

The Nitto Group conducts business according to our core values, *Place safety before everything else*. We consider we will be able to establish safe and healthy workplaces for all employees and to achieve zero accident and injury throughout the whole Group.

Fostering Safety Culture

Thus far, the Nitto Group has engaged in risk reduction relating to equipment and production processes as proactive safety activities. Since fiscal 2014, with an emphasis on fostering a safety culture, the Group has newly established safety principles as criteria for our various safety activities which every employee implements in order to further enhance our safety culture. The Group has implemented activities to have the policies thoroughly understood. In addition, we conduct experience-based safety training especially for inexperienced employees who tend to lack an understanding of hazards.

We have not only introduced transportable trailers for experience-based safety training to Japan and China, but also created rooms for experience-based safety training in Taiwan and South Korea. We are fostering improvement of safety awareness with safety training through simulated experience.

Area Meetings

Thus far, we have promoted our various safety activities with a focus on Japan. In fiscal 2015, area meetings were held in each area of East Asia, South Asia, the Americas and Europe to encourage the initiative in those regions.

In the meetings, site managers and EHS managers participated, sharing information on the occurrence of accidents. Moreover, workshops were also held in which participants learned about innovative changes in safety awareness and changes in practices necessary for fostering the safety culture. In order to ingrain awareness of *Place safety before everything else*, we investigate issues concerning safety and conduct training, taking concrete actions on issues.

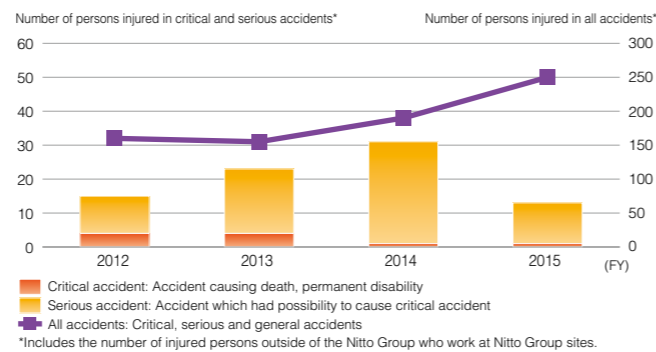


South Asia environment and safety meeting

Occurrence of Accidents

As a result of the promotion of such safety activities, we were able to reduce critical accidents and serious accidents which might become critical accidents, and there were no fatal accidents in fiscal 2015. However, there was an increase in the incidence of general accidents, excluding critical and serious accidents.

In the future, we will continue to strengthen safety activities, further fostering of the safety culture, with the aim of reducing general accidents, as well as critical and serious accidents.



Distribution of Nitto Group Safety Guidebook

Aiming to ingrain awareness of *Place safety before everything else*, we distribute Nitto Group Safety Guidebook to every employee in the Group. In the Guidebook, we expound our policies on safety and concepts of safety activities, such as risk assessments and 5S\*. Each employee is able to describe *Safety Commitments* in the Guidebook.

\* We thoroughly enforce *seiri* (arrangement), *seiton* (order), *seisou* (cleaning), *seiketsu* (cleanliness) and *shitsuke* (discipline).



Nitto Group Safety Guidebook is translated into sixteen languages

The Nitto Group develops our business activities by adhering to our environmental policy, "Protecting our planet for future generations".

By valuing compliance with laws in letter and spirit and acting with integrity and a commitment to environmental preservation both locally and globally, we believe we are able to contribute to the development of a sustainable society.

