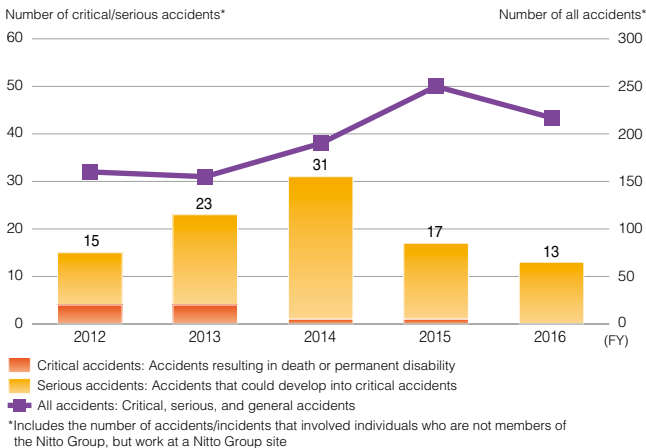


The Nitto Group shares the value of “placing safety before everything else” and we put it into practice in all of our business undertakings. It is our belief that we can achieve our goal of zero accidents and injuries if all members of the Group unite together to create workplace environments in which each and every member can work in safe, anxiety-free surroundings.

## Work-Related Accidents in FY2016

In FY2016, the number of critical accidents and serious accidents that might lead to critical accidents decreased by four from the previous year. Reports on general accidents (other than critical/serious accidents) had been on the rise outside of Japan in recent years, but the number of such accidents in FY2016 fell by 14% from the previous year, as a series of safety campaigns helped employees to raise their safety awareness.



## Fostering Safety Culture

In addition to proactive safety activities to reduce risks associated with equipment and production processes, the Nitto Group began placing a higher priority on the creation of a safety culture as well in FY2014.

Over the past two years, the practice of Safety Call, in which everyone chants safety slogans prior to conferences/meetings, has spread throughout the Nitto Group. Since FY2016, employees have been sharing their experiences in “Safety Talks,” thereby honing their abilities to sense dangerous behaviors and situations. Furthermore, regular “Safety Patrols” have evolved from pointing out dangers to helping operators to notice areas for improvement through dialogue. We believe that this will encourage operators to break away from the passive attitude of “not acting until instructed (told)” and begin autonomous safety activities.

In June 2016, we organized a safety session for our management, to which we invited a visiting lecturer. Each

management member present then organized a safety workshop for supervisors to urge the necessity of placing safety first in accordance with the Corporate Philosophy. The participating supervisors also deepened their understanding of safety - as issue that is highly relevant to them as well - while comparing notes with their peers.

## Responses to the Revised Industrial Safety and Health Act

Following the amendments to the Industrial Safety and Health Act of Japan, it is now made mandatory to assess all risks associated with chemical substances and check employees’ stress.

## Chemical Risk Assessment (CRA)

The Nitto Group has established the “Chemical Risk Assessment Guidelines” to conduct autonomous CRA. Now that the Act has been amended, the Nitto Group companies in Japan have gone one step further to conduct CRA not only for the 640 regulated substances, but also for all of the other chemical substances that they use.

## Stress Check

Between May and July 2016, we conducted stress checks for all employees of the Nitto Group companies in Japan. The results are being used to deal with those who are deemed to be under high stress and to comprehend and improve workplace environments. We will continue our drive to make our workplaces worker-friendly with a view toward enhancing the good health of our people and productivity and achieving the sound development of our company.

