The Nitto Group engages with our stakeholders through various activities.

Our Relationships with Our Stakeholders

The Nitto Way

Concrete Thoughts and Actions

- Place safety before everything else
  - Achieve zero accidents and injuries.
  - Establish a safe and healthy workplace for all employees.
- Amaze and inspire our customers
  - Have customers say, “This is exactly what we wanted.”
  - Work with customers to create new values for society.
  - Start with customer satisfaction and translate that into prosperity for all stakeholders.
- Anticipate and leverage change
  - Stay on the frontlines where customers can sense changes in society and the market.
  - Rapidly link sensed changes into action.
  - Refine our strategies and aim to become the company customers want to consult with first.
- Take on challenges for new value creation
  - Continue to take on challenges, even if we fall in the short-term, rather than do nothing for fear of failure.
  - Embrace change, exercise curiosity and always take a bold step forward.

- Act promptly, and once a decision has been made, be determined to carry it through to completion
  - Take the first step forward and then think while advancing.
  - Share information openly, have equal and fair discussions, and if a decision is made, work together as a team to bring out the best possible result.
  - Make a daily effort to ensure transparent communication and open communication beyond organizational boundaries and hierarchies.
- Transform ourselves constantly
  - Anticipate challenges, implement reforms, and bring about growth in the spirit of Mu-San-Dae.
  - Keep on changing ourselves, seeing ongoing change as a starting point for growth.
  - Continue to challenge ourselves and the future, with the conviction that changes in individuals lead to growth of the entire organization.
- Have an attitude of integrity, and understand and respect diversity
  - Take integrity as a starting point for action, and strive to build relationships of “respect and trust” with stakeholders.
  - Recognize the diversity of our global team, and accept and respect others.

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For further details on matters related to this Nitto Group Report, please refer to Nitto’s website: http://www.nitto.com/
### History of the Nitto Group

- Nitto Electric Industrial Co., Ltd. formed in Osaka, Tokyo, to produce electrical insulating materials in Japan.
- The company opens its first overseas office in New York.
- The company forms Nitto Denko America, Inc.
- The company forms Nitto Denko Taiwan, its first overseas manufacturing base.
- The company forms Nitto Belgium NV, (now called Nitto Europe NV).
- The company acquires Hydrostak of the U.S.
- The company forms Nitto Denko Malaysia.
- The company forms Nitto Denko (Shanghai Pu Dong New Area) Co., Ltd.
- The company forms Nitto Denko Material (Thailand) Co., Ltd.
- The company forms P.T. Nitto Materials Indonesia.
- The company forms Nitto Denko Vietnam Co., Ltd.
- The company forms Korea Nitto Optical Co., Ltd.
- The company forms Nitto Denko America Latina in Brazil.
- The company forms Nitto Denko (Philippines) Corp.
- The company forms Nitto Denko Asia Technical Center in Singapore.
- The company forms Nitto Denko India Private, Ltd.
- The company acquires Avesis Biotechnology, Inc. of the U.S.
- The company acquires Bento of Turkey.
- The company forms Nitto Denko Europe Technical Centre Salet in Switzerland.
- The company forms Nitto (Qingdao) Technology Research Institute, Co., Ltd.

### Strengths of the Nitto Group

**Combined strength of technologies**

We have created numerous new technologies based on our four core technologies.

By combining these technologies, we have created a diversity of products adding value to sheeting and film.

**Sanshin Katsudo (Three New Activities)**

By developing new applications and creating new products, we stimulate new demand, giving rise to new markets.

The Nitto Group has grown through such activities, what we call Sanshin Katsudo.

### Business fields and major products

#### Automotive and Transportation Equipment

Our products improve the performance and efficiency, as well as reduce the environmental impact, of transportation equipment such as automobiles and trains.

- Vent filter – TOSER®
- Seat plate reinforcing materials – NITOHARD®

#### Housing and Housing Equipment

Our products provide various solutions to improve the security, comfort and environmental performance of housing.

- Energy-saving window film with solar control and thermal insulation – PENJEREX®
- Waterproof and steamproof tape – HYPERTAPE®

#### Infrastructure

Our products are used in the production, construction and maintenance of equipment essential for everyday life.

