



## Top Message



To Our Stakeholders

### **Fiscal 2011 – A “Year to Take on Challenges” – towards New Growth**

**In line with foreseeable changes, the Nitto Denko Group will endeavour to build the foundations of an enterprise maintaining sustainable growth by relentlessly pursuing new opportunities.**

Yukio Nagira  
Board Member and President, Nitto Denko Corporation

I would like to express my appreciation for the understanding and patronage that the Nitto Denko Group continues to receive from our shareholders, investors, customers, business partners and local communities. On behalf of the Nitto Denko Group, this report will outline our fiscal 2010 activities and present our key fiscal policies for 2011.

### **A Word on the Great East Japan Earthquake**

On behalf of the Nitto Denko Group, I wish to offer heartfelt condolences to those who lost their lives in the Great East Japan Earthquake and express our sincerest sympathy to all sufferers. Some of the Group's manufacturing, processing and sales bases in the Tohoku district were also affected. Fortunately, we escaped without the loss of life and the direct effects on our performance in fiscal 2010 were minor. Every damaged base was restored and returned to operation in April. In the future, we wish to contribute not only a short-term response to reconstruction demand but also to mid- and long-term recovery and the creation of new industries with our technological capability and creative ability.

### **Business Summary for Fiscal 2010**

The business environment throughout fiscal 2010

was on a track to recovery in the first half of the fiscal year through high rates of economic growth in developing countries such as China. However, the rate of recovery slowed from midway through the fiscal year, as economic-stimulus measures in advanced countries were withdrawn and anxiety over political instability in the Middle East increased. Japan's economy was on the way to recovery in the first half of the fiscal year, whilst it was affected by the appreciation of the yen and the ending of stimulatory economic policies in the second half of the fiscal year. Furthermore, because of the Great East Japan Earthquake, economic prospects became increasingly uncertain.

Given the economic circumstances, the Nitto Denko Group made the transition from the “Year to Endure” in fiscal 2009 to the “Year of Our Offensive”. By means of efficiently supplying materials for products in fields with brisk demand such as flat-screen televisions, smartphones and tablet PCs, we boosted our sales figures. Furthermore, we continued to promote a fundamental reform of cost calculation, composed of three criteria: “Removing (Mu)”; “Reducing (Gen)”; and “Replacing (Dai)”, making efforts to promote improvements in quality and productivity and to realize cost reductions. Overall, sales increased 6.1% to 638.5 billion yen and our operating income rose 52.0% to 85.2 billion yen when compared to the same period in fiscal 2009.

## Approaches for Fiscal 2011

In fiscal 2011, it is expected that demand in developing countries such as China will continue to improve. However, the outlook for the Japanese economy is increasingly uncertain due to the damage from the earthquake and possible power shortages from the stopping of electric power generation as a result of the Fukushima Shock.

Given such circumstances, we will expand our sales of materials for liquid crystal displays and industrial tapes into business fields in growing markets such as those for LCD televisions, smartphones and tablet PCs. As to our industrial tape business, we will expand our presence around the world more strongly than ever and promote our "Area Niche Top" strategy in order to respond to demand in developing countries such as China and India. Our medical business will venture into the development of business related to nucleic acid medicine with our newly acquired Avecia Biotechnology, Inc. in the US. Our membrane business will start full-scale manufacturing of a new model of seawater desalination membrane for which we accepted an order in fiscal 2010.

Domestic and international social and economic circumstances have been unstable of late and the pace of change in the world has been accelerating. In order to achieve quality global growth, we consider it will become important to spare no effort in preparing for every risk and to identify instantaneously changes in customer needs and markets. With this awareness, we have started a new 2-year medium-term management plan, "Team-NITTO 'Creation 2012'", this fiscal year (2011). By means of focusing on the three measures, "business growth", "quality improvement" and "cultivation of human resources", we aim to achieve 750 billion yen in sales and 100 billion yen in operating income.

In order to build the foundations of a robust enterprise maintaining sustainable growth into the future, we will relentlessly pursue new opportunities and accelerate the expansion of businesses showing promise of future growth.

## Profit Allotment Policy

The Nitto Denko Group management considers the return of profits to our stakeholders to be of high-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 research, development and production fields. When determining cash allotments, we comprehensively assess the financial standing of our accounts, profit levels and dividend payout.

The year-end dividend for fiscal 2010 was 50 yen per share, an increase of 10 yen from the interim dividend, whilst the annual dividend amount per share was 90 yen. Forthcoming annual dividends are projected to be 100 yen, an increase of 10 yen, in line with comprehensive calculations regarding future profits and business investment.

## Corporate Social Responsibility

The corporate vision of the Nitto Denko Group is "Creation of New Value" and we consider this to be our purpose. The guiding principles which we embrace that will assist us actualize our corporate vision are "Open, Fair and Best".

At a time when we are experiencing a big turning point as a result of the Great East Japan Earthquake, corporate strength, social responsibility and true value are being put to the test. In order to overcome difficulties, corporations are expected not only to contribute to society through their business activities but also to execute their social responsibilities to stakeholders of the Group such as their shareholders, investors, customers, business partners, local communities, employees and their families. In order to execute our social responsibilities, we will sincerely commit to "quality", "safety", "challenge", "compliance" and the "environment", as reflected by our guiding principles.

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