## Achieving Zero Accidents and Injuries

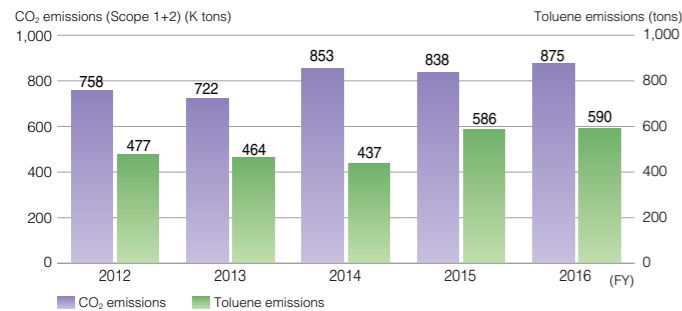
Since the beginning of FY2017, five critical/serious accidents have occurred up to the end of April. One of them was a tragic traffic accident that resulted in the death of a person from outside of the Nitto Group in one of Nitto’s plants. All of those at the Nitto Group have renewed their determination to thoroughly “implement safety measures and raise safety awareness” so that such an unfortunate event will never occur again.

The Nitto Group remains committed to our environmental policy of “protecting our planet for future generations.” By valuing compliance with the letter and spirit of the law and acting with integrity and a commitment to environmental preservation both locally and globally, we believe that we will be able to contribute even further to the development of a sustainable society.

Status of Fiscal 2016 Environmental Target Achievement

The Nitto Group has set mid-term environmental targets of reducing the total CO<sub>2</sub> emissions of the entire Group to 859,000 tons per year\* and the total atmospheric toluene emissions of Nitto (non-consolidated) to 300 tons per year by fiscal 2018.

Despite an increase in the amount of business activity, the rise in CO<sub>2</sub> emissions for fiscal 2016 was kept to a minimum at 875,037 tons (up by 4.4% from the previous year) thanks to a series of measures taken under the lead of each sector to address environmental issues. Total atmospheric toluene emissions ended up at 590 tons (up by 0.8% from the previous year) – equivalent to the previous year’s level.



\* The CO<sub>2</sub> emissions target for fiscal 2016 provided in the Nitto Group Report 2016 (789,000 tons per year) was incorrect, and should have been 859,000 tons per year.

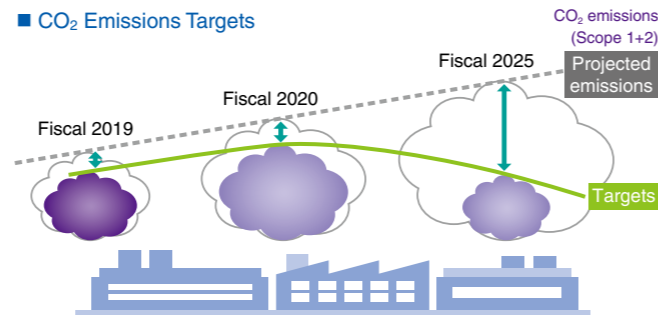
Mid- and Long-Term Environmental Plan (Ending in Fiscal 2025)

At the Nitto Group, as a part of our constant efforts to integrate our management objectives with our environmental activities, we involve the President and other members of our management team in discussions to draw up an environmental vision by the Green Committee. In fiscal 2016, the Committee set a new reduction target for waste, in addition to those for CO<sub>2</sub> emissions and atmospheric toluene emissions. The goal is to reduce waste by 21% (per unit production, compared with fiscal 2015 levels) by fiscal 2025 by reducing waste by 3% (per unit production) per annum. In fiscal 2017, more detailed analysis of waste generated by the entire Group will be conducted to gain a better picture of the realities so that the efficiency of activities in this regard may be assessed and any findings fed back to future initiatives.

A new target of reducing CO<sub>2</sub> emissions by 6.5% (compared with the fiscal 2013 levels, or by 730,000 tons per year) by fiscal 2025 has been added, which we plan to achieve by conserving more energy and collecting organic solvents. A

new target has also been added for atmospheric toluene emissions, which aims to reduce atmospheric toluene emissions to 200 tons per year by fiscal 2020.

In fiscal 2017, 4.2 billion yen will be set aside to address environmental issues so that these targets can be achieved.