- Seawater desalination spiral RO membrane element

#### Home Appliance and Electrical Industries

Our products respond to the evolving home appliance market and its customers’ needs while always considering the environmental impact.

- Carton sealer

#### Electronic Devices

Our products are used in electronic components in a wide range of fields, from machine solutions, to the environment and energy.

- Thin-film metal base board – CSKELL®
- Adhesive tapes for protecting and fixing semiconductor wafers – ELEPHOLDER®

#### Medical Industry

Our products are used to create medical products such as those applied with adhesives gentle on the human body and help with the prevention and treatment of disease and injury.

- Particles for nucleic acid synthesis
- Medical hygiene tape – Yu-Ki Ban® / XTRATA®

#### Displays

Our products are used in applications such as TVs, tablet PCs, smartphones and portable gaming devices.

- Transparent conductive film – ELECRYSTAL®
- Optical clear adhesive tapes – LUCACL®

#### Consumer Products

Our products are used to create comfortable, convenient and innovative solutions for people’s lives.

- Double-sided removable adhesive tapes for wallpaper

#### Packaging Industry

Our products, such as adhesive tapes and laminating machine solutions, respond to our customers various needs and play an important role in logistics.

- Packaging tape
- Carton sealer

#### Materials

Our products are used by the materials industry to operate more efficiently and reduce the use of materials with a negative environmental impact.

- Splicing tape
- Surface protective material – SKY
On behalf of the Nitto Group, I would like to express my appreciation for the understanding and patronage that the Nitto Group continues to receive from our shareholders, investors, customers, business partners and local communities. This report will outline our fiscal 2014 activities and present our key policies for fiscal 2015.

**Business Summary of Fiscal 2014**

Throughout fiscal 2014, the U.S. economy remained strong, in line with a recovery in corporate performance, growth in consumer spending and improvement in the employment environment, while the European and Chinese economies remained on a mild recovery path. In Japan, the economy showed signs of recovery, including improvement in corporate profits and expansion in capital investment, in spite of the deceleration in consumer spending after the spike in demand before the consumption tax hike.

The Nitto Group adopted the brand slogan “Innovation for Customers,” signaling that we always make our customers a primary consideration and continue to create new things, engaging in structural reform and the creation of new business in a rapidly-changing environment. In our staple electronics business, we contributed to new value in the smartphone market with thin new optical film of information line materials.

In automobile materials, a marketing activity known as Sanshin Katsuudo (three new activities), which advances three “new” (exploitation of new applications, new product development and creation of new demand), showed successful results globally. In medical materials, promising mid- and long-term growth, clinical trials of a drug for liver cirrhosis using a molecular targeting drug delivery system, began in the U.S. in September 2014, as part of a steady stream of new products such as materials for disposable diapers from Turkey and for aircraft from the U.S.

In our medical and membrane businesses, we will expand by advancing our entry into new fields, while strengthening our business base. In particular, in the medical industry, we will focus on business expansion of contact oligonucleotide synthesis in both Japan and the U.S.

In fiscal 2015, we aim to achieve 870 billion yen in sales (revenue) and 120 billion yen in operating income, at an exchange rate of 118 yen to the US dollar.

**Mid-term Management Plan**

From fiscal 2015, we have drawn up a three-year mid-term management plan, Nitto-2017. In order to achieve 1,000 billion yen in sales and 135 billion yen in operating income in fiscal 2017, we will launch a new challenge. Nitto will celebrate its 100th anniversary in October 2018. We aim to achieve 1,000 billion yen in sales in fiscal 2017 (ending March 2018) before celebrating our anniversary.

In Nitto-2017, we focus our attention on three challenges.

The first challenge is business growth. In line with maximizing sales and profits in existing business fields, we will expand products bifurcating our Area Niche Top® strategy. In the Green, Clean and Fine domains, we will continue to advance new themes, sharpening our Tajuku (new business) Creation strategy. In order to support this growth strategy, we will make 200 billion yen in capital investment and 150 billion yen in strategic investment for M&As (mergers and acquisitions) and environmental measures, collectively 350 billion yen in three years, aiming at sustainable growth with aggressive and timely investment plans.

