The Nitto Denko Group has chosen to amalgamate both our Annual and CSR reports in order to demonstrate our purpose, the contributions that we have made to society and our 2009 business performance. In a hope to reduce the size of our annual report we have narrowed down its contents. If additional information is required, please refer to our website. The Nitto Denko Group looks forward to your continued patronage and understanding.

This report relates to the business activities of the 110 companies of the Nitto Denko Group as of 31 March 2010, of which 102 are consolidated subsidiaries and the remaining 8 are made up of non-consolidated subsidiaries (accounted for using the equity method) and affiliated companies. In writing this report, we consulted the Sustainability Reporting Guidelines 2006 issued by the Global Reporting Initiative and used them as a guide for the disclosure of non-financial related information.

Corporate Governance

Corporate Governance
QES Audit
Product Risk Management
Procurement
Quality and Chemical Substance Management
Safety Measures for Employees
Personnel Matters
Cultivation of Human Resources

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Electronics Business
Tape Business
Medical Business
Membrane Business

Research and Development

Development of New Materials Using the SPring-8 Large-Scale Synchrotron Radiation Facility
Nitto Denko Support for National Research and Development Projects
Nitto Denko Asia Technical Centre Combines Optoelectronics with Medical Technologies

Corporate Vision

“Creation of New Value”
Guided by “Open, Fair and Best” as the very basis of our actions, Nitto Denko Group will contribute to people’s daily life and industry’s future with its power to generate innovative and unique ideas.

Nitto Denko Group will:
• Swiftly create products and services offering new functions that give satisfaction to customers
• Honor autonomy and originally to enhance the working environment with the total freedom for the employees to take on challenges
• Pursue sound business activities and continually earn shareholders’ trust through appropriate information disclosures and communications
• Always be mindful of corporate social responsibility including sustainability and community relations

Guiding Principles

With the pride and resolve of a Nitto Denko Group employee, we will always act with integrity in accordance with “Open, Fair and Best”.

We will:
1. Provide our customers with the highest quality in products and services
2. Place safety before everything else
3. Always act with a challenging spirit
4. Conduct ourselves with good sense, guided by laws and ethics
5. Keep in mind to help protect the global environment and conserve resources

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All Nitto Denko Group employees and their families
Shareholders, personal and institutional investors
Administrative agencies
NPO/NGO

Nitto Denko Group

Business partners

Local communities

Global environment

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I would like to express my appreciation for the understanding and patronage that the Nitto Denko Group has received from our shareholders, investors, customers, business partners and local communities. On behalf of the Nitto Denko Group, this report will outline our fiscal 2009 activities and present our key fiscal policies for 2010.

Business Summary for Fiscal 2009

The business environment throughout fiscal 2009 gradually improved with the expansion of domestic demand in developing countries including China along with inventory adjustments and the economic-stimulus measures that took place in many countries. This all transpired despite concerns surrounding the global financial crisis which occurred in the second half of fiscal 2008.

Given the economic circumstances the Nitto Denko Group has promoted a growth plan centering on key themes, the Nitto Denko Group will develop new business areas.

Approaches for Fiscal 2010

In fiscal 2010, it is expected that the economy will continue to improve as a result of the influence of economic-stimulus measures in some countries. It is considered that corporations which meet the need in global markets will continue to experience an increase in profits. However the outlook for the economy from next autumn onwards is partly unpredictable. For this reason it will be important to judge the growth field well and to be highly sensitive to changing markets.

We consider fiscal 2010 as the "Year of our Offensive" whilst keeping the activity of "Mu Gen Dai" in our hearts, which to date has contributed greatly to our business recovery, we will be focusing on developing several new potential growth areas and new products.

With respect to industrial materials, we will globally enhance our development of technology, production and distribution more than ever. We are currently constructing a mechanism of meeting domestic demand across developing countries such as China, India and Turkey.

With regards to electronic materials, the competition from Korean and Taiwanese rivals is tightening. We aim to maintain stable profits in the future through continued superiority in technology and through further improvements to our business structure.

Our 100th Anniversary since Inauguration

In 2018 Nitto Denko will have its 100th anniversary since its inauguration. We aspire to being regarded as "a corporation which keeps on growing" when that time comes about.

A great deal was lost throughout the recent financial crisis and it is considered that it will take one or two years for the global economy to return to a more stable position. Given the current global economic situation, we will focus on a number of specific areas and work towards targeting our growth within those areas. For us to realize this purpose we will need to take the helm whilst moving into new business fields. The keywords informing our approach are; "Green, Clean and Fine".

In the future, we will firm up both our core industrial tape business (sheet or film products) and optoelectronics business (electronics materials including peripheral material of next-generation displays) and develop new growth industry fields stemming from our "Green (contribution to the global environment), Clean (support for new energy) and Fine (life science)" core themes. We will develop these themes globally applying them to both new products and new applications. In order to ensure the overall quality improvement of the corporation, we will continue to cultivate and develop those of our human resource who demonstrate initiative, innovation and who are motivated to meet the challenge.

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 where we are experiencing a big turning point in the economy with new values emerging, corporate strength, social responsibility and true value are being put to the test. The Nitto Denko Group not only contributes to society through its business activities but also sincerely is committed to "quality", "safety", "challenge", "compliance" and the "environment" as reflected by our guiding principles. We hold on to these principles with a great deal of pride and conviction. We believe that through embracing this attitude in all that we do, we will be successful in realizing our responsibility to our stakeholders.

The Nitto Denko Group looks forward to your ever deeper patronage and further guidance.
The Nitto Denko Group has sound and transparent approaches to management and aims to be a group trusted by society.

Corporate Governance

Aiming at implementing long-lasting harmonious activities involving every stakeholder

<Governance System>

The Nitto Denko Group believes that to enhance corporate value it is important to implement long-lasting harmonious activities involving all stakeholders. The governance model we use to realize this is illustrated in the diagram below. We have nine directors and five corporate auditors each committed to maintaining fairness and transparency with the work that they do. Two out of the nine directors and three out of the five corporate auditors have been appointed to objectively carry out the function of governance.

<Basic Policy>

To ensure that the organizational system is pro active, the Nitto Denko Group has introduced policies based on action principles which target employees working in each particular field of our business. Some of the areas addressed concern; “basic policy of internal control under corporate law”, “basic policy of internal control relating to financial reporting”, “disclosure policy”, “environmental policy”, “quality policy” and “basic information security policy”. Not only have we devised these operational policies but we have developed our “Corporate Vision”, “Guiding Principles” and “Business Conduct Guidelines” as common guides for every employee to follow both as employees of the Nitto Denko Group but also as members of society.

Through the integration of both, governance becomes effective.

<Education and Training>

It is integral that we continue to develop our human resources if the Nitto Denko Group is to continue to earn societal trust. For this reason we embrace the ongoing training and professional development of all our employees. We conduct compliance training sessions for core management level employees every year. Furthermore, we conduct training sessions on CSR and other relevant subject matters every year. Furthermore, we conduct training sessions on CSR and other relevant subject matters for everyone in the Group. We aim to develop and encourage our employees to gain confidence, strong professional ethics and a wealth of good sense.

<Audit and Internal Control>

The Nitto Denko Group carries out many internal audits relating to export control, antisocial trading, the environment, safety and quality which are carried out by specialty units. The results of these audits are reported to the department responsible and the relevant management teams. Any identified problems are considered and followed up with strategies that are initiated to improve the situation as speedily as possible. We have also implemented the internal control evaluation measures which are outlined in the Financial Instruments and Exchange Act. These measures focus on six areas; “control environment”, “risk evaluation and response”, “control activities”, “information and transmission”, “monitoring” and the “handling of IT”. We believe that in order to enhance future governance, it is necessary to successfully combine our internal audits with the internal control evaluation measures.

<Risk Management>

In order to prevent misconduct, accidents from occurring and to keep our losses to a minimum, the Nitto Denko Group actively manages risk. We consider risk management to be an important component of good governance.