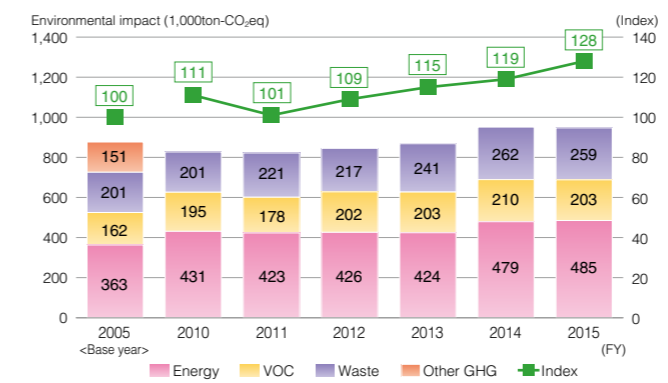
Status of Environmental Management Index

In fiscal 2004, the Nitto Group established an Environmental Impact Value-Added Productivity Index as an all-encompassing environmental management index for the Group, calculating the total added value\*1 created by our business activities and the resulting environmental impact\*2.

Until fiscal 2015, we had set fiscal 2005 as the base year and had aimed to double the index (Index=200) by 2015 and worked towards our target. However, we failed to achieve the target as we were not able to sufficiently control the environmental impact for the added value created.

\*1 Value calculated from sales after subtracting material costs, outside order expenses and energy costs  
 \*2 A unique unit utilized by the Nitto Group, indicating environmental impact, into which we convert energy purchased, industrial waste generated, VOC (volatile organic compounds) purchased and the like, through the use of a coefficient

Environmental impact value-added productivity	Added value (million yen)	Environmental Impact (in CO <sub>2</sub> equivalent)
Fiscal 2015	438,388 million yen	0.463 million yen/ton-CO <sub>2</sub> eq
Index		128 (target: 200)

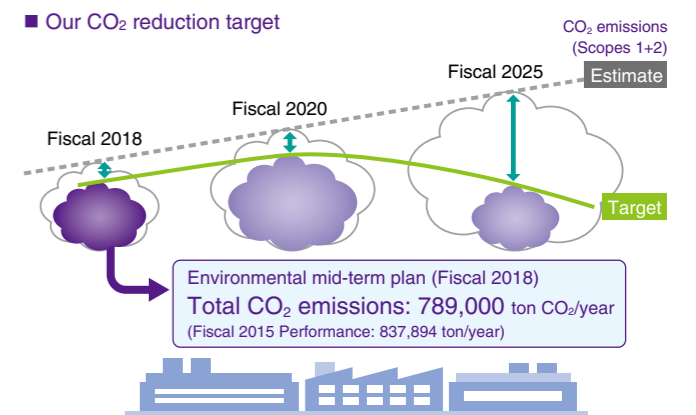


Establishment of Environmental Target

In fiscal 2015, with the aim of further reducing our environmental impact and developing our business to contribute to environmental conservation, we reviewed our target. In the past, we addressed reduction of negative environmental impact from the viewpoint of environmental

management. In order to further increase the compatibility of our environmental management with our business strategies, we selected members from the Environment & Safety Committee and held Green Committee Meetings to discuss environmental issues.

As a result of our review, we have set a goal to reduce CO<sub>2</sub> and toluene emissions as our new measure of environmental management performance. First, we aim for 789,000 tons of total CO<sub>2</sub> emissions per year and 25 tons of total toluene emissions per month by fiscal 2018 as a mid-term goal, engaging in environmental conservation activities throughout the Group.



Environmental Risks and Opportunities

The Nitto Group has a grasp of and manages key environmental risk (refer to the following illustration) incidental to our business activities. We are convinced that preparing for environmental risk will lead to opportunities in markets.

We will continue to promote development of business contributing to reduction of negative impact and enhancement of environmental conservation.

Environmental risks and opportunities incidental to business activities of the Nitto Group

<p><b>Climate change</b>                      •Global warming                      •Abnormal weather</p>	<p><b>Depletion of resources</b>                      •Depletion of energy resources                      •Increase of waste</p>
<p><b>Water crisis</b></p>	<p><b>Decrease of biodiversity</b>                      •Use of harmful chemical substances</p>

The Nitto Group undertakes business in the growing and changing global marketplace by promoting Global Niche Top® and Area Niche Top® strategies. We consider human resources our most valuable assets, and are developing measures aimed at allowing a diversity of human resources to play active roles.

