

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

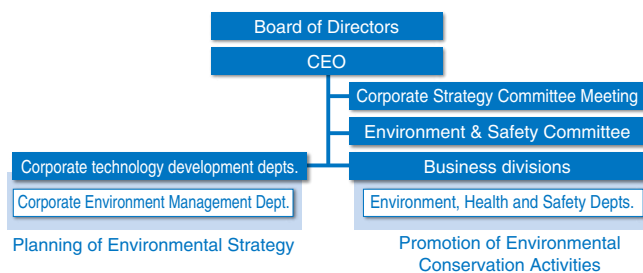
- We develop and provide products and services that help resolve global environmental problems.
- We create products along with our customers to eliminate environmental problems.
- We provide products and services that reduce the environmental impact of our customer’s processes.

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.

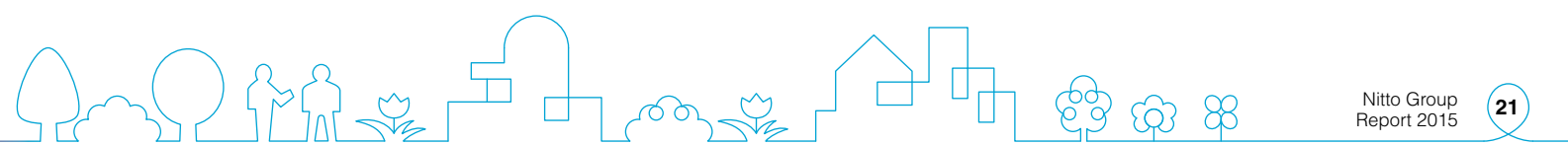
Volatile organic solvents are burned in treatment facilities, rendered harmless and vented to the atmosphere. However, some solvent gases escape into the atmosphere, though the amount is infinitesimal. Furthermore, in the treatment process, burning solvent gases generates carbon dioxide. As carbon dioxide 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

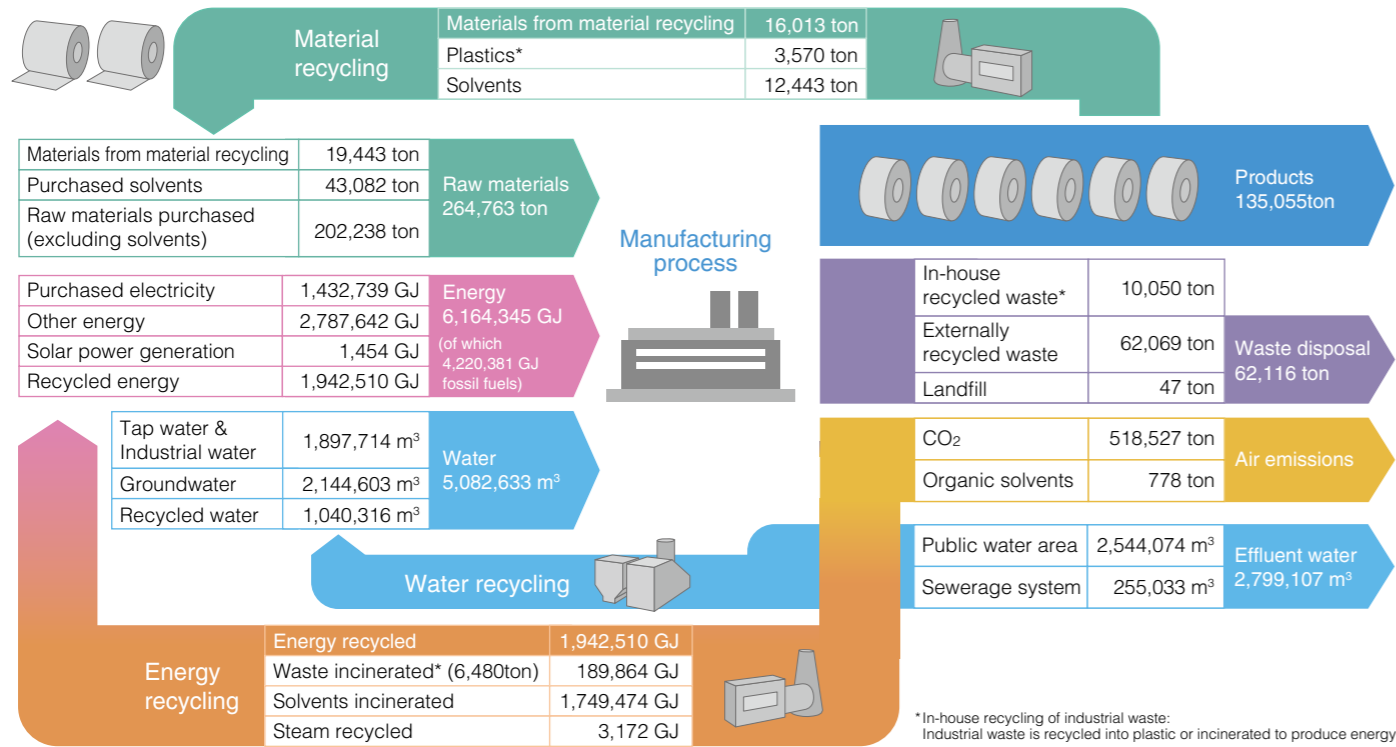
We have identified not only the use of organic solvents, but also the use of energy and the disposal of industrial waste, which are characteristics of manufacturing, as the three major factors of the environmental load of the Nitto Group, and seek to reduce them.