The second challenge is qualitative enhancement. Under our basic philosophy, “Place safety before everything else”, we will tackle qualitative enhancement consistent with business growth. To that end, we will conduct productivity reform in every division and unit. In addition, we will improve corporate value by introducing and properly implementing the Corporate Governance Code, which will be applied in Japan from fiscal 2015. We will aim to be a corporation satisfying every stakeholder in future years.

The third challenge is HR development. In order for the Nitto Group to continue to develop throughout the world, not only an ability to succeed in business, but also having human resources understanding Nitto’s corporate values and corporate culture and contributing to creating customer value will be necessary. With educational programs such as Nitto Global Business Academy (NGBA), we will cultivate human resources capable of becoming next-generation leaders, regardless of nationality or gender. We aim to be a corporation in which a variety of human resources are active, each performing to the best of his or her ability, throughout the world.

**Profit Allotment Policy**

The Nitto Group considers the return of profits to our stakeholders to be of the highest priority. As a corporation, it is imperative that we make positive prior investments in the fields of research and development and production. When determining cash allotments, we comprehensively assess the financial standing of our accounts, profit levels and dividend payouts. The year-end dividend for fiscal 2014 was 65 yen per share, whilst the annual dividend per share was 120 yen, a 20-yen increase in dividends over fiscal 2013, in accordance with our achieving a record-high profit level. The forthcoming annual dividend is projected to be 130 yen, a 10-yen increase from fiscal 2013 and in line with comprehensive calculations regarding future profits and business investment.

**Corporate Social Responsibility**

The Nitto Group aims to be a centenarian company, enjoying sustained growth into the future and the trust of society.

The primary mission of companies in general is to contribute to society and the global environment through business performance. Companies are also required to provide value to each of their stakeholders. They should, of course, act according to rules and corporate ethics.

I consider that honest actions by individuals engaged in the Nitto Group are precisely the essential elements providing such value. I believe that with persistent effort, we will continue to be a company fulfilling our social responsibilities and grow sustainably into the future.

The Nitto Group will continue to make efforts to allocate resources so as to provide our stakeholders with safety and security, fostering a culture in which employees recognize and respect one another’s diversity, and to drive our employees to carry out their social responsibilities under our corporate philosophy.

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

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**News**

**To Our Stakeholders**

Mr. Hideo Takasaki, President and Managing Director of Nitto Denko Corporation, is head of the Nitto Group.

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**Appendix**

*The Nitto Group Report 2015*
The Nitto Group identifies material issues according to the following processes:

1. **Abstraction of Materiality**
   - Important business challenges are deliberated at management conferences and incorporated into our Mid-term Management Plan.

2. **Identification of Material Issues in Management**
   - Important challenges which have been identified through the management committee process are included in each policy and activity plan.

3. **Identification of Material Issues in Specialized fields**
   - The CSR committee decides items for reporting from the above material issues referring to the GRI Guidelines.

4. **Abstraction of Materiality**
   - The Nitto Group abstracts materiality from the viewpoints of both the Nitto Group and its stakeholders. (Refer to chart to the right)

**Viewpoints of the Nitto Group**

- Technology
- Production
- Management
- Sales
- Administration

**Viewpoints of Stakeholders**

- Customers
- Employees and other partners
- Shareholders, individual and institutional investors
- Suppliers
- Local communities
- NGOs and NPOs
- Global environment

**Inputs**

- Financial Capital
  - Cash flow
- Manufactured Capital
  - Bases
  - Infrastructures
- Intellectual Capital
  - Technology
  - Intellectual property
- Human Capital
  - Leadership
  - Knowledge/Skills
- Social and Relationship Capital
  - Customers
  - Administrative agencies
- Natural Capital
  - Raw materials
  - Energy
  - Water

**Outputs**

- New demand
- New business fields
- Corporate value
- Customer satisfaction
- HR growth
- Job creation
- Tax payments
- Return of profits
- Social contributions

**Support & Management**

- Governance
- Compliance
- Cultivation of human resources
- Safety and health
- Product management
- Environmental conservation

**Business Activity Inputs**

- Marketing
  - Capturing the needs of customers and society and developing new applications
- R&D
  - Developing products adding value (function) to sheet or film by combining technologies