Risk management concerns all our business activities as well as accidents and disasters that may occur globally. The CSR Committee investigates any risk areas that may present as serious concerns to management. Any potential risk areas are prioritized and the relevant departments are then engaged in a process focused on putting in place countermeasures aimed at prevention and transformation.

<Help Line>

We have two problem solving avenues available to employees, one of which is internal and the other being a helpline. Every employee is able to utilize either avenue in situations where the concerning issue relates to the Group. When any violation of the law or corruption is uncovered, the first step undertaken is for the employee to inform and consult their manager. In cases where the situation is not resolvable within the organization, then it is likely to be reported to the help line information desk.

In fiscal 2009, there were some reports made primarily concerning harassment within the workplace. We are taking preventative measures aimed at focusing on raising employee consciousness around the importance of individual human rights.
Associated Business Risks Listed in the Financial Report as of March 2010

Potential risks which may have an impact on our operational results, share prices and financial standing are indicated below.

1. Optical Business (LCD-related products)
Our optical business constitutes the core of the Group's sales. However, while demand for LCD TVs in emerging markets (particularly China) is anticipated to grow, there are many companies participating in this market and competition continues to be stiff. Our relationship with panel manufacturers (our customers), an imbalance between the supply and demand conditions of the industry, decline in prices, corporate reorganization among panel makers, intensified price competition due to new players entering the market, the under capacity of material suppliers and sharp increases in material costs could all negatively affect the performance of the Group.

2. Business Operations in North America
The Group's sales are featured by the LCD-related products we manufacture and market. Sales in the U.S. have been affected by the trend of the global economy. A worldwide recession, a further and longer struggling global economy, country bankruptcy, fluctuations of crude oil prices and currency exchange rates could all negatively affect the performance of the Group.

3. Financial Standing of Our Customers
The Group has a significant number of customers who meet its strict financial criteria. However, some customers we need to depend on specific vendors. Failure to obtain the necessary key raw materials due to a possible disaster or vendors going bankrupt could negatively affect the performance of the Group.

4. Raw Material Vendors
For some key raw materials, the Group depends on specific vendors. Although it does endeavor to find multiple raw material vendors so as to reduce the risk of being unable to procure key materials, for some raw materials we need to depend on specific vendors. Failure to obtain the necessary key raw materials due to a possible disaster or vendors going bankrupt could negatively affect the performance of the Group.

5. Currency Fluctuations
The Group manufactures and markets its products throughout the world; therefore, its business is affected by the trend of the global economy. A worldwide recession, a further and longer struggling global economy, country bankruptcy, fluctuations of crude oil prices and currency exchange rates could all negatively affect the performance of the Group.

6. Overseas Operations
The Group operates businesses in Europe, North America and Asia, actively pursuing future possible global business opportunities through marketing and focusing on the reduction of production costs in each area. Depending on the area, there are inherent unavoidable risks that can occur. Such risks include: unanticipated changes to laws and ordinances, taxes and regulations, deteriorating employment relationships and social disorder such as transportation delays and power outages due to incomplete social infrastructures, political disturbances, war and terrorism. The occurrence of such events could negatively affect the performance of the Group.

7. New Product Developments
Aiming at meeting high market expectations, the Group strives toward technological innovation and competitive costing across all areas of the Group’s business. The Group continues to pursue new technologies and new product development, with research and development investment necessary for production process innovation, as well as plant and equipment investment based on its "Global Niche Top" strategy. However, it is not easy to accurately forecast changes in an industry in which market changes are so drastic. It is possible that another company could unexpectedly develop new technology or a new product that renders a product of the Group obsolete. The occurrence of such an event that may exceed contingency expectations could affect the management of the company.

8. Intellectual Property
The Group owns, maintains and manages valuable intellectual property rights. However there is a possibility that a third party might claim these rights to be invalid and the Group might not enjoy complete protection. The Group’s property may be imitated in some areas and may be involved in lawsuits. Intellectual property rights infringements could negatively affect the performance of the Group.

9. Product Defects
The Group manufactures products according to ISO 9000 quality standards and carries out quality assurance management which is trusted by its customers. The Group has some end products; however the business activities of the Group mainly involve transactions between companies engaged in the manufacturing industry. Although the possibility of the Group being forced to directly compensate end users for its products or to conduct a product recall are slim, the Group cannot completely eliminate the risk of liability associated with product defects. If compensation exceeds the coverage of product liability insurance, this could negatively affect the performance of the Group.

10. Environmental Issues
The Group regards environmental preservation measures as one of its key business policies and has been acting from a position whereby it takes social responsibility, focuses on reducing waste and prevents global warming and air pollution. The Group has not caused any serious environmental problems. To protect the global environment, the Group established a voluntary reduction plan, which it duly observes. However, there is a chance there could be changes in future laws and regulations which could result in significant expenses due to environmental issues and this could negatively affect the performance of the Group.

11. Laws and Regulations
The Group operates its business not only in Japan but also overseas where the Group is governed by the various laws and regulations of various countries and must abide by them. If these laws and regulations are strengthened or changed significantly, the activities of the Group may be limited or the Group may incur additional costs relating to the compliance of laws which could negatively affect the performance of the Group.

12. Accidents and Disasters
The Group carries out safety measures to protect itself from accidents and disasters by following a safety first policy. In particular, Japan has a high occurrence rate of earthquakes. If a large-scale earthquake were to occur in a particular area within Japan, despite the existence of earthquake insurance, its coverage would be limited and costs incurred could influence the performance of the Group.

Injuries could occur throughout the production process due to fire or chemicals. Any injuries could cause loss of public confidence, business interruption, compensation for damages and other related expenditure. Moreover, if there were a massive outbreak of new infections across the world, depending on the nature of the outbreak, it may not only influence the global economy, but also the performance of the Group.

13. Retirement Benefit Liability
Employee accrued benefit costs and liabilities of the Group are calculated on the basis of assumptions made concerning such things as the discount rate and other actuarial calculations and expected returns of pension assets. When the actual results differ from the assumptions or when the assumptions are altered, effects will accumulate and be systematically recognized in the future. This may generally influence recognized costs and calculated liabilities in the future. If market interest rates go down or investment yields of pension assets deteriorate in the future, an increase in retirement benefit liability and a shortage of funds might occur and thus influence the business results of the Group.
We will continue to implement risk reduction measures throughout fiscal 2010.

(1) Product Liability Risk
As our products are mainly parts or component focused, it is rare that we market our products directly to consumers. Given this we have to manage the potential risk of situations where reparations are needed to be made against a single component product in order to prevent or minimize the possibility of further troubles with the final product. 

In order to deal with such risks, we have contingency measures in place where establishing guidelines, specifying compensation on contracts and so on.

(2) Chemical Products Risk
Regarding legislative control requirements, we have considered countermeasures for RoHS and REACH. For situations where harmful substances appear in materials, raw materials and consigned goods, we have established the Nitto Denko Group Green Procurement Standards, which have been thoroughly reviewed.

(3) Packaging and Indication Risk
Products are labeled according to legislative requirements for both inner and external packaging. i.e.; GHS, UL, source and other indications.

Product Risk Management
Aiming at providing safe and useful products for our customers

The Nitto Denko Group through setting up a “Product Risk Committee” aims to reduce risks associated with products.

Section meetings have been set up to address the risk areas identified throughout fiscal 2009.

Procurement
Aiming towards global “Open, Fair and Best” procurements
Care for the natural environment and global laws and ethics are primary Nitto Denko Group procurement considerations. The priority we place on these considerations stems from our spirit of being “Open, Fair and Best”.

In prioritizing “green procurement” we give consideration to the environment, safety and the use of chemical substances when procuring and work closely alongside the Chemical Substance Management Center. 
We have established a “partner hotline” which allows our partners to report any violation of compliance or suspicion thereof. When a problem occurs, we attempt to deal with it rapidly.

For further details, please visit the following website: http://www.nitto.com/company/materials/index.html

Quality and Chemical Substance Management
Aiming at consistent quality and safe products
In fiscal 2009, the Nitto Denko Group’s Central Quality Management Department worked cooperatively with production engineering departments and the Quality, Environment & Safety Management Sector to improve the standard of facility design review. Both groups worked together embracing the motto; “our pursuit of quality makes for content customers”. Through the introduction of various techniques, we have reduced the number of problems arising and have been able to make improvements in maintaining greater quality consistency.