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

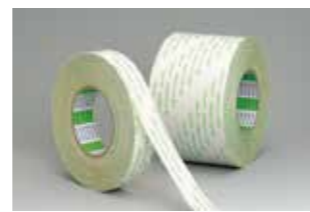
By setting a new theme concerning the growing fields of Green and Clean, we are engaged in research and development aimed at the industrialization of those fields, as well as improving existing business.

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

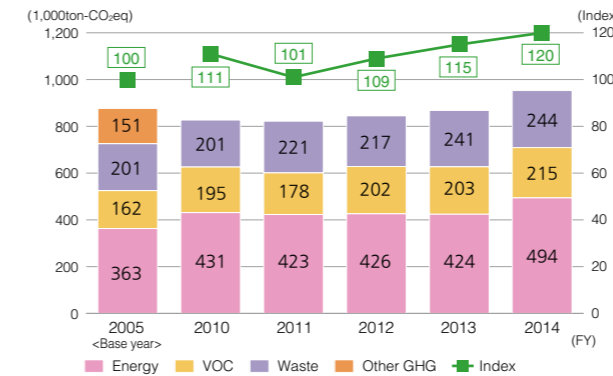
Environmental Management Index

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."

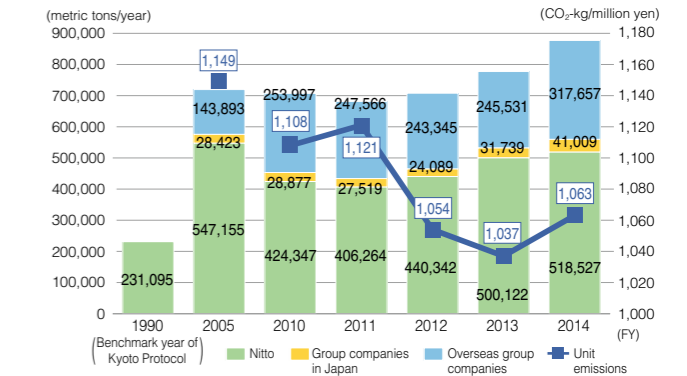
CO₂ Emissions (Scopes 1+2)

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

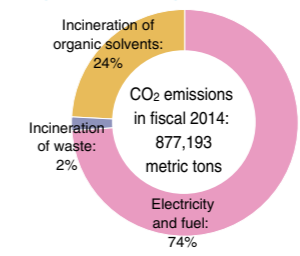
In fiscal 2014, total CO₂ emissions increased. Total CO₂ emissions increased primarily because the amount of energy used, which accounts for 74% of CO₂ emissions, did not decline. In addition, a deterioration in the CO₂ emission factor of purchased electricity, caused by the shutting down of nuclear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

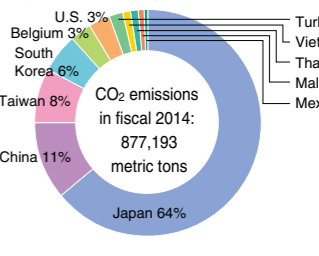
Total and Unit CO₂ Emissions (Scopes 1+2) (consolidated)



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.

Environmental Conservation Activities

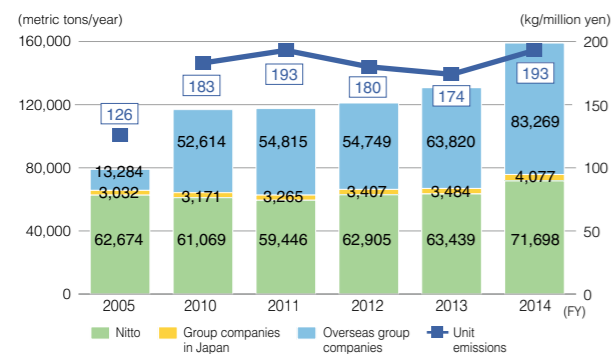
Waste* Disposed

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)

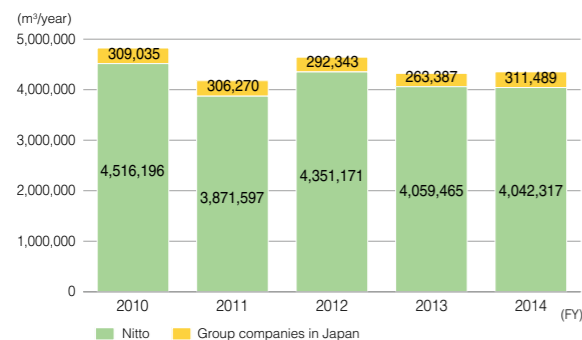


Management of Water Resources

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)



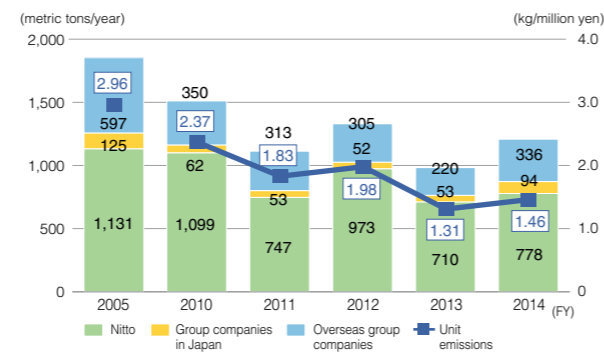
Organic Solvent Emissions

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