**Manufacturing**

- Procurement of raw materials
  - Adhesive Technology
  - Coating Technology
  - Polymer Analysis and Evaluation Technology
  - Polymer/Function Control Technology

- Synthesis / Compounding
- Coating / Lamination
- Multi-layering
- Processing
Aiming to realize sound and transparent management

**Basic Policy**

The Nitto Group believes in the importance of profit for all of its stakeholders. In order to maximize shareholder value on a continuous long-term basis, it is very important to uphold corporate governance. General policies for all employees to follow in order to function effectively as members of a business enterprise and society are outlined in our Corporate Philosophy and Business Conduct Guidelines. Our corporate philosophy describes “The Nitto Way” in which “attitude and mindset”, “values” and “code of conduct” are laid out in statutory form, aiming to put into practice the general policies. In this way, we strive for healthy, transparent governance.

In further efforts to achieve fair and transparent management, basic policies have been designed for each field of specialization of our business, and governance is carried out based on these policies.

**Governance System**

**Directors, Board of Directors, and Corporate Vice Presidents**

The Board of Directors makes decisions on important management-related matters and oversees the business affairs of the directors and corporate vice presidents. The directors and corporate vice presidents undertake business affairs according to the basic policies determined by the Board of Directors. In order to strengthen the health and transparency of management, directors and the corporate vice presidents serve a one-year term, with external directors appointed since 2007.

**Management and Remuneration Advisory Committee**

The Management and Remuneration Advisory Committee was formed as an advisory group to the representative directors, consisting of outside experts offering advice on important management issues and director compensation from a different perspective.

**Corporate Auditors and Board of Corporate Auditors**

Corporate auditors attend Board of Directors meetings to audit the business affairs of the directors. In addition, their tasks include: attending other important meetings; listening to the activity status of directors, corporate vice presidents and employees; viewing approval papers and other formal documents; inspecting the main office, technology and business divisions, plants and subsidiaries in Japan and overseas; and exchanging opinions and sharing reports and hearings with accounting auditors.

Risk Management

**Enhancing risk awareness and addressing reduction of risk across the whole group**

**Basic Policy**

The Nitto Group has investigated any risk areas that might present as serious concerns to management or business activities. Any potential risk areas have been prioritized and countermeasures aiming for prevention, avoidance, measurement and transformation of incidents have been taken. However, with the global development of our business, we are required to evaluate the risk of labor difficulties, information leaks, law violations, natural disasters, accidents and crime which are unique to each area and each company, and to take measures against such risks.

Since fiscal 2011, in order to enhance risk awareness among management-level employees, we have been distributing questionnaires on the business risk of forty-two items to more than 2,000 such personnel throughout the whole group every year. With feedback from the questionnaires in CSR workshops for those employees, we discuss the unique risks in each base and group company, linking them to countermeasures. Levels of risk differ according to features of the business and area, and it is in the workshops where each management-level employee clarifies priority issues to be addressed.

As for common risks in the Group, we have established an Information Security Committee and expert committees for product risk management.

**Business Continuity Management**

**Protecting lives and fulfilling our responsibility to supply products**

**Basic Policy**

By following our four basic policies, the Nitto Group performs Business Continuity Management (BCM) with a strong connection between disaster mitigation (disaster prevention and damage minimization) and quick recovery.

**Audits and Internal Controls**

In order to meet our social responsibilities as a business, the Nitto Group has independent divisions under a check-and-balance system performing internal audits, which are useful for achieving effective internal controls and management objectives.

**Audits (Internal Audits)**

Internal audits are conducted to ensure management activities are being performed accurately, legitimately and reasonably, by all of the companies within the Nitto Group, so as to contribute to improvements in business operations and performance.

In addition, QES audits intended for quality, environmental and safety purposes are also conducted in order to ensure the safety of employees, customers and society. External audits are also conducted periodically.

**Internal Controls**

Basic policies on internal controls have been created to ensure suitable business practices. Internal controls for financial reporting have also been developed in an effort to ensure the appropriate maintenance and operation of the control environment, risk evaluation and response, control activities, information and transmission, monitoring, and handling of IT.