To prevent the use of chemical substances which are harmful to humans and the environment, the Chemical Substance Management Center has established self-management regulations regarding the management of chemical substances used. The center continues to control raw material procurement within the group. The Nitto Denko Group Chemical Substance Management Center continues to control raw material procurement within the group.
Safety Measures for Employees

Occurrence of fatal accident in fiscal 2009

In an attempt to achieve the Group’s objective of “Zero Fatal or Serious Industrial Accidents”, the Nitto Denko Group has continued to implement robust safety activities at each base. For a long time, fatal or serious industrial accidents have been steadily reducing, however on 21 January 2010, an accident occurred at one of our bases in China and an employee died as a result. During a production process, an unusual work practice caused the generation of a poisonous gas which was inhaled by the employee and who died as a result.

The company concerned with the accident in China and Nitto Denko established an immediate countermeasures headquarters and gave due attention to the bereaved and the other administrative agencies involved. Furthermore, in order to prevent such accidents from reoccurring, we have given guidance not only at the plant where the accident occurred but also at every other plant, both domestically and abroad.

Please refer to the following website to see other certifications obtained relating to health and safety.
http://www.nitto.com/company/environment/env_0203.html

Personnel Matters

Becoming a corporation where every employee is encouraged to live and participate within their local and broader communities

Nitto Denko Corporation has systems in place to ensure that employees maintain a vocational quality of life and live together within their community and society. They are as follows:

(1) Reserve paid holidays system

We have had a system in place for a long time which has allowed employees to use any unused vacation leave in situations involving illness, the provision of care during pregnancy and childbirth in addition to maternity leave and child-rearing and caring responsibilities. The situations where unused leave can be utilized have been expanded to include:
- Donor organ transplants
- Individual fertility treatments
- Volunteer activities including contributions to local communities and
- Taking child-support holidays during periods of compulsory education

(2) Welcome Home Plan

This is a system whereby retired employees due to family circumstances are able to return to work at Nitto Denko. Once retired, it was often difficult for people to reenter employment. However due to this system, retired staff are able to return to work if they have enrolled in the program before retirement.

Cultivation of Human Resources

Providing basic knowledge through use of Nitto Denko’s original educational materials

There are many mandatory knowledge areas which employees of the Nitto Denko Group have to have received training in. With a view to enhancing the quality of employees, employees themselves are encouraged to participate in training employees. The training received relates to many areas such as the history of Nitto Denko, production, maintaining quality, safety, environmental conservation, laws and accounting.

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Substances Management Database (NCM)” began in December 2008. In fiscal 2009 the center joined alongside other departments in our commitment towards wanting to ensure that we are responsive to customer inquiries about chemical substances that are used in our products.

This strategy has benefited the Nitto Denko Group’s ability to better manage the overall governance of chemical substances usage.

With respect to certifications, on 27 August 2009, Nitto Denko Automotive, Virginia, Inc. obtained its ISO/TS16949 certificate. This certification relates to the automobile industry and quality management systems. On 24 September 2009, Nitto Denko Czech s.r.o. obtained its AEO (Authorized Economic Operator) EU certification. AEO is a system whereby customs houses can authorize corporations that have favorably demonstrated compliance and cargo management protocols. Once a corporation is authorized, they may receive favorable treatment

Nitto Denko (Taiwan) s.r.o. obtained its AEO (Authorized Economic Operator) EU certification. AEO is a system whereby customs houses can authorize corporations that have favorably demonstrated compliance and cargo management protocols. Once a corporation is authorized, they may receive favorable treatment

Please refer to the following website to view previous certifications obtained relating to health and safety.
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TOPICS

Promoting Vaccination against the H1N1 2009 Virus by Two Companies in USA

The H1N1 flu pandemic spread around many countries between 2009 and 2010. During the National Influenza Vaccination Week, Hydranautics and Nitto Denko Technical Corporation hosted an on-site flu vaccination clinic on 19 January 2010 for all employees.

Health Check in Nitto Denko (Australia)

Australia has no law requiring employers to conduct employee health checks. Despite this the Victorian Government offered a subsidy and Nitto Denko (Australia) Pty. Ltd. carried out health checks on its staff on 23 November 2009.

Training scenery (Nitto Denko (Taiwan))

Training scenery (Aveva Drug Delivery Systems, Inc. in USA)
Throughout fiscal 2009 our optical business ran smoothly as demand for LCD televisions rebounded greatly as a result of the economic stimulus measures initiated by many countries. Such initiatives included the eco point system in Japan and the introduction of a policy in China which promoted the common place use of household electrical appliances in rural villages. Continuous cost reduction and productivity improvement activities also contributed to our business results.

We were able to respond promptly to the demand for big screen televisions in Japan, Europe and USA and the replacement demands of CRT-based televisions in developing countries. Furthermore, new LCD televisions which load LED (semiconductors called light-emitting diode) backlights were introduced onto the market. These devices have enjoyed popularity due to their slim lines, being lightweight, having a vivid image and low power consumption. Our optical films have and continue to play a part in the popularity of the new LCD’s.

Throughout fiscal 2010, we will continue to contribute to innovative 3 dimensional LCD demand through fully utilizing our technological capabilities in the production of optical films.

Our printed circuit materials, flexible printed circuit ‘NITOFLEX®’ and thin-film metal base board with high resolution circuit ‘CISFLEX®’ performed well with the increase in demand for hard disc drives (HDD) used in personal computers. To date HDD have been loaded onto personal computers, but with the appearance of netbook computers, the external HDD model types have increased in popularity. They have begun to be commonly used for storing a range of visual and media content as a result of the expanding applications for printed circuit materials.

In relation to semiconductor encapsulating materials, the markets throughout fiscal 2009 did not fully recover. Despite this our environment-responsive resin made a mild recovery.

Electronic processing materials ended on a down note, as the materials for semiconductors were affected by customer business investment restraint and the entry of other rival general-purpose products. On the other hand, demand increased for materials used for electronic components on the back of an increase in consumer demand for flat-screen televisions, personal computers, mobile phones and so on. This in turn resulted in the production of our electronic processing materials rebounding.

Toward the future, we will focus our efforts on increasing profits through further the rationalization of existing products and the development of new products in growth fields.

Nitto Denko Receives the Electric & Electronic Component Award of ‘CHO’ MONODZUKURI Innovative Parts and Components Award 2009

“CISFLEX®” received the “Electric & Electronic Component Award of ‘CHO’ MONODZUKURI Innovative Parts and Components Award 2009”, which was presented at the Conference for the Promotion of MONODZUKURI and Nikkan Kogyo Shimbun Ltd. These awards began as a way of promoting and recognizing business efforts that have and continue to make a contribution to the restoration of Japan’s manufacturing power and the development of Japan’s industry and society as a whole. The awards focus on recognizing products and materials which are integral “backseat players”.

The characteristics of “CISFLEX®” are unique with “photosensitive polyimide” and micro wiring which takes advantage of a “semi-additive process” resulting in wiring with plating.

Throughout fiscal 2009, as demand for mobile devices such as multifunctional smart phones with touch-sensitive panels increased, as did the demand for transparent conductive film ELECRYSTA™ as well as our optical films.

If the LCD market reaches its maturity in the not so distant future, we will pour our energy into further improvements and innovative product development aiming to be a business which produces stable and continued profits.

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The characteristics of “CISFLEX®” are unique with “photosensitive polyimide” and micro wiring which takes advantage of a “semi-additive process” resulting in wiring with plating.
Due to the increase in demand for flat-screen televisions, personal computers, HDD and so on in developing countries including China, the sale of surface protective products for optical elements and sealing materials was strong.