### Promoting Diversity and Women to Play Active Roles

In the Nitto Group, approximately 30,000 employees from culturally diverse backgrounds play active roles throughout the world. We aim to develop further by making good use of each employee's abilities, irrespective of nationality or gender. There is a diversity of new employees recruited by Nitto Headquarters. Over the past four years, 26 non-Japanese nationals have joined Nitto, with women comprising approximately 40 percent of all new recruits in fiscal 2016.

Twelve percent of management-level employees in the Nitto Group are women. To allow women to play even more active role, we are creating women-friendly workplaces. However, the percentage of women in management in Japan remains at a comparatively low 3 percent. In order to actively promote women to managerial roles in Japan, we have established targets. For example, Nitto (non-consolidated) has a plan to raise the percentage of women in management to 4 percent by fiscal 2018, by organizing a

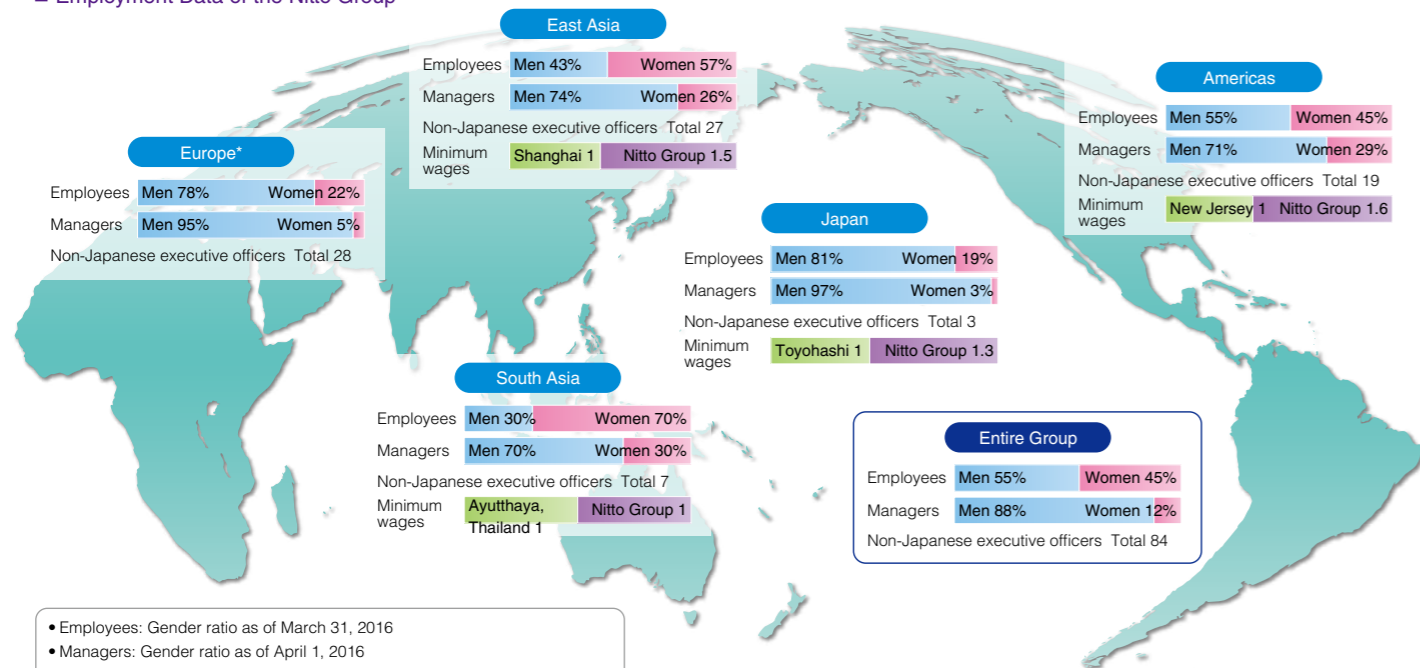
Diversity and Inclusion Group, and by considering the introduction of concrete measures. We have already launched some measures, such as trials of working from home.

