secret is two different tapes

Vice President of Korea Nitto Optical Receives Presidential Citation on 42nd Anniversary of Commerce and Industry Day in Korea

On March 18, 2015, the 42nd Anniversary of Commerce & Industry Day was held in Seoul, Korea, where Takahiro Oka, Vice President of Korea Nitto Optical, received a Presidential Citation. The award is given to businesspeople and workers who have contributed to the development of industry in Korea through advances in commerce and industry. Only one of the fifteen Presidential Citation award recipients was Japanese, the other fourteen being Korean.



Former Prime Minister Lee Wankoo (left) and Takahiro Oka



Release of NITREAT KINELOGY® EX

On April 1, 2014, Nitto Medical released KINELOGY® EX, a new product in the NITREAT kinesiology tape series supporting muscles.

In response to consumer demand for a tape that 'stays firmly attached' and one that 'can be painlessly removed while not causing a rash', KINELOGY® EX is a sports tape that is gentle on the skin, allowing the skin to breathe, while not easily peeling off when wet with water or sweat.



Launch of OliGrow® Japan, a Small-scale Oligonucleotide Synthesis Service

Nitto launched OliGrow® Japan, an oligonucleotide synthesis service, at Tohoku Plant, Japan, as an expansion of Nitto Denko Avecia's OliGrow® service in the U.S. OliGrow® serves customers with small-scale synthesis DNA and RNA (ranging from 25mg to 20g) to meet their requirements (such as modification and use of specialty amidites) to support R&D to pre-clinical studies.

OliGrow® Japan can also provide a transition to expanded production and GMP* manufacturing in the future with Nitto Denko

Avecia's clinical and commercial manufacturing capabilities.

For details on OliGrow® and OliGrow®Japan, please visit the following websites:

<http://www.avecia.com/Avecia/nitto-avecia-oligrow.html>

<http://www.nitto.com/jp/ja/products/group/medical/007/> (Japanese)

*GMP: Good Manufacturing Practice (regulations covering manufacturing and quality control requirements for pharmaceutical products)

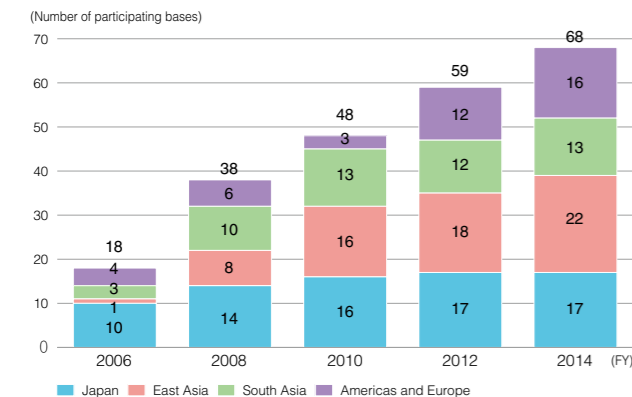
Group Activity Toward Excellence (GATE)

GATE is a small group activity, which continuously addresses themes concerning manufacturing, and whose goal is improvement of quality.

The Nitto Group, by addressing immediate problems in the workplace, encourages awareness and autonomous action by each employee, promoting revitalization of the workplace. We believe this leads to enhancement of *genba-ryoku** and as a consequence, the "creation of a safe and ideal workplace environment" and the "pursuit of customer-satisfying quality."

Eighteen bases participated in GATE when it was

Number of participating bases by area



launched in fiscal 2006. However, there is an increasing number of bases eager to take part in the activity every year and by fiscal 2014 the number of participants had grown to sixty-eight bases, including almost all production and processing bases. In the future, we will develop the activity in each area and aim to establish it throughout the Group, while developing it at every base concerned with manufacturing, such as sales and development.

We share examples of improvements achieved by individual teams at our Global Presentation after selection by base and area screening committees.

* The ability of an employee to identify tasks and issues in a workplace, and to find solutions to them independently.