Centralization of Monitoring System for Prevention and Reduction of Disasters

On October 24, 2014, Nitto Denko Toyoashi Plant set up a Disaster Prevention Center, which intensively monitors what is occurring at each point in the plant at all times and would be a headquarters in case of an emergency. The following week we conducted a training session on the assumption of a major earthquake and confirmed the proper operation of the center.

Furthermore, we have established disaster prevention centers in main bases such as Kamayama Plant, in preparation for a contingency.

**BCM System**

Each of the procurement (including supply chains), logistics, manufacturing, environmental, safety and IT working groups, gathers every three months and confirms functional cooperation in conformity with each individual business continuity management system. Furthermore, the Nitto Group has established a Business Continuity Plan in preparation for an earthquake, pandemic or blackout, any of which could have a considerable impact on our business, and important decisions are discussed at risk management committees lead by one of Nitto’s directors who is in charge.

In addition, we regularly conduct training sessions for the emergency response team, which would lead in case of an emergency, seeking to improve our ability to respond to contingencies. The training sessions are wide-ranging, from individualized implementation at each base, to collaborative training sessions with Nitto Head Office. Management personnel also participate in the sessions.
Potential risks which could have an adverse effect on our operational results, share price and financial standing are indicated below.

(1) Optoelectronics Business
Materials used in LCD-related and touch panel products constitute the core of the Group’s sales. Many companies participate in this market and competition continues to be stiff. Our relationships with LCD panel manufacturers and touch panel manufacturers (our customers), an imbalance between supply and demand in the industry, declining prices, corporate reorganization and the switching of strategy among panel makers, technical innovation, intensified price competition, capacity limitations of materials suppliers and share increases in material costs all could negatively affect the performance of the Group.

(2) Overseas Operations
The Group conducts business in many countries throughout the world, actively pursuing possible future global business opportunities. Depending on the country in which the Group is operating, there are inherent unavoidable risks that can occur. Such risks include: unanticipated changes to, or discrepancies in the interpretation of laws and ordinances, taxes and regulations; differing business customs; deteriorating employment relationships; labor disputes; increasing transportation delays; power outages; social disorder from political disturbances; and war and terrorism. If such an event were to materialize, the performance of the Group could be adversely affected.

(3) Global Politics and Economic Currents
The Group manufactures and markets its products throughout the world. Therefore, its business is affected by trends in global politics and economics, and financial system instability. Unexpected economic circumstances caused by drastic changes in global politics or fluctuations in exchange rates could have adverse effects on the performance of the Group.

(4) Mergers and Acquisitions
In pursuing business growth, it is indispensable for the Group to procure key materials, for some raw materials we need to prove to be as profitable as expected, the performance of the Group.

(6) Financial Standing of Our Customers
The Group deals with customers worldwide who meet its strict financial criteria. However, some customers are in rapidly changing business environments and serious financial issues could occur with such customers, with whom the Group has accounts receivable. In particular, customers such as liquid crystal panel manufacturers and touch panel manufacturers average a significantly large amount in accounts receivable per customer compared with those of other product manufacturers. If a default were to occur, the amount involved would tend to be quite significant, which could affect the management of the company.

(7) New Product Development
Aiming at meeting high market expectations, the Group strives toward technological innovation and competitive power of costing across all areas of our business. The Group continues to pursue the development of new products, exploitation of new applications and creation of new demands; increasing R&D investments as well as plant and equipment investment based on our Area Niche Top® strategy, in which we supply products meeting specific needs in the area, in addition to our 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 a new technology or a new product that renders a product of the Group obsolete. The occurrence of such an event beyond contingency expectations could affect the management of the company.

(8) Intellectual Property
The Group owns, maintains and manages valuable intellectual property rights. However, there exists the possibility that a third party could claim these rights to be invalid and the Group might not enjoy complete protection. The Group’s property could be imitated in some area, with the Group becoming involved in litigation. Therefore, 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, earning the trust of our customers. The business activities of the Group mainly involve the selling of parts to companies engaged in manufacturing. Although the probability of the Group being forced to directly compensate end users for its products or to conduct a product recall is low, the Group cannot completely eliminate the risk of liability associated with product defects. If compensation were to be exceeded the coverage of product liability insurance, this could negatively affect the performance of the Group.