Owing to the increase in smart phones with touch panels, the production demand for transparent double-coated adhesive tapes has expanded rapidly. Touch panels are constructed from a laminated body made from several materials, one of which is transparent conductive film. In order to glue together the various elements needed to make a touch screen, transparent double-coated adhesive tapes are used. These films not only fill gaps on the inside of touch panels but also adjust the refractive index of light. Furthermore they contribute towards projecting a more vivid image. In order to respond to the diversifying demands associated with the spread of touch panels, we will aim to strengthen our future product lineup.

With regards to materials produced for the automobile industry, we were able to record strong sales of electrical insulating materials owing to an increase of production of hybrid cars from tax cuts for eco-friendly cars. This occurred despite the decrease in production that took place in the first half of the fiscal year.

As part of our efforts to expand domestic-demand in markets of growing developing countries, we settled on an overseas affiliated company in India in November 2009 and started to construct business models centering on further expanding our tape business. We will look to positively expand our tape business into other developing countries where high growth looks promising. Furthermore, we will continue to promote earth-conscious “manufacturing” as we pour energy into new-product development.

Establishment of the First Overseas Affiliated Company in India

In India high economic growth centering around the automobile, mobile phone and home electric appliance industries shows promise. With the easing of regulations concerning direct investment from foreign companies, the amount of foreign investment is increasing yearly. The Indian economy is domestic-demand-led with huge amounts of money being invested in infrastructure. India’s gross domestic product continues to significantly grow and like a number of developing countries, so too does the market potential. Given these circumstances, for us to push ahead with further expansion of our business in India, we have established an overseas subsidiary company in India for the first time.

<General Appearance of a New Company>
Company’s Name: Nitto Denko India Private Limited
Description of Business: Marketing, sales and processing of adhesive tapes and related business
Data of Foundation: November, 2009
Location: Manesar, Haryana (approximately 58km southwest of New Delhi)
Capital: 300,000,000 Yen
Gross Area: 3,300 m²
Number of Employees: Approximately 20 (Start-up)

Throughout fiscal 2009, many people were frugal with their usage of drugs and medicines. The Nitto Denko Group’s transdermal clonidine drug delivery patches (for hypertension) received USA authorization and were launched onto the market and have achieved healthy sales results. Currently, there are eight items using transdermal drug delivery patch technology on sale throughout Japan and USA. We aim to increase the range of transdermal drug delivery patch products whilst at the same time driving expanded global sales of transdermal drug delivery patch products and further enhancing product development in developing countries including China.

In China, our tubulobuterol patch (drug for asthma) is being sold after gaining import approval. Further efforts will be targeted toward strategies aimed at increasing sales.

Our medical business is closely linked to “Fine” which is one of our three key values in developing new business areas. The three values are; “Green (contribution to global environment), Clean (support for new energy) and Fire (life science)”. In order for us to further expand our business in the medical arena beyond the production of transdermal drug delivery patches, we aim to make steady progress in the biomedical field using our core polymer synthesis and processing technology. An example of the way we have applied biomedical technology relates to the field of nucleic-acid drugs. These drugs will hopefully prove to become the cure for many diseases. Our USA subsidiaries, Nitto Denko Technical Corporation and Kinovate Life Sciences Inc. have developed a solid polymer support "NittoPhase®HL" for oligonucleotide synthesis and have launched its sale. Continued research on biodegradable polymers useful in molecular-targeted therapy will be conducted. Molecular-targeted therapy is a treatment which delivers drugs to targeted parts of the body.

We hope to minimize patient discomfort and in doing so the discomfort experienced by families through our products which have been developed through utilizing technologies accumulated through transdermal drug delivery patches and our advanced polymer synthesis and processing technologies.

Clonidine Patch
On 18 August 2009 Aveva Drug Delivery Systems Inc., our USA group company received authorization from the Food and Drug Administration for the clonidine patch, a transdermal drug delivery patch used to treat hypertension.

As a license holder, Aveva exclusively supplies Par Pharmaceutical Companies, Inc. (HQ: New Jersey, USA) with the clonidine patch. The transdermal drug delivery patches which are mass-produced in the USA are; the clonidine, fentanyl (cancer pain lenitive), nicotine, and granisetron (antiemetic drug) patches. We will continue to expand our medical business within the USA, which has the largest market in the world.
Accepting an Order from a Desalination Plant in Australia for our Latest Model Reverse Osmosis Membrane

The Nitto Denko Group accepted an order for a new model reverse osmosis membrane "SWC™6-MAX" from Thess Degremont Joint Venture (AquaSure), which will be used in a desalination plant now being constructed in the State of Victoria, Australia.

In Australia, approximately 60% of land is farmland and two-thirds of all water used is for the purpose of agriculture. However, Australia has low rainfall and is said to be the driest continent in the world. In particular, since 2000, Australia has suffered from many serious droughts. It is because of this that a desalination plant is now being constructed in Bass Coast near the south part of Wonthaggi in Victoria.

The plant is expected to be completed by the end of December 2011. Once it begins operating it will supply 440,000 metric tons of water a day, 150,000,000 metric tons a year, for Melbourne, Geelong, the south Gippsland and west of Port Town.

The "SWC™6-MAX", which has been promoted this occasion, is a reverse osmosis membrane which boasts industry-leading rates of both permeability and elimination of salt. It can reduce the operation pressure required in the desalination of seawater which in turn contributes to energy-saving.

The Nitto Denko Group maintains a leading market share with its products being responsible for a cumulative 4,700,000 metric tons of desalinated water being produced a day throughout the world.

Reverse osmosis membrane is a part of our business that is closely linked to "Green (contribution to global environment)", another of our key values in developing new business areas. In fiscal 2009, demands from developing countries such as the Middle East and India were strong, but due to the downturn in the economy during the fiscal year, deals for industry use within Japan, Asia, Europe and the USA slowed down.

Only a few deals involving seawater desalination projects in fiscal 2009 were made with overall business slowing.

Despite the difficult business environment, we have managed to bring new products onto the market. An example of this being the creation of the world's most energy efficient seawater desalination product, boasting an effective membrane area that is 10% larger than existing products. Another is a new product which allows raw water containing saline matter and pollutants to be filtered, where the power consumption required for the process is 30% less than that required by existing products. Based on an assumption that there will be increases in future demand, a new reverse osmosis membrane manufacturing plant began operating in 2009 within the Shiga Plant in Kusatsu City in Shiga Prefecture.

In fiscal 2010, it is expected that markets will rebound where new growth is likely to be experienced. We aim to increase the number of orders for seawater desalination and wastewater recycling projects through using our new products and through maximizing our increased production capacity.

Accepting an Order from a Desalination Plant in Australia for our Latest Model Reverse Osmosis Membrane
Research and Development

conditions. This system is useful in controlling the structure of polymer materials used in the surface and interfacial regions of polymer thin films. It is expected to significantly contribute to the development of high performance soft matter for use in a wide range of fields, including electronic devices (organic EL, organic FETs and organic memory materials), adhesion, coating, printing and biomaterials.

The aim of the second experimental hutch is to discover the correlation between the dynamic structure of polymer materials and their physical properties in order to develop novel materials. With this setup it is possible to carry out measurements to clarify the formation and deterioration mechanisms of polymer materials resulting from changes in external conditions, such as stress associated with stretching and spinning, heating and cooling, pressure and solvent evaporation. It is also possible to evaluate the structural properties of polymer materials on a microscopic level, the electron density distribution of polymer crystals, the deformation mechanism of molded polymer products and the structural properties of polymer materials in processes such as molding and processing. Furthermore, the area where the second hutch is located is large enough to allow for the use of a standardized kinematic sample mounting system. This system makes it possible for enterprise groups to bring in their own large-scale devices, such as manufacturing lines, making it possible for them to take full advantage of the features of the contract beamline.

3. Future Developments and the Ripple Effect

By utilizing this contract beamline it is our aim to develop and use new analysis and evaluation technologies to examine the surface and internal structure of materials that would be impossible to evaluate using other methods.

It is our hope that we will be able to make a significant contribution to the economic growth by producing an innovative new framework based on polymer materials that can be used to develop the next generation of cutting-edge materials.