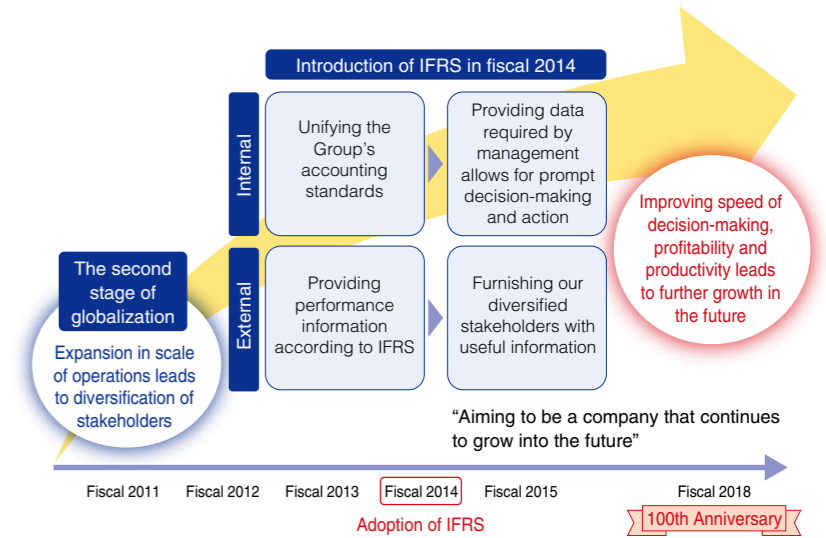


Fiscal 2014 Global Presentation (Poster session site)

Applying IFRS (International Financial Reporting Standards) since Fiscal 2014

The Nitto Group has actively developed our business overseas as the second stage of our globalization. As a result, our operations have expanded in scale, leading to increasing diversification of nationalities and cultural backgrounds among our stakeholders.

Under such circumstances, in order to provide more useful information for our diversified stakeholders, as well as to improve efficiency and speed of decision-making through integrating the operations of the Group, we decided to align our accounting standards with the IFRS global standard.



Consolidated Financial Statements
Consolidated Balance Sheet

Assets	Amount (Yen in Millions)	
	As of March 31, 2015	As of March 31, 2014
Current assets:	519,246	474,669
Cash and cash equivalents	214,559	203,446
Trade and other receivables	191,074	171,310
Inventories	93,448	86,264
Other financial assets	7,726	5,818
Other current assets	12,437	7,829
Noncurrent assets:	336,186	308,914
Property, plant and equipment	268,601	247,835
Goodwill	2,966	4,560
Intangible assets	12,837	14,984
Investments accounted for using equity method	284	441
Financial assets	12,737	10,978
Deferred tax assets	30,231	29,324
Other non-current assets	8,527	790
Total assets	855,433	783,583

Liabilities	Amount (Yen in Millions)	
	As of March 31, 2015	As of March 31, 2014
Current liabilities	197,420	215,594
Trade and other payables	108,110	104,919
Bonds and borrowings	6,185	56,694
Income tax payables	20,337	7,513
Other financial liabilities	20,445	14,648
Other current liabilities	42,340	31,818
Non-current liabilities	42,236	43,436
Bonds and borrowings	3,000	3,510
Other financial liabilities	1,364	307
Defined benefit liabilities	34,042	33,723
Deferred tax liabilities	566	2,082
Other non-current liabilities	3,262	3,813
Total liabilities	239,656	259,030
Equity attributable to owners of the parent company	612,016	521,385
Share capital	26,783	26,783
Capital surplus	56,761	56,958
Retained earnings	508,564	450,741
Treasury stock	-31,232	-31,746
Other components of equity	51,139	18,647
Non-controlling interests	3,760	3,167
Total equity	615,776	524,552
Total liabilities and equity	855,433	783,583

Consolidated Financial Statements
Consolidated Statement of Income

(Yen in Millions)

	April 1, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
Revenue	825,243	749,504
Cost of sales	579,009	538,213
Gross profit	246,234	211,291
Selling, general and administrative expenses	114,939	108,027
Research and development expenses	28,240	28,444
Other income	12,684	4,807
Other expenses	9,004	7,123
Operating income	106,734	72,503
Financial income	700	593
Financial expenses	1,021	2,152
Equity in losses of affiliates	465	302
Income before income taxes	105,947	70,642
Income tax expenses	27,918	18,454
Net income	78,028	52,188
Net income attributable to:		
Owners of the parent company	77,876	51,892
Non-controlling interests	152	296

