

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. On behalf of the Nitto Group, this report will outline our fiscal 2013 activities and present our key policies for fiscal 2014.

## Business Summary of Fiscal 2013

As for the business environment throughout fiscal 2013, the U.S. economy continued on a path to a mild recovery, in line with an increase in private demand, while the European economy also picked up. On the other hand, the Chinese economy weakened further with a decrease in the rate of growth. In the business environment in Japan, the economy showed evidence of a recovery, in line with an improvement in corporate profits and growth in consumer spending.

We at the Nitto Group considered fiscal 2013 the “Year to Enter a New Phase.” Every employee strived unflinchingly, boosting their level of awareness and developed the ability to take on challenges in the world. We implemented activities to develop our corporate value globally towards our 100th anniversary in 2018, enhancing our name recognition by rebranding our company, improving operational efficiency by integrating the Nitto HQ and Osaka BO, and establishing a comprehensive new corporate philosophy illustrating our common philosophy and behavioral norms which every employee of the whole group should share.

As for our business activities, in the electronics industry, where our primary products compete, we introduced new products and increased production of materials for touch panels, in line with growth in the market for smartphones and tablet PCs. In the automotive industry, we enhanced materials adopted by existing customers and found new customers worldwide, while keeping up with the increase in production volume of cars.

Overall, sales increased by 11.7% to 749.8 billion yen and operating income increased 5.5% to 72.2 billion yen, when compared to fiscal 2012.

## Approaches for Fiscal 2014

As for economic forecasts for fiscal 2014, we see the world economy recovering. However, we find the economies of some countries decelerating and others embroiled in political uncertainty. In Europe, the economy is emerging from recession, and in the U.S., growth is forecast to continue, led by personal spending. In emerging countries,

in spite of a predicted improvement in personal spending, growth is seen decelerating. At home, it is predicted that the economy will remain strong in spite of a forecast temporary downturn in economic activity after the rise in the consumption tax.

In such an environment, the Nitto Group considers fiscal 2014 the “Year to Soar.” We will make fiscal 2014 a year when we run swiftly and forcefully like a fleet horse.

Specifically, in our industrial tape business, we will carry forward the establishment of a system which will enable us to consistently manage a range of processes, from the development of products and the procurement of raw materials to the production and sales of products, further creating Area Niche Top™ (ANT) products corresponding to local needs. In particular, as for materials for vehicles, through enhancing the operation of a plant in Brazil which recently commenced production, we will positively respond to the demands of growing markets, including Latin America.

In our optronics business, in spite of the decrease in costs of products in the market for smartphones and tablet PCs, it is expected that our sales will continue to grow. We will supply new products for LCD and touch panels meeting the needs of the market.

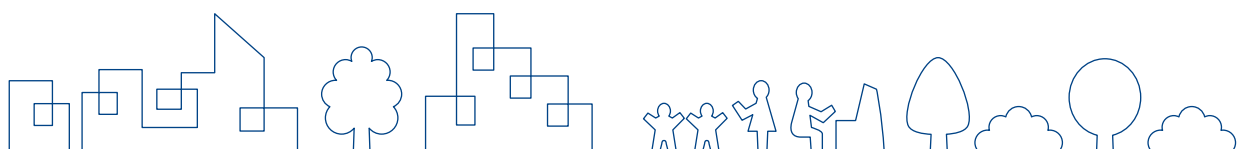
In our medical and membrane businesses, in response to an escalation in competition in the market, we will push ahead with entry into new fields, in parallel with enhancement of our operating bases. In particular, in our medical business, we will promote the contract manufacturing of oligonucleotide and expand sales of transdermal drug delivery patches for treatment of hypertension coming onto the market in fiscal 2013. In our membrane business, we will expand our business from water treatment to other fields.

In fiscal 2014, we aim to achieve 780 billion yen in sales and 78 billion yen in operating income.

## Mid-term Management Plan

From fiscal 2014, we have drawn up a three-year mid-term management plan known as “Nitto-2016.” In order to achieve 920 billion yen in sales and 100 billion yen in operating income in fiscal 2016, we will launch a new challenge.

In Nitto-2016, we established a basic concept: “Soar toward the future through structural reform and a growth strategy.” We will simultaneously conduct structural reform,



aiming to adjust to changing circumstances and a growth strategy to generate a new enterprise and evolve a robust business structure. In order to do so, we will continue to address the three business challenges of “Business Growth,” “Qualitative Improvement” and the “Human Resource Development.”

In the first challenge, Business Growth, seeking a balance between expansion of our present business and the creation of new business, we will continue to establish new themes centered on the growth fields of “Green” (environment), “Clean” (energy) and “Fine” (life science). At the same time, we will focus our efforts to “harvest the theme,” which we have tackled in the past. For example, in May 2013 we established a joint venture company to manufacture anticorrosion materials in Qingdao City, China, which will finally commence production and sales in fiscal 2014.

In the second challenge, Qualitative Improvement, we will accomplish an improvement in corporate value for our stakeholders by not only promoting business growth, but by also implementing such policies as “making a safe and ideal workplace,” “pursuing quality and making customers happy,” “providing eco-friendly products,” “reducing environmental impact associated with our business activities” and “engaging in social responsibility.”

In the third challenge, Human Resource Development, we will address human resource development throughout the world and cultivate the “Nitto Person,” who understands our corporate philosophy, corporate culture and DNA, with the aim of supporting further global growth.

### Profit Allotment Policy

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

The year-end dividend for fiscal 2013 was 50 yen per share, whilst the annual dividend per share was 100 yen, equivalent to fiscal 2012. Forthcoming annual dividends are projected to be 100 yen, equivalent to fiscal 2013 and in line with comprehensive calculations regarding future profits and business investment.

### Corporate Social Responsibility

The Nitto Group aims to be “a company that is most admired and trusted, and continues to grow into the future.”

In line with world affairs, the economy, societal values and the constantly changing needs of people, corporations are required to create new value. I believe that corporations’ acting to fulfill their social responsibilities, as well as pursuing business success, leads to sustainable growth.

For instance, in an auto race, to finish in first place, you undoubtedly need not only a powerful engine but also precision in your steering and braking systems. In the same way and in the spirit of our corporate philosophy, “Contribute to customers’ value creation with innovative ideas,” we will approach business activities in conformity with various rules and systems assuming the roles of steering and braking systems, providing safety and peace of mind for every stakeholder.

We believe that not only by contributing to society through our business performance, but also by approaching sincerely each of our activities with pride and pluck, we will be successful in realizing the expectations of our stakeholders.

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



**Hideo Takasaki**  
Board Member and President,  
Nitto Denko Corporation