2. Bioethanol Concentration Technology

(NEDO: New Energy and Industrial Technology Development Organization)

In recent years, bioethanol has been in the limelight as a fuel additive for automobiles. Recently, research and development is being actively carried out regarding ethanol made using cellulose from materials such as wood and rice straw. Such materials do not compete with the supply of food. As a participant in the NEDO project, Nitto Denko is carrying out research and development into achieving concentrations of higher than 99.5% using our proprietary membrane modules on 3.5% ethanol which has been manufactured from cellulose.

Nitto Denko Support for National Research and Development Projects

We are dedicated to using our technology to participate in national research and development projects that are in line with the future national strategy.

1. CO2 Recovery Technology

(This government-subsidized research is being carried out by Nippon Steel Engineering Co. Ltd. in conjunction with the Ministry of Economy, Trade and Industry.)

In this project we are developing membrane modules for concentrating CO2 gas emitted by sources such as power stations in conjunction with the Research Institute of Innovative Technology for the Earth (RITE) and four private companies. In fiscal 2009 we carried out test operations using one of our prototype membrane modules with gas generated by a new type of power plant. It is hoped that membrane modules will prove to be highly energy efficient and it is our intention to continue to develop them in the future.

Nitto Denko Asia Technical Centre Combines Optoelectronics with Medical Technologies

The Nitto Denko Asia Technical Centre (NAT) was opened at Fusionopolis, Singapore’s latest technopark, in November 2008 with two major missions; one being to develop new products using the company’s proprietary materials for use in environmental and medical applications, and the other to establish long-term partnerships with Singapore-based research and development organizations.

NAT currently consists of 18 young scientists and technicians from seven Asian countries of which more than half of them hold doctoral degree. This brings a unique mix of cultures and perspectives to the work being undertaken at NAT. NAT has submitted 20 patent applications over the past 15 months.

Great progress has been made over the last year in the technological development of NAT’s organic optoelectronic sensor device for biomedical applications. It has come about through a combination of Nitto Denko’s original and unique polymer technology and Singapore’s outstanding R&D infrastructure.

Biometric information can be obtained instantly through the use of sensor devices which can help with the early detection and prevention of diseases. Furthermore, through using electronic communications alongside "telemedicine", more efficient disease management should be possible. With the potential increase in demand for medical services along with an ever increasing aging population it is hoped that new medical services will make up for a lack of medical staff and hospital beds.

In order to bring products using our proprietary organic optoelectronic sensors onto the market, it is important to find avenues of being able to mass produce sensor devices which are highly sensitive and accurate yet at low cost. Nitto Denko’s polymer technology provides a much greater degree of flexibility in the design of integrated organic optoelectronic devices and a lower cost of organic optical waveguide production.

In fiscal 2010, we will make further efforts to perfect these products and to develop new applications.
In conformity with our corporate vision, voluntary environmental action plans and other environmental regulations, the Nitto Denko Group approaches global environmental conservation with two goals in mind: the “reduction of environmental load associated with business activities” and the “development of business conducive to environmental conservation”.

The Nitto Denko Group uses its own environmental management index as a means of assessing and ensuring that the environmental load resulting from our business activities is minimized where possible. Additionally we promote the development and provision of products and functional parts to our customers which support an overall reduction in the creation of environmental load.

The Nitto Denko Group is implementing environmental load reduction activities aimed primarily at the prevention of global warming. An example of this has been the establishment of a unique environmental efficiency index. This index incorporates corresponding target values in a way that allows us to better manage our efforts at reducing environmental load. The environmental management index (environmental load value-added productivity) has been set based on the added value*1 created from corporate activities divided by environmental load*2. Through using the fiscal 2005 environmental load level as a benchmark, we aim to double our environmental efficiency by fiscal 2015.

In fiscal 2009, both product sales and environmental load increases were almost equivalent to the previous year, but due to an increase in material costs a decrease in added value was experienced. This decrease resulted in an overall environmental load value-added productivity result that approximated the result obtained in the 2005 fiscal year, despite improvements in the environmental management index.

In the future, we will implement sweeping measures to reduce the environmental load generated from production, whilst continuing to increase our efforts to create high value-added products. This will be achieved through not only developing products which are manufactured without relying on using organic solvents and which minimize the generation of industrial waste, but also through improving the manufacturing methods used for such new products.

Regarding the environmental self-acting program: http://www.nitto.com/company/environment/env_01.html
As to the position of acquiring ISO14001: http://www.nitto.com/company/environment/env_02.html

*1 Value calculated from sales subtracting material costs, outside order expenses and energy costs
*2 A unique unit utilized by the Nitto Denko Group, indicating environmental load into which we convert energy purchased, industrial waste generated, VOC purchased and the like through the use of a coefficient (unit: ton-EI)
Environmental Performance Data
Aiming towards preventing global warming

The Nitto Denko Group collectively is aiming to prevent global warming. In order to reduce CO2 associated with our business activities, we are taking steps to improve our energy efficiency, to conserve energy wherever possible and to switch to fuels which produce less CO2 emissions.

Our unit CO2 emissions (CO2 emissions per 1 million yen of production output) throughout fiscal 2009 improved 12% in comparison to fiscal 2008 and total CO2 emissions reduced 4.5% (approximately 30,000 metric tons) compared to fiscal 2005. The most significant improvements made stemmed from the reduction of CO2 emissions as a result of energy savings throughout the years.

Improvement in Energy Efficiency in the Drying Process of Coating Machines

In producing adhesive tapes, a large amount of energy is used in order to dry adhesive components. Thermal energy is required to oven dry the adhesive component coated on to the film. Two kinds of adhesive components (solvent-based and emulsion) are used in our products. In drying solvent-based adhesive components, combustible gas is generated. This gas concentration within the oven increases creating the possible risk of an explosion. In contrast, our products using emulsion do not create any risk of explosion. We conducted experiments using a coating machine which produces emulsion adhesive tapes. The results indicated that we could reduce energy usage by 40% whilst maintaining product quality.

In the future we will continue to introduce any positive advancement to our emulsion adhesive tape operations whilst also maintaining product quality. Regarding solvent-based adhesive components and their practical applications, we will continue to conduct experiments focusing on safer usage.

Environmental Performance Data
Effective utilization of resources

Most of the industrial waste generated from production activity within the Nitto Denko Group consists of solid material and liquid waste. The solid waste consists of log roll edges, off cuts from the production process whilst the liquid waste is comprised of etching and iodine waste and the like. Solid waste is created due to the production processes involved in making adhesive tapes and optical products. Waste liquid is generated from the production of circuit boards.

Domestically in Japan, we have been recycling both industrial thermal and material waste since fiscal 1998, with Nitto Denko Corporation (non-consolidated) accomplishing a recycling rate of 98% in fiscal 2003 and the domestic Group accomplishing a recycling rate of 98% in fiscal 2006. Both of these recycling rate levels continue to be maintained. Meanwhile with our overseas Group companies, raising recycling rates has proven difficult as the circumstances surrounding recycling processes differ from country to country.

On the other hand, the object of industrial waste reduction activities is to significantly reduce the amount of industrial waste created. Adopting and implementing approaches that result in the efficient use of industrial waste is very important. Initially it is important to consider that the generation of industrial waste stems from the inefficient use of resources. Through determining the source of any industrial waste, we are able to implement strategies aimed at rectifying the situation. Such strategies will result in improved resource efficiency, a reduction in the generation of industrial waste and environmental load and improved savings as a result of time saved. From now on we will focus on further reducing the amount of industrial waste created.

Approaches to Converting the Industrial Waste into Valuable Resources

One of industrial wastes generated from the Toyohashi Plant are waste adhesive compounds. Waste liquids and solvents are able to be sold as valuable resources because they are able to be recycled as fuels. However, the waste adhesive compounds turns into gel with their viscosity increasing over time. Therefore recycling them into useable sources of fuel is difficult. It is for this reason that they are treated as industrial waste.

We are now considering the possibility of how we can prevent adhesive compounds from gelling so that we may be able to recycle them and also sell them on.