Consolidated Financial Statements
Consolidated Statements of Cash Flows

(Yen in Millions)

	April 1, 2014 - March 31, 2015	April 1, 2013 - March 31, 2014
I. Cash flows from operating activities		
Income before income taxes	105,947	70,642
Depreciation and amortization	45,662	43,223
Increase (decrease) in defined benefit liabilities	-5,713	-1,415
Decrease (increase) in trade and other receivables	-4,911	1,482
Decrease (increase) in inventories	-2,068	716
Increase (decrease) in trade and other payables	-418	-2,930
Interest and dividend income	537	378
Interest expenses paid	-804	-942
Income taxes (paid) refunded	-17,495	-25,664
Others	-1,254	-7,046
Net cash provided by (used in) operating activities	119,481	78,444
II. Cash flows from investing activities		
Purchase of property, plant and equipment and intangible assets	-53,329	-74,407
Proceeds from sale of property, plant and equipment and intangible assets	562	728
Decrease (increase) in time deposits	-1,301	60,277
Others	211	-2,490
Net cash provided by (used in) investing activities	-53,857	-15,893
III. Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	-1,423	701
Redemption of bonds	-50,000	—
Decrease (increase) in treasury stock	392	497
Cash dividends paid	-17,328	-16,488
Proceeds from long-term loans payable	—	3,000
Repayment of long-term loans payable	-540	-6,000
Others	-67	158
Net cash provided by (used in) financing activities	-68,966	-18,131
IV. Effect of exchange rate change on cash and cash equivalents	14,456	6,143
V. Net increase (decrease) in cash and cash equivalents	11,113	50,562
VI. Cash and cash equivalents at the beginning of period	203,446	152,275
VII. Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	—	608
VIII. Cash and cash equivalents at the end of period	214,559	203,446

Consolidated Financial Statements
Consolidated Statement of Changes in Equity

April 1, 2014 through March 31, 2015

(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	56,958	450,741	-31,746	18,647	521,385	3,167	524,552
Net income			77,876			77,876	152	78,028
Other comprehensive income					29,767	29,767	302	30,070
Total comprehensive income	—	—	77,876	—	29,767	107,643	454	108,098
Share-based payment transactions		29				29		29
Dividends			-17,328			-17,328	-67	-17,395
Changes in treasury stock		-11		513		502		502
Transfers from other components of equity to retained earnings			-2,724		2,724	—		—
Other increase or decrease		-214				-214	205	-9
Total transactions with owners	—	-196	-20,053	513	2,724	-17,011	138	-16,873
Balance at the end of current year	26,783	56,761	508,564	-31,232	51,139	612,016	3,760	615,776