Mid- and Long-Term Environmental Plan

| Target                        | Mid-term  | Long-term  |
|-------------------------------|---|--|
| CO <sub>2</sub> emissions     | 805,000 tons/year (Fiscal 2019)                             | 730,000 tons/year (Fiscal 2025)  |
| Atmospheric toluene emissions | 228 tons/year (Fiscal 2019)                                 | 200 tons/year (Fiscal 2020)  |
| Waste reduction               | 3% reduction in per unit production (vs. the previous year) | 21% reduction in per unit production (Fiscal 2025 levels vs. fiscal 2015 levels) |

Environmental Risks and Opportunities

We closely monitor environmental risks incidental to our business activities (see the illustration below) and strive to reduce them by placing them under proper management. By coming up with technologies, products, and services that provide solutions to these environmental risks, access to greater business opportunities will be achieved. To create a sustainable society, we will continue to seek such opportunities that help to reduce environmental impact and conserve the environment by making various suggestions on solutions to such issues.

Environmental risks and opportunities incidental to the Nitto Group's business activities

|   |   |
|---|---|
| <p><b>Climate change</b></p> <ul style="list-style-type: none"> <li>•Global warming</li> <li>•Abnormal weather</li> </ul> | <p><b>Resource depletion</b></p> <ul style="list-style-type: none"> <li>•Energy resource depletion</li> <li>•Increase of waste</li> </ul> |
| <p><b>Water crisis</b></p>  | <p><b>Decrease of biodiversity</b></p> <ul style="list-style-type: none"> <li>•Use of harmful chemical substances</li> </ul>              |

Corporate scandals are liable to occur if we forget to fulfill social demands as a good corporate citizen and fail to reflect on our own actions. At the Nitto Group, we distribute the “Nitto Group Business Conduct Guidelines,” which exemplify compliant actions under various circumstances, to all of our employees, including directors and those on the management level, and encourage them to refer to those Guidelines in any situation. Compliance is also ensured throughout our supply chains.

Furthermore, we consider the promotion of human rights a part of compliance activities, and work accordingly in support of the Universal Declaration of Human Rights.

Deepening Our Understanding of Compliance

The Nitto Group defines compliance as actions that are carried out in accordance with social rules, as well as relevant laws/regulations and internal rules, and conform to corporate ethics, and we demand that such actions be taken. We distribute the “Nitto Group Business Conduct Guidelines,” which are available in 16 different languages, to all of our employees, irrespective of culture, custom, or nationality, and oblige every employee to receive training on the Guidelines as a part of our new employee orientation.

At yearly CSR workshops held for directors and management-level employees, participants are encouraged not to stop at merely practicing compliance, but to play an active role in monitoring and preventing injustices. In fiscal 2016, a total of 152 workshops were held in 20 countries on such topics as “export/import control” and “information security measures,” both of which can risk violation of relevant laws or incur accidents unless due care is taken. The total of 2,540 attendees deepened their understanding of compliance as they were reminded of its importance through case studies and group discussions.



CSR workshop in Thailand

In FY2016, there were no violations of any law or regulation involving our business activities, including those concerning environmental conservation and product management.

Reporting and Counseling System on Corporate Ethics

To facilitate early detection of law/regulation violations and ethical issues and ensure instantaneous action against them, we have a reporting and counseling system that allows employees to contact the CSR Department directly. Contact information is noted in the “Nitto Group Business Conduct Guidelines.” All employees of the Group may avail themselves of this service if they find it difficult to consult with their superiors or the relevant departments at their respective Group

companies. Also, though limited, employees can make use of independent reporting systems, and several reports are made each year. We believe that, when employees assume it is natural to speak out about anything that they think is “not right,” ours will be a workplace in which not a single sign of injustice will be overlooked.

In fiscal 2016, there were no issues concerning duty of disclosure under the Commercial Code of Japan. However, we did receive 14 reports concerning labor disputes, human rights violations, and dishonesty through this system. We have settled these issues after carefully interviewing the parties involved, while ensuring the protection of all whistleblowers.

Ban on Child Labor and Forced Labor

The Nitto Group clearly states its ban on child labor and forced labor in its Business Conduct Guidelines and has all Group companies follow suit. We also ask our business partners to comply with this policy in the “CSR-Based Procurement Guidelines.” Starting from fiscal 2017, we began checking whether new suppliers are CSR conscious beforehand.