There are many types of waste adhesive compounds. Given this it is necessary to select anti-gelling agents which will match the composition of each adhesive compound. We have completed an experimental evaluation of each compound which has provided positive results. From now on we will continue to expand our research and encourage other plants to also engage in research activities that may lead to improvements in our overall management of waste.
Environmental Conservation Activities

Environmental Performance Data
Reduction of organic solvent

The Nitto Denko Group aims to reduce organic solvent used as a means of avoiding the possibility of hazardous explosions as well as reducing environmental load. Due to the known negative effects of solvent chemicals to humans, we need to be prepared for a time when such solvents will not be used.

We will continue to develop our manufacturing technologies of solvent free products through drawing on our previous experiences and will look towards any worthwhile innovations being adopted throughout the whole group. Apart from this we will continue to follow up on customer and market requests as a means of informing future production. As a leading manufacturer of adhesive tapes, we will continue to produce products which positively contribute to our society and the global environment.

The Nitto Denko Group has since the 1990’s taken cornerstone measures to prevent air pollution being generated from organic solvents. One such measure involves the installation of oxidizing equipment (incinerating equipment used for solvent gas) throughout our plants. As a result, the amount of organic solvent which is discharged into the air has been reduced to 1,128 metric tons in fiscal 2009. We have also installed solvent recovery units which allow us utilize resources more effectively through the reuse of organic solvent.

Previous data regarding the environment:

Contributing to the Environment

Each Nitto Denko group company has been involved in different positive efforts which have been aimed at working in harmony with the environment and contributing towards the creation of more sustainable societies. The following are some examples of initiatives undertaken throughout fiscal 2009.

Onomichi Plant Receives an “Eco Commutation” Award

The Nitto Denko Onomichi Plant has promoted “Eco Commutation” by running eco friendly buses regularly since 2007. With our efforts recognized, we became certified and registered as the first “Excellent Eco-Commuting Workplace” from The Foundation for Promoting Personal Mobility and Ecological Transportation (“Eco-Mo Foundation”) in July 2009.

Furthermore, for CO2 reduction, the easing of traffic congestion in the region and a reduction of risks of traffic accidents, we also received the highly recognized Minister of Land, Infrastructure, Transport and Tourism Award. This award is given in recognition of environmental protection excellence in the area of public transport by the Minister of Land, Infrastructure, Transport and Tourism in 2009.

Hydranautics is the First Membrane Manufacturer to Join The Climate Registry

Hydranautics has become the first US-based membrane manufacturer to join The Climate Registry. The Climate Registry is a nonprofit organization that sets consistent and transparent standards by which to calculate, verify and report greenhouse gas emissions. It is composed of more than 331 major companies, cities and government and non-governmental agencies that have committed to tracking and publicly sharing their greenhouse gas emissions through the registry.

By joining The Climate Registry, Hydranautics has set a baseline goal for further reducing their greenhouse gas emissions as part of their continued commitment to responsible environmental stewardship.

Our report is available from The Climate Registry website.

Environmental Performance Data

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<td>248</td>
<td>253</td>
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Holding of UNEP World Environment Photographic Exhibition at Some Group Companies

In fiscal 2009 the Nitto Denko Group implemented an employee environmental awareness campaign called ‘Green Design Action’. Further to this, on the heels of “the light dimming campaign”, we held an UNEP (United Nations Environmental Programme) World Environment Photographic Exhibition: Focus on Your World at bases and group companies both domestically and overseas. This exhibition served to raise environmental awareness amongst all Nitto Denko Group employees globally. In order to further boost awareness of environmental problems, we will continue to promote this campaign in all our workplaces.

As to other activities, please refer to the following website:
http://www.nitto.com/company/contribute/gda_02.html

For details, please visit the website of Nitto Denko:
http://www.nitto.com/company/contribute/index.html

Receiving the Reduction of VOC Award from the Taiwan Government

Nitto Denko (Taiwan) Corporation participated in the "VOC reduction campaign in the southern Yunchia region" which has been promoted by the Industrial Development Bureau, Ministry of Economic Affairs since October 2008. Nitto Denko (Taiwan) has worked hard to reduce VOC under the technical guidance from experts. The award received was in recognition of our achievements in this area. Nitto Denko (Taiwan) was one of five corporations which were considered the most successful amongst the 120 participating corporations.

Holding of UNEP World Environment Photographic Exhibition at Some Group Companies


For details, please visit the website of Nitto Denko:
http://www.nitto.com/company/contribute/index.html
Contributing to Local Communities

USA Group Companies Engage in Supportive Activities for 2010 Haiti Earthquake

The Haiti earthquake occurred on 12 January 2010 and was of a catastrophic magnitude. The earthquake resulted in many deaths and a great amount of damage. Aveva Drug Delivery Systems, Inc. along with its Haitian employees decided to support the disaster without delay. As Aveva produces and distributes medically related products, they were able to team up with the Medical Division of Nitto Denko and jointly donated medical supplies to a body which then dispatched the supplies and medical staff to the scene. In addition they solicited for daily commodities and monetary donations from their employees and donated them to the Red Cross Society.

Fund-raising campaigns were also run at Nitto Denko America, Inc. and Hydranautics. Donations raised including the donation given by Nitto Denko Technical Corporation were to assist the disaster victims in Haiti.

The total monetary donation raised from the four companies, including the matching company donation was 13,100 dollars (approximately 1,280,000 yen).

“Fund-raising for Digging Wells” Brings a Well to Completion in Cambodia

Through “Fund-raising for Digging Wells”, we supported children to be freed from the harsh and laborious task of drawing water from wells. Such children have to often travel dozens of kilometers everyday and do not have enough time to attend school. In total 670,000 yen was raised by the group companies in Japan between December 2009 and January 2010. All donations were donated to the Japan Asian Association and Asian Friendship Society. This donation helped to bring the digging of a well to completion in Cambodia. Following the good works that occurred arising from donations received the abovementioned associations plan to build further wells in Nepal, Bangladesh and Sri Lanka.

Receiving a Certificate of Appreciation for Cosponsoring a Pink Ribbon Campaign in Fukui

The death rate from breast cancer in the Fukui Prefecture is the second highest across Japan. Most breast cancer patients are women, and early detection through health checks is the key to reducing the number of fatalities. In addition to promoting medical examinations, Nitto Shinko Co. Ltd. has co-sponsored “Fukui TV Pink Ribbon Campaign” for the past four years. Monetary donations have been used to assist with the provision of free breast screening examinations throughout the prefecture.

On 31 March 2010 Nitto Shinko received a certificate of appreciation for their efforts.

Supportive Activities for Typhoon “Ketsana”

From late September to early October 2009, typhoon “Ketsana” raged around Southeast Asia. In Calamba City, Laguna Province where Nitto Denko (Philippines) Corporation is located, a great deal of flood damage was caused to many people’s homes. Houses were both flooded and destroyed by the severe flooding and mudslides that took place. Employees of Nitto Denko (Philippines) distributed food parcels which held an equivalent value of 150,000 pesos (approximately 300,000 yen) by hand among the disaster victims throughout the city.

The same typhoon also caused great damage affecting the lives of 163 people throughout central Vietnam. Nitto Denko Vietnam Co. Ltd. organized a fund-raising effort, sending a donation of 30,000,000 dong (approximately 145,000 yen), comprising of money donated by both Nitto Denko Vietnam and its employees to the disaster stricken area through the Vietnam Singapore Industrial Park where the company is located.

Lending a Hand to a Moon Cake Production Factory that Supports Employment for People with Disabilities in Taiwan

In Taiwan the Children Are Us Foundation aims to assist people with moderate intellectual disabilities gain greater independence. The foundation works from the premise that if you “teach a man to fish, he’ll eat for a lifetime”. The Children Are Us Foundation operates a moon cake production factory, which provides people with intellectual disabilities the opportunity to work. Moon cakes are an essential part of the mid autumn harvest festival celebrations in Taiwan, so orders for moon cakes rush in at that time. Nitto Denko (Taiwan) Corporation rounded up volunteers who used their weekends and vacation leave to help with the wrapping and packing of moon cakes.

