



## Top Message



To Our Stakeholders

**Fiscal 2012 – “Year to Overcome Challenges”**

**By returning to the origins of our business, we will control ourselves and deal successfully with environmental change to create new value to benefit our customers.**



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 2011 activities and present our key policies for fiscal 2012.

### Business Summary for Fiscal 2011

The business environment throughout fiscal 2011 was on a track to recovery after the initial downturn caused by the impact of the Great East Japan Earthquake. However, due not only to the escalation of the Euro crisis and the yen's sharp appreciation, but also the floods in Thailand, the business environment remained uncertain.

The Nitto Denko Group considered fiscal 2011 as the “Year to Take on Challenges”, striving towards new growth and the creation of new value by means such as the generation of new products and business models. As to materials for liquid crystal displays, we expanded our sales of differentiated and competitive products for smartphones (multifunctional mobile phones) and tablet PCs, whose markets are growing dramatically. Furthermore, in our industrial tape business, we promoted our “Area Niche Top” strategy in developing countries, such as China and India, enhancing global development. However, because of a decrease in production volume of vehicles in the first half of the fiscal year, a slowdown of demand for, and a decline in prices of products used in the electronics industry, and the appreciation of the yen, business was poor. Overall, sales decreased 4.8% to 607.6 billion yen and operating income declined 33.7% to 56.4 billion yen, when compared to fiscal 2010.

### Business Performance in Fiscal 2012

As to the business environment of fiscal 2012, in spite of the downward economic pressure exerted by factors such as Europe's ongoing debt crisis, escalation of financial problems in advanced countries and rising oil prices, the economies of developing countries have the potential for growth.

Given such circumstances, industrial tape products for the automobile industry are expected to remain strong, in line with a rebound from the impact of the Great East Japan Earthquake and Thailand floods.

Our forecasts suggest that our optronics business, centered on our materials for liquid crystal displays, as well as our tapes for liquid crystal and touch panels, will continue to be strong, in line with the anticipated continuing growth in demand for smartphones and tablet PCs.

In our medical and membrane businesses, we will improve our earning capacity by focusing on fields where we can capitalize on our strengths.

In fiscal 2012 we aim to achieve increases of 8.6% to 660 billion yen in sales and of 25.7% to 71 billion yen in operating income, when compared to fiscal 2011.

### Approaches for Fiscal 2012

The Nitto Denko Group considers fiscal 2012 as the “Year to Overcome Challenges” and will address three challenges.

The first of these challenges is the “creation of ample business opportunities”. We will come up with a multitude of ideas aimed at creating value to satisfy our customers, then develop those ideas with the greatest potential into

new lines of business. Without being bound to any one nation or area, nor to our unique technologies or resources, we will take advantage of mergers and acquisitions as well as business tie-ups. In particular, we are aggressively creating themes in the fields of “Green (Environment), Clean (Energy) and Fine (Life Science)”, and will enhance such activities in fiscal 2012.

•Examples of “creation of ample business opportunities”

Medical Business February 2011:	Acquisition of Avecia Biotechnology, Inc., a leader in the contract manufacturing of oligonucleotide drugs
Membrane Business June 2011:	Inking of agreement with Statkraft of Norway for the collaborative technological development of osmotic power
Membrane Business October 2011:	Business collaboration with Memstar Technology Ltd, a Singapore-based leading manufacturer of high performance hollow fiber membranes

The second challenge is promoting “the second stage of globalization”. The Nitto Denko Group has developed a “Global Niche Top” strategy. However, under circumstances in which there are drastic fluctuations in the business environment, we also implement an “Area Niche Top” strategy in which we manufacture products taking root in each area of the world, expanding our market share. In fiscal 2012, with the acquisition of Turkey’s top tape maker, Bento Bantçılık ve Temizlik Maddeleri Sanayi Ticaret and its subsidiary, Bento Pazarlama ve Ticaret, we will give a boost to the expansion of our tape business in developing countries in regions such as Europe, the Middle East and North Africa.

The third challenge we will confront is “productivity reform”. In addition to maximizing time and cost efficiencies and increasing output, we aim to provide appropriate solutions to various issues raised by our customers in less time. Making use of every resource within the Nitto Denko Group flexibly and effectively, we will reorganize ourselves into an organization which can rightly be called “all-Nitto”, from the standpoints of both markets and customers.



### Profit Allotment Policy

The Nitto Denko Group management considers 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 development and production. When determining cash allotments, we comprehensively assess the financial standing of our accounts, profit levels and dividend payout.

The year-end dividend for fiscal 2011 was 50 yen per share, whilst the annual dividend per share was 100 yen, an increase of 10 yen from fiscal 2010. Forthcoming annual dividends are projected to be 100 yen, equivalent to fiscal 2011 and in line with comprehensive calculations regarding future profits and business investment.



### Corporate Social Responsibility

Fiscal 2011 began soon after the Great East Japan Earthquake. In October, Thailand was inundated with floods. It was a year in which we were faced with numerous natural disasters which impacted on our business activities throughout the world. The Nitto Denko Group manufactures many global niche top products, such as life-support medical treatment and pharmaceutical products, and products necessary for disaster restoration. Thus, it was a seriously thought-provoking year for us with regards to our responsibility for product supply.

Fortunately, having drawn up a Business Continuity Plan (BCP) for use in the event of earthquakes, the Nitto Denko Tohoku Plant, which manufactures medical care-related products and pharmaceuticals, was able to partially operate and conduct recovery efforts as soon as the electrical power supply resumed. In the case of the Thailand floods, the first floor of the Nitto Denko Material (Thailand) Co., Ltd. building became submerged. However, as we had spread the manufacturing operations for its major products across Japan, the U.S., Europe and Asia, we were able to avoid causing any great inconvenience to our customers as had occurred when the Great East Japan Earthquake struck.

For the Nitto Denko Group, supplying more than 10,000 products to various business fields, responsibility to supply our products to our customers is the most important issue with regards to the support of human life, society and the economy and which therefore requires continuous improvement. We are now reviewing BCP in a comprehensive manner. When great disasters occur, we will, first of all, confirm our employees’ safety, then check on the damage to the whole Group, including supply chains. We consider a prompt recovery vital if we are to fulfill our responsibilities to our customers.

In this time of change, we believe that by returning again to our corporate vision of “Creation of New Value” and our guiding principles of “Open, Fair and Best” and approaching sincerely each of our activities with pride and pluck, we will be successful in realizing the expectations of our stakeholders.

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