In fiscal 2016, we had no issues with child labor or forced labor.

Human Rights Enlightenment Activities

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

In Japan, each plant/office and Group company appoints a person in charge of human rights promotion, who regularly attends conferences and training sessions to share any issues. Such individuals organize human rights workshops at their respective plants/offices/companies in order to help all employees to deepen their understanding of human rights. In fiscal 2016, training sessions on “Diversity,” which included viewing of an informative DVD, were given at each location.

In other countries, too, similar programs are offered to address the human rights issues unique to each country and region. In the United States, for example, training sessions on different forms of harassment are given separately to management-level and non-management-level employees every year.

The Nitto Group considers human resources to be our most valuable assets. Guided by this overriding principle, we are developing measures aimed at cultivating our human resources, including the creation of a work environment in which our employees can find pleasure in honing their skills and an organization in which they are encouraged to take on more challenging tasks to advance their careers, as the company sustains its growth in the global market.

### Diversity

The approximately 30,000 employees of the Nitto Group all diligently live up to the Nitto Way as good "Nitto Persons," and forge ahead day after day while putting their abilities to the best possible use, irrespective of nationality, cultural background, gender, age, or employment type. In fiscal 2016, we established a special task force for the promotion of diversity and inclusion within the Group with a focus on "achieving work-life balance" and "supporting diverse human resources in playing active roles."

To further promote diversity, Nitto (non-consolidated) is working on a method that allows female employees to achieve smooth career development by organizing workshops for them and other activities in an effort to raise the percentage of women in management to 4% by fiscal 2018. Meanwhile, to encourage good work-life balance, we are promoting "work style reform" by making it easier for employees with young children and/or family members

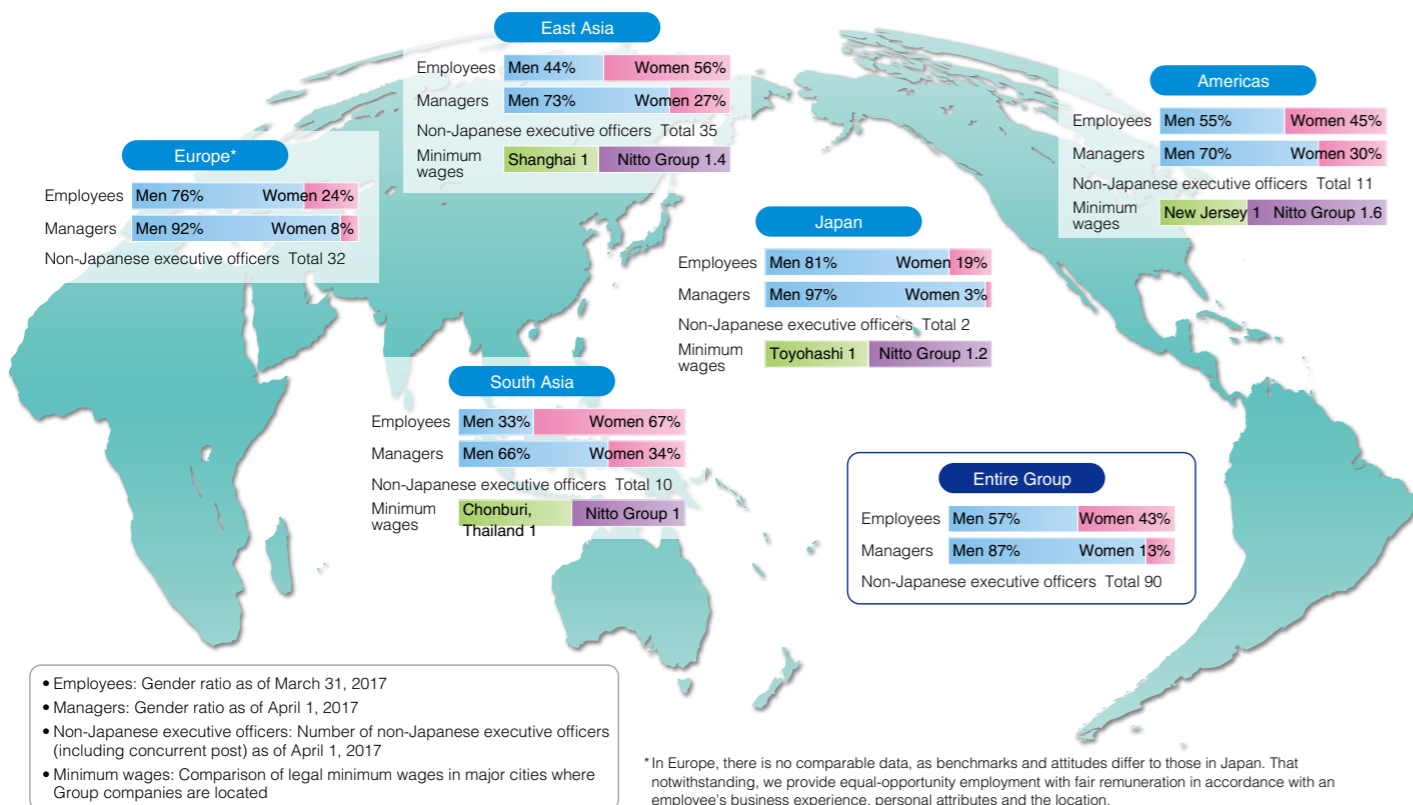
requiring nursing care to pursue their careers and introducing a work-at-home scheme.