Employees Supporting Families Who are Homeless and out of Work

Gleaners Community Food Bank “nourishes communities by feeding hungry people”. Of every dollar donated, Gleaners uses 95 cents for food and its food programs. One dollar provides three meals for a hungry neighbor.
Michigan experiences a very high unemployment rate and many families are struggling to make ends meet. Nitto Denko Automotive employees continue to support their community during these difficult economic times by participating in a quarterly food drive*. We have just completed our second food drive for April 2010.

* A Food Drive is an activity involving collecting food donated from individuals or corporations and then distributing it to families and homes experiencing difficulties in getting food.

**Walk for Millions**

“Walk for Millions” is an annual charity event organized by the Community Chest in Hong Kong. Participants can obtain sponsorship from their colleagues, friends and relatives to support their participation in a 10km walk. Funds raised from the event benefit local services for the elderly. A total of 21 staff of Nitto Denko Hong Kong and their relatives took the initiative to raise funds with Nitto Denko Hong Kong topping up the sponsorship amount. All participants finished the 10km walk and the total amount raised by both Nitto Denko Hong Kong and our staff was HKD 17,000. This activity was a wonderful opportunity for our staff to get together to demonstrate their commitment to caring and supporting our society.

**Supporting Sports**

**Co-sponsoring 2010 Osaka International Ladies Marathon**

In line with the theme of “Back up Challengers”, we co-sponsored the Osaka International Ladies Marathon and the Osaka Half Marathon this year for the sixth time. Despite it raining on the day about 450 Nitto Denko employees participated in the event as volunteers. Some helped with the organizing of the event whilst others helped clean the site.

**Volunteer Activities at the Kaohsiung World Games**

Nitto Denko (Taiwan) Corporation co-sponsored the 8th World Games, held in Kaohsiung City from 16-26th July. The World Games are held once every four years and promote competitive sports not played at the Olympics. This year about 3,000 players from 84 countries participated. Chosen volunteers supporting the event assisted with checking entrance tickets and ushering ticket holders to their seats.

The new approach of Nitto Denko (Taiwan) which has recently celebrated its 40th anniversary since its founding is testimony to a company which its employees are proud of.

**Promoting Education and International Interaction**

**Donation of Picture Books to Municipal Schools in Thailand**

There are many children residing in the mountainous areas of Thailand who want to go to school but are unable. “Kodomonity” is a not for profit organization which offers opportunities and places for education to such children and sells picture books as part of their drive. In July 2009 Nitto Denko Material (Thailand) Co. Ltd. bought 4,000 picture books from “Kodomonity” and donated them to 50 municipal schools in Ayuthea. The picture books were of Japanese folk stories, each one being translated into Thai. We hope that such disadvantaged children in the future will be able to attend school. In the meantime we hope that these picture books provide children with an opportunity to learn about Japanese culture and to develop a feeling of kinship with Japan.

**A Disabled Student from Fukui Prefecture Receives Laboratory Training**

Nitto Shinko took on a trainee from Reihoku School for Children with Special Needs for three weeks from 30 November 2009. Though it was for a short time, the experience for all concerned was positive.
Nitto Europe engages in social action programs through adopting the suggestions of employees. In 2009 we made a donation of 2,000 euros (approximately 260,000 yen) to an organization named "Cagdas Yasami Destekleme Dernegi" in Turkey. This organization was nominated by one of our employees at Nitto Denko Turkey. The organization supports progress in Turkey by giving scholarships to young people, especially girls, to help assist them in finishing basic schooling and even to begin university. One of the students that received a scholarship as an intern to the United Nations.

On 17 October 2009, the fifth-grade students of the Institute for Educational Research visited Nitto Denko (Europe and Nitto Denko Turkey).

Pictured from left: Kaoru Aizawa (Director of Nitto Denko Corporation), a representative of the organization and Philip Lewandowski (Director of Nitto Denko Europe and Nitto Denko Turkey). The students reflected on how different 'fathers' looked and behaved at work compared to when at home. One of the students that was assigned related to researching future opportunities for more young people.

In Nitto Denko (Shenzhen) Co. Ltd., the students were assigned to the manufacturing floor and expressed an interest in seeing automated production lines. They seemed surprised to see automated production lines at Denko Materials (Shenzhen) Co. Ltd. The students undertook work experience for two months beginning from December 2009. The task that was assigned related to researching future marketing trends over the next 20 years in relation to renewable energy in Australia. The students seemed happy to have the opportunity to utilize and practice their skills and abilities.

On 17 October 2009, the fifth-grade students of Nanhan School Affiliated with China National Institute for Educational Research visited Nitto Denko Materials (Shenzhen) Co. Ltd. The students seemed surprised to see automated production lines on the manufacturing floor and expressed an interest in the importance of safety. The students also experienced extinguishing a fire using a fire hydrant under the guidance of Nitto Denko employees.

Student interns (second and third left) learning how to use a fire hydrant.

Graduate Students of Melbourne University Undertake Work Experience

In Nitto Denko (Australia) Pty. Ltd. located in Melbourne, Australia's second largest city, two graduate students of Melbourne University undertook work experience for two months beginning from December 2009. The task that they were assigned related to researching future marketing trends over the next 20 years in relation to renewable energy in Australia. The students seemed happy to have the opportunity to utilize and practice their skills and abilities.

Students learning how to use a fire hydrant.

Elementary School Students in Shenzhen Visit a Plant

On 17 October 2009, the fifth-grade students of Nanhan School Affiliated with China National Institute for Educational Research visited Nitto Denko Materials (Shenzhen) Co. Ltd. The students seemed surprised to see automated production lines on the manufacturing floor and expressed an interest in the importance of safety. The students also experienced extinguishing a fire using a fire hydrant under the guidance of Nitto Denko employees. At an arranged tea party, the students shared their impressions of their visit whilst playing with the souvenirs they had received. Interestingly some students reflected on different "fathers" looked and behaved at work compared to when at home.

To all other activities, please refer to the following web site: http://www.nitto.com/company/contribute/index.html
## Consolidated Financial Statements

### Consolidated Balance Sheets

#### (Yen in Millions)

<table>
<thead>
<tr>
<th>Assets</th>
<th>As of March 31, 2010</th>
<th>As of March 31, 2009 (Reference)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current assets:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and deposits</td>
<td>171,921</td>
<td>113,965</td>
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<tr>
<td>Notes and accounts receivable-trade</td>
<td>135,727</td>
<td>93,524</td>
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<tr>
<td>Merchandise and finished goods</td>
<td>19,797</td>
<td>20,300</td>
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<tr>
<td>Work in process</td>
<td>27,031</td>
<td>29,960</td>
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<tr>
<td>Raw materials and supplies</td>
<td>11,120</td>
<td>11,726</td>
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<tr>
<td>Deferred tax assets</td>
<td>4,620</td>
<td>4,880</td>
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<tr>
<td><strong>Noncurrent assets:</strong></td>
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<td></td>
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<tr>
<td>Buildings and structures</td>
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<td>100,566</td>
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<tr>
<td>Machinery, equipment and vehicles</td>
<td>73,921</td>
<td>81,019</td>
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<tr>
<td>Tools, furniture and fixtures</td>
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<td>8,716</td>
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<tr>
<td>Land</td>
<td>19,119</td>
<td>19,688</td>
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<tr>
<td>Construction in progress</td>
<td>8,320</td>
<td>20,198</td>
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<tr>
<td><strong>Intangible assets:</strong></td>
<td></td>
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<tr>
<td>Goodwill</td>
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<td>65</td>
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<tr>
<td>Software</td>
<td>3,633</td>
<td>3,633</td>
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<tr>
<td>Other</td>
<td>4,880</td>
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<tr>
<td><strong>Investments and other assets:</strong></td>
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<td></td>
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<tr>
<td>Investments securities</td>
<td>8,890</td>
<td>7,576</td>
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<td>Deferred tax assets</td>
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<td>9,614</td>
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<td>Prepaid pension cost</td>
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<td>Other</td>
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<td>4,620</td>
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<tr>
<td>Allowance for doubtful accounts</td>
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<td>301</td>
</tr>
<tr>
<td><strong>Total assets:</strong></td>
<td>624,992</td>
<td>558,258</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>As of March 31, 2010</th>
<th>As of March 31, 2009 (Reference)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Current liabilities:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Notes and accounts payable-trade</td>
<td>79,531</td>
<td>53,879</td>
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<tr>
<td>Short-term loans payable</td>
<td>10,667</td>
<td>28,832</td>
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<td>Commercial papers</td>
<td>25,000</td>
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<td>Accrued expenses</td>
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<tr>
<td>Income taxes payable</td>
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<tr>
<td>Other</td>
<td>32,793</td>
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<td><strong>Noncurrent liabilities:</strong></td>
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<tr>
<td>Bond payable</td>
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<td>Long-term loans payable</td>
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<td>20,923</td>
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<td>Provision for retirement benefits</td>
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<td>18,351</td>
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<tr>
<td>Provision for directors’ retirement benefits</td>
<td>514</td>
<td>506</td>
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<tr>
<td>Deferred tax liabilities</td>
<td>314</td>
<td>319</td>
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<tr>
<td>Negative goodwill</td>
<td>574</td>
<td>574</td>
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<tr>
<td>Other</td>
<td>2,370</td>
<td>2,370</td>
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<tr>
<td><strong>Total liabilities:</strong></td>
<td>236,268</td>
<td>197,127</td>
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</tbody>
</table>