### Cultivation of Human Resources

We have established NCS (Nitto Group Cultivation System) as a basic level of education for newcomers to the Nitto Group. NCS consists of six themes (safety, 5S, quality, CSR, environmental conservation and corporate philosophy), and is administrated in each group company.

Furthermore, we launched Nitto Global Business Academy (NGBA) in fiscal 2011, aiming to foster future C-Level executives who will be able to deal with the globalization of management. Every year, selected employees from across the whole Group participate in NGBA. In doing so, we cultivate human resources to support the future growth of the Group from the standpoint of diversity.

### ■ Employment Data of the Nitto Group



- Employees: Gender ratio as of March 31, 2016
- Managers: Gender ratio as of April 1, 2016
- Non-Japanese executive officers: Number of non-Japanese executive officers (including concurrent post) as of April 1, 2016
- Minimum wages: Comparison of legal minimum wages in major cities where Group companies are located

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

Recently, corporate corruption by global enterprises has been frequently uncovered with repercussions for various stakeholders. In some cases, management-level persons were involved in such dishonesty. In the Nitto Group, we are engaged in further enhancement of awareness of such issues by directors and management-level employees, and ensure that all of our employees understand and follow our Business Conduct Guidelines thoroughly.

Furthermore, we consider the protection of human rights part of compliance, and hold enlightenment activities also encompassing supply chains.

### 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. We translate our Business Conduct Guidelines into 16 different languages and distribute them to all employees, irrespective of culture, custom, or area. Furthermore, when entering our companies, new employees must receive training on the Guidelines. Each Group company also thoroughly implements enlightenment training for them.

In addition, we hold CSR workshops for management-level employees every year, which encourage each of those employees to be aware of, and to prevent, injustices from occurring, and to implement compliance. In fiscal 2015, corruption prevention and antitrust law were adopted as themes in the workshops, which were held a total of 155 times in twenty countries, with 2,329 directors and management-level employees participating in them.



CSR workshop in Korea

### Reporting and Counseling System on Corporate Ethics

To facilitate the early detection of violations of the law and ethics issues, we have a reporting and counseling system that allows employees to contact the CSR Department directly. Contact information is noted in Business Conduct Guidelines. Any employee in the Group is able to make use of the system. In addition, though limited, we have an independent reporting system. The incidence of reports is on the increase, which demonstrates that a company culture in which employees are able to speak freely about irregularities, has taken root.

In fiscal 2015, there were no issues concerning duty of

disclosure under the Commercial Code. However, we received 16 reports concerning labor disputes, human rights violations and dishonesty through this system. The Nitto Group settled issues after carefully interviewing parties involved, while ensuring the protection of all whistleblowers.

### 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 addition, the ban is specified in CSR-Based Procurement Guidelines, and is something we ask our business partners to adhere to steadfastly.

In fiscal 2015, we had 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. Twice a year, at the beginning of a new fiscal year and on Human Rights Day, a message from the Nitto Group Central Human Rights Enlightenment Committee Chairman reminds the whole Group to observe the protection of human rights.

In Japan, we have persons in charge of each base and group company, implementing training sessions and calling for slogans on human rights. In other areas, we also implement training sessions and address issues specific to certain countries and areas.

### Learning about Sexual Harassment in E-learning

In Nitto Toyohashi Plant, sexual harassment awareness was conducted through e-learning in fiscal 2015. Four hundred thirty-five management-level employees attended the lecture. They enhanced their understanding of what constitutes sexual harassment by, among other things, looking at issues from another person's standpoint and studying the legal implications of problems.