### Others

At the Nitto Group, we adopt the motto of "open, fair, and best" in every personnel-related matter, including recruitment, assignment, evaluation, and training. In addition to strictly following the Equal Employment Opportunity Act, we make it a principle to treat people in a fair and equitable manner and manage their working hours properly in accordance with the labor laws of each country and region.

Nitto and several of its Group companies conduct employee surveys to increase employee satisfaction. In order for employees to maintain good health and work in good spirits, we are strengthening measures designed to promote their health such as allocating full time health staff members to main sites in Japan.

### Employment Data of the Nitto Group



### Training System

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

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

### Cultivation of Human Resources

Today's business environment is changing so rapidly that we can no longer expect to retain our competitive advantage if we continue to cultivate human resources by providing old-fashioned routine training according to job positions and responsibilities. In order to sustain business growth amid fierce competition, the Nitto Group has put together a new seamless human resource cultivation program in a bid to develop Nitto Persons through collaboration with each workplace.

We offer a variety of training opportunities to assist individual employees in developing their competency. They are now able to choose courses from an expanded list of e-learning and other programs so that they can acquire in a timely manner the skills that they need to move up through their job ranks and functions. They can also avail themselves of training courses tailored for each job function, including sales and production engineering.

In addition, a training program for individuals whose promotion has been decided, which is available for those in each job rank, ranging from new recruits to those in managerial positions, will be linked to the Nitto Global

Business Academy\* (NGBA), which was launched in 2011 to foster future C-Level executives. By encouraging employees in all positions to think from a management perspective, we expect that they will find messages from management more relevant, which should in turn help them to gain global leadership abilities.

\* The NGBA comprises three courses: the Executive course for cultivating next C-Level executives, the Advanced course for cultivating next regional/business leaders, and the Future course for cultivating next-generation leaders.

### e-Learning to Raise Subcontract Act\* Awareness

In fiscal 2016, employees of all Group companies in Japan were invited to participate in e-learning about the Japanese Subcontract Act. The purpose of the Act is to ensure that transactions between main subcontracting entrepreneurs and subcontractors are fair and to protect the interests of subcontractors. To prevent any behavior that might infringe upon the Act, continual training is provided to help each individual to raise his or her awareness of the Act and comply with it.

\* Short for the "Act against Delay in Payment of Subcontract Proceeds, Etc. to Subcontractors"