Business Results
10-Year Summary

	Japanese GAAP										IFRS		U.S. dollars in Thousands (Note 2)
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2013	2014	2014	
Consolidated financial results, fiscal years 2005 - 2014 (April 1- March 31)													Yen in Millions
Statement of income													
Revenue	626,316	679,822	745,259	577,922	601,859	638,556	607,639	671,253	749,835	749,504	825,243	6,867,296	
Operating income	89,224	69,037	77,954	13,838	56,086	85,245	56,491	68,482	72,254	72,503	106,734	888,192	
ratio to revenue	14.2%	10.2%	10.5%	2.4%	9.3%	13.3%	9.3%	10.2%	9.6%	9.7%	12.9%	12.9%	
Ordinary income	90,196	67,319	74,468	14,807	58,833	85,143	58,436	67,182	71,658	-	-	-	
ratio to revenue	14.4%	9.9%	10.0%	2.6%	9.8%	13.3%	9.6%	10.0%	9.6%	-	-	-	
Net income attributable to owners of the parent company	55,306	41,201	46,634	267	37,570	55,743	31,066	43,696	51,018	51,892	77,876	648,049	
ratio to revenue	8.8%	6.1%	6.3%	0.0%	6.2%	8.7%	5.1%	6.5%	6.8%	6.9%	9.4%	9.4%	
Segment information by geographic area													
Japan Revenue	271,186	268,364	256,288	207,263	203,982	218,528	194,636	192,600	186,320	185,990	189,779	1,579,254	
Operating income	76,888	52,535	44,969	3,305	34,897	64,376	39,571	44,338	43,263	44,112	70,322	585,188	
Americas Revenue	38,580	42,349	45,054	39,002	37,766	36,116	35,739	40,014	52,085	52,085	59,451	494,724	
Operating income	-1,078	-663	338	-1,298	2,012	-289	-1,363	1,768	1,198	1,373	-1,725	-14,355	
Europe Revenue	19,395	23,787	29,172	25,519	26,933	23,245	21,189	31,057	38,834	38,834	43,041	358,168	
Operating income	693	1,587	2,178	-20	1,147	1,471	480	898	3,104	3,025	2,729	22,709	
Asia & Oceania Revenue	297,153	345,321	414,743	306,136	333,177	360,665	356,074	411,942	472,594	472,594	532,971	4,435,142	
Operating income	12,575	12,382	27,614	8,368	17,952	19,032	15,514	20,258	22,158	23,874	36,573	304,344	
Per share information													
Equity attributable to owners of the parent company per share	1,943.7	2,192.3	2,297.1	2,148.2	2,320.9	2,540.3	2,635.9	2,961.9	3,172.0	3,159.9	3,706.0	30.84	
Basic earnings per share	332.3	248.3	280.1	1.6	225.5	337.4	188.9	265.5	309.3	314.6	471.8	3.93	
Dividends per share	60.0	70.0	80.0	80.0	40.0	90.0	100.0	100.0	100.0	100.0	120.0	1.00	
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	16,057	35,224	41,309	63,479	66,032	59,059	65,321	49,234	55,009	55,009	35,014	-	
Total assets													
Equity attributable to owners of the parent company	321,464	364,942	382,627	357,839	386,664	417,606	433,541	488,179	523,391	521,385	612,016	5,092,918	
Ratio of profit attributable to owners of the parent company to total assets(ROA)	11.1%	7.1%	7.8%	0.0%	6.4%	8.7%	4.8%	6.3%	6.7%	6.8%	9.5%	-	
Return on equity attributable to owners of the parent company (ROE)	19.0%	12.0%	12.5%	0.1%	10.1%	13.9%	7.3%	9.5%	10.1%	10.5%	13.7%	-	
Ratio of equity attributable to owners of the parent company to total assets	57.7%	60.4%	64.2%	64.1%	61.9%	63.9%	66.5%	65.9%	67.0%	66.5%	71.5%	-	
Capital investment	60,889	75,324	59,406	55,926	37,147	26,882	33,758	49,807	75,814	75,814	56,721	472,006	
Depreciation cost	31,470	40,169	49,617	50,556	44,810	39,940	36,806	36,467	43,188	43,223	45,662	379,978	
R&D expenses	20,489	21,733	22,096	21,716	20,876	21,949	25,003	27,573	28,573	28,444	28,240	235,000	
Number of employees (Note 1)	27,865	32,101	33,663	28,640	31,288	33,192	32,198	30,382	31,504	31,504	31,997	-	

Note 1. Part-time employees are included.
 2. The exchange rate used was JPY120.17 to USD1.00, which was the rate as at March 31, 2015.
 3. Effective from the fiscal year ended March 31, 2014, the Company and some of its consolidated subsidiaries changed the method of recognition of revenue to one based on the time of delivery to customers from the prior one which was based mainly on the time of shipment. The figures for the fiscal year ended March 31, 2013, are those after the retrospective application of the change except for the figures in "Segment information by geographic area".
 4. From the fiscal year ended March 31, 2015, the Nitto Denko Group has implemented the International Financial Reporting Standards (IFRS) to prepare its consolidated financial statements (date of transition to IFRS: April 1, 2013). Accordingly, the financial data for the fiscal year ended March 31, 2014 is also presented based on the IFRS.
 5. 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," "Basic earnings per share" is "Net income per share," "Total assets" is "Total assets," "Total equity" is "Net assets," "Equity attributable to owners of the parent company per share" is "Net assets per share," "Ratio of equity attributable to owners of the parent company to total assets" is "Shareholders' equity to total assets," "Return on equity attributable to owners of the parent company" is "Return on equity" and "Ratio of profit attributable to owners of the parent company to total assets" is "Return on total assets."