| **Minority interests:** | 992 | 992 |
| **Total liabilities and net assets:** | 388,724 | 361,130 |

| **Total liabilities and net assets:** | 624,992 | 558,258 |

### Consolidated Statements of Income

#### (Yen in Millions)

<table>
<thead>
<tr>
<th></th>
<th>April 1, 2010</th>
<th>April 1, 2009 (Reference)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Operating income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net sales</td>
<td>601,859</td>
<td>572,982</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>440,714</td>
<td>455,763</td>
</tr>
<tr>
<td>Gross profit</td>
<td>161,144</td>
<td>122,158</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>105,058</td>
<td>108,330</td>
</tr>
<tr>
<td>Operating income</td>
<td>56,086</td>
<td>13,838</td>
</tr>
<tr>
<td><strong>Non-operating income:</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Foreign exchange gains</td>
<td>304</td>
<td>899</td>
</tr>
<tr>
<td>Miscellaneous income</td>
<td>5,597</td>
<td>3,245</td>
</tr>
<tr>
<td>Interest expenses</td>
<td>1,348</td>
<td>1,279</td>
</tr>
<tr>
<td>Equity in losses of affiliates</td>
<td>84</td>
<td>173</td>
</tr>
<tr>
<td>Miscellaneous loss</td>
<td>2,116</td>
<td>2,386</td>
</tr>
<tr>
<td><strong>Net income:</strong></td>
<td>37,570</td>
<td>267</td>
</tr>
</tbody>
</table>

### Consolidated Statements of Cash Flows (for reference)

#### (Yen in Millions)

<table>
<thead>
<tr>
<th></th>
<th>April 1, 2010</th>
<th>April 1, 2009 (Reference)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Net income</td>
<td>37,570</td>
<td>267</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>6,227</td>
<td>4,804</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>19,219</td>
<td>18,351</td>
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<tr>
<td>Decrease (increase) in notes and accounts payable-trade</td>
<td>△ 2,692</td>
<td>4,349</td>
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<tr>
<td>Increase (decrease) in inventories</td>
<td>△ 394</td>
<td>663</td>
</tr>
<tr>
<td>Increase (decrease) in notes and accounts payable-trade</td>
<td>△ 26,358</td>
<td>△ 41,944</td>
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<tr>
<td>Interest expenses paid</td>
<td>△ 1,520</td>
<td>△ 2,369</td>
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<tr>
<td>Income taxes paid</td>
<td>1,418</td>
<td>19,831</td>
</tr>
<tr>
<td>Other, net</td>
<td>16,832</td>
<td>10,659</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities:</strong></td>
<td>102,498</td>
<td>51,290</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities:</strong></td>
<td>△ 9,129</td>
<td>△ 6,751</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities:</strong></td>
<td>△ 3,095</td>
<td>△ 34,484</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities:</strong></td>
<td>△ 98,588</td>
<td>△ 60,751</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) operating activities:</strong></td>
<td>102,498</td>
<td>51,290</td>
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<tr>
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<td>△ 9,129</td>
<td>△ 6,751</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) financing activities:</strong></td>
<td>△ 3,095</td>
<td>△ 34,484</td>
</tr>
<tr>
<td><strong>Net cash provided by (used in) investing activities:</strong></td>
<td>△ 98,588</td>
<td>△ 60,751</td>
</tr>
</tbody>
</table>
Consolidated Financial Statements
Consolidated Statements of Changes in Net Assets

April 1, 2009 through March 31, 2010
(Yen in Millions)

<table>
<thead>
<tr>
<th>Shareholders’ equity</th>
<th>Paid-in capital</th>
<th>Capital Surplus</th>
<th>Retained earnings</th>
<th>Treasury stock</th>
<th>Total Shareholders’ equity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of March 31, 2009</td>
<td>26,783</td>
<td>56,166</td>
<td>304,740</td>
<td>△ 28,980</td>
<td>379,310</td>
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<tr>
<td>Changes of items during the period</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td>△ 9,995</td>
<td>△ 9,995</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>37,570</td>
<td>37,570</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td>△ 3</td>
<td>△ 3</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td>△ 13</td>
<td>99</td>
<td>86</td>
<td></td>
<td></td>
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<tr>
<td>Total changes of items other than shareholders’ equity</td>
<td>△ 13</td>
<td>27,575</td>
<td>95</td>
<td>27,658</td>
<td></td>
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<tr>
<td>Balance as of March 31, 2010</td>
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<td>56,153</td>
<td>352,316</td>
<td>△ 28,980</td>
<td>406,969</td>
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</table>

Valuation and translation adjustments

<table>
<thead>
<tr>
<th>(Yen in Millions)</th>
<th>Valuation difference on available-for-sale securities</th>
<th>Declared gains or losses on hedges</th>
<th>Foreign currency translation adjustments</th>
<th>Total valuation and translation adjustments</th>
<th>Subscription rights to shares</th>
<th>Minority interests</th>
<th>Total net assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Balance as of March 31, 2009</td>
<td>1,046</td>
<td>△ 129</td>
<td>△ 22,392</td>
<td>△ 21,473</td>
<td>1,066</td>
<td>2,024</td>
<td>361,130</td>
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<tr>
<td>Changes of items during the period</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Dividends from surplus</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net income</td>
<td>△ 9,995</td>
<td>37,570</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of treasury stock</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Disposal of treasury stock</td>
<td>△ 3</td>
<td>86</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total changes of items other than shareholders’ equity</td>
<td>714</td>
<td>△ 155</td>
<td>607</td>
<td>1,168</td>
<td>△ 19</td>
<td>△ 2,111</td>
<td>△ 64</td>
</tr>
<tr>
<td>Balance as of March 31, 2010</td>
<td>714</td>
<td>△ 155</td>
<td>607</td>
<td>1,168</td>
<td>△ 19</td>
<td>△ 2,111</td>
<td>27,594</td>
</tr>
</tbody>
</table>


About Front Cover

The image of a big flower and a person with an unconstrained demeanor holding the flower, represents the Nitto Denko Group’s “Green, Clean and Fine” business focus and their positive intention towards meeting their goals and ideals for the creation of an ideal environment.

Illustrator: Tetsuro Okabe

Printing and Binding

This report was printed in Nitto Denko Himawari Co. Ltd., by a member of the Nitto Denko Group. Nitto Denko Himawari has 61 employees of which 41 have disabilities and 9 are elderly people. The remaining 11 staff work together operating a business centering around the cutting, wrapping and packaging of various tapes, a printing business and the cleaning of working clothes. The disabled people who carry out this work do so with wholehearted enthusiasm.

In March 2010, the company received a certificate from the Ministry of Health, Labor and Welfare in recognition of Nitto Denko Himawari being a company of good standing that promotes the employment of people with disabilities.