Contributing to Local Communities

Volunteer Activity to Repair School Multi-sport Game Court in the State of Sao Paulo

One year has passed since our relocation to a new plant. With our wish to contribute to our new locale, Nitto Denko America Latina volunteered to repair a multi-sport game court at a neighboring public elementary school.

On December 6, 2014, a total of forty employees and their families participated in the cleaning and coating of, and relaying of tape on courts. Through the good offices of our business partners, we were provided with coating materials, transportation for participants, and lunch, and were able to restore the courts by working around the clock.



Making all the difference to a dilapidated court.

Distributing Coal Briquettes to Undeveloped Areas in Seoul

There are undeveloped areas in the city of Seoul where people with difficulty buying even coal briquettes for warmth, live. On February 6, 2015, both Korea Nitto Denko and Nitto Denko Nitoms Korea donated 2,000 coal briquettes to Babsang Community Welfare Foundation, Bank of Briquette, which supports households of such people.

As there are a lot of steep hills and narrow alleys in such areas and distribution is hard, the company volunteers tried to distribute the coal briquettes by themselves. All employees from both companies went up and down the steep hills over and over for four and a half hours, carrying the coal on their shoulders and on two-wheeled carts. In all, they delivered 1,000 coal briquettes to seven households.



Employees carry 10kg loads of coal on their shoulders

Ingenious Activities Supporting Local Communities

From April to December 2014, Nitto Denko Automotive, Alabama supported two local groups running unique fund drives.

We donated the equivalent of approximately 2,560 meals, including proceeds from a bazaar in which used books gathered in the plant were sold, and food brought in by employees, to an NPO feeding children.

We also raised money by selling pet goods recycled from scrap materials and pillowcases in the plant, donating a total equivalent to USD 1,052, including thirty dog beds, to an animal protection group.



Hand-made dog bed and scratching post

Promoting Education and International Interaction

Supporting Physics Experiments in High Schools

In December 2014, Nitto Denko Czech was contacted by Free University of Berlin with a request to supply polarizing films. The aim was to ask for our cooperation in a project whose goal was to show the fun of competitiveness in technology development to high school students by delivering experiment kits to them.

For example, the reason why a corn-filled silo will break at the walls and not at the bottom is found in the force distribution of granular matter. With Nitto's polarizing film, the way in which the pressure in granular matter is distributed can be visualized.

In the project, sixty experiment kits will be distributed to six-year high schools in Germany by the summer of 2015.



An experiment kit

Distribution of the pressure in granular matter

Donating Used Equipment to Schools in Mexico

In September 2014, Nitto Denko Automotive de Mexico Servicios and Nitto Denko de Mexico donated thirty-nine superfluous chairs and nine superfluous workbenches to an elementary school and a technical school. Some employees attend evening classes at the technical school, so skilled human resources may result from the initiative in the future.



Loading donations

Supporting Sports

34th Osaka International Ladies Marathon



The start (Photo credit – Sankei Shimbun)

This is the eleventh year that we have cosponsored the Osaka International Ladies Marathon since our commencement in 2005, in line with the theme "We Support the Challengers with Shared Enthusiasm!" In order to inform as many people as possible of the change in our trade name and company logo in 2013, all employees warmed up the event together. Visitors from Nitto Group numbered approximately 2,000, and worked hard in volunteer activities such as providing water and picking up litter and cheered on the sidelines.



Volunteers drape towels over runners in the Osaka Half Marathon



Taping service

Again this year, we cosponsored the Osaka Half Marathon and the Osaka Enjoy Run, held simultaneously. A taping service provided by Nitto Medical was very well received.

Approximately 3,600 people visited our sponsor's booth, which was set up at the site. We had them experience some of Nitto Group's products, such as polarizing films and COLOCOLO®.



Sponsor's booth

The Nitto Group presents *Nitto Group Report 2015*. In order to inform every stakeholder about the Nitto Group and our fiscal 2014 business activities in their entirety, we have amalgamated our financial and non-financial information.

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

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

This report relates to the business activities of the 107 companies of the Nitto Group as of 31 March 2015, of which 103 are consolidated subsidiaries and the remaining 3 consist of, non-consolidated companies. We consulted the *Sustainability Reporting Guidelines 2006* issued by the Global Reporting Initiative (GRI) and used them for guidance on the disclosure of non-financial information. We also referred to the principles of the International Integrated Reporting Committee (IIRC).

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 News

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

About Our Trademarks

All logos, product names, and other related names are the trademarks and the registered trademarks of Nitto and its respective companies in Japan and/or other countries.

About Environmental Data

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



About the Front Cover

An image expressing tenderness and soundness is accompanied by a dynamic arrow. The illustration suggests an even more prosperous future with the passage of time and technological advancement.

Illustrator Takashi Yamasaki

Printing and Binding

This *Nitto Group Report 2015* was printed by Nitto Denko Himawari Co., Ltd., a member of the Nitto Group.

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

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

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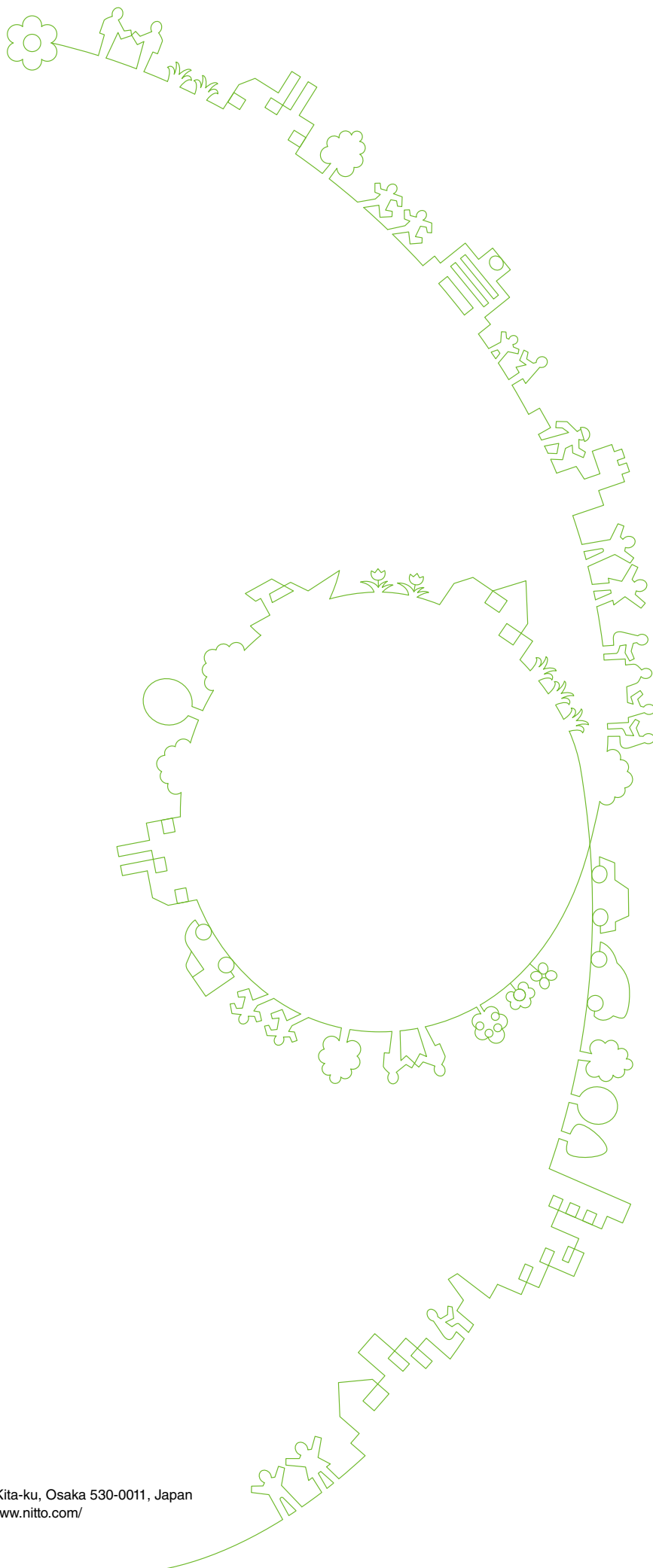
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