(10) Environmental Issues
The Group views “integrity with a commitment to environmental preservation, both locally and globally”, as one of its key business policies and acts from a position whereby it accepts its social responsibility, focusing on reducing waste and preventing global warming and air pollution. The Group has not caused any serious environmental problems to date. To protect the global environment, the Group established a voluntary reduction plan, which it duly observes. However, there exists the possibility that unforeseen environmental pollution caused by an accident or natural disaster, or changes in future laws and regulations resulting in significant expenses due to environmental issues could have adverse effects on the performance of the Group.

(11) Compliance and Legal Regulations
The Group carries out business not only in Japan, but also overseas, in various fields. The Group endeavors to abide by the various laws and regulations of different countries pertaining to such business. However, if these laws and regulations were to change or be tightened or changed significantly, a temporary deficiency in internal control of these issues could occur and the activities of the Group might be impaired, or the Group might incur additional costs which could adversely affect its performance.

(12) Lawsuits
In the business activities of the Group, there exists the possibility that the Group could become embroiled in legal proceedings with a customer or third party. In addition, the Group conducts business overseas and could go into unexpected litigation. The risk that the outcome of litigation did not properly reflect the opinion of the Group and thus differed from the Group’s forecasts might be ineluctable and this could adversely affect the performance of the Group.

(13) Accidents and Disasters
The Group promotes Business Continuity Management (BCM) to protect itself from accidents and disasters by following the policy, “We place safety before everything else.” In particular, Japan has a high occurrence of earthquakes. If a large-scale earthquake were to occur in a particular area within Japan, direct damage could result or injuries could occur within the production process due to fire or chemicals. The effects of an earthquake, tsunami or flood would not be limited to Group assets, but would cause damage to infrastructure such as electricity and gas supplies, and wide-ranging damage to supply chains, which could cause an interruption to our business. Moreover, if there were to be a massive outbreak of new infections affecting human life, depending on the nature of the outbreak, there could be an impact on the global economy. Any of these contingencies might influence the business results of the Group.

(14) Information System
Our information system has a critical role in the Group and is becoming more complex and highly-developed, year by year. Against such a background, the risk of a major incident such as a natural disaster, fire, blackout or malicious incident, such as cyber terrorism has been escalating. The Group takes various measures with both hardware and software, such as improving information security. However, any failure caused by a disaster or human made threat occurring in our information system could negatively affect the performance of the Group.

Furthermore, the Group retains much transaction information and other confidential information as electronic data. In order to prevent leakage and abuse of information data, we take measures, such as improvement of information security. However, if any leakage or abuse of information data were to occur, the performance of the Group could be adversely affected.

(15) Retention of Human Resources
In order to facilitate the business activities of the Group, it is necessary to recruit superior personnel in a variety of fields such as research, development, sales and management. We actively recruit global human resources with the aim of developing our business. However, failure to continually acquire the necessary personnel and prevent the loss of other human resources could negatively affect the performance of the Group.

(16) Retirement Benefit Liability
The defined benefit liabilities of the Group is calculated on the basis of various experience assumptions used in actual calculations and investment yields of pension assets. In line with the devaluation of pension assets at market price, interest rate trends and changes in the retirement allowance system and pension system, recognized and calculated liabilities could be affected. This might influence the business results of the Group.
We, the Nitto Group, operate our business according to our slogan: “Place safety before everything else.” However, we have not always been able to prevent accidents and injuries from occurring. In order to overcome this situation, we revised our Occupational Safety and Health Policy in September 2014. With our strong belief that “Our goal is to achieve zero accidents and injuries,” we are redoubling safety activities throughout the whole Group.

At the same time, as criteria for our various safety activities, which every employee implements, we have established Safety Principles. We firmly believe that we will be able to change the safety culture of the Nitto Group through conducting ourselves in conformity with those principles.

The Nitto Group will work together to firmly establish a safe and healthy workplace for all employees by observing company rules.

In order to realize our policy of “Zero-Accidents and Injuries,” we will carry out the following safety principles:

- We have a strong belief that all accidents are preventable.
- We will always consider the consequences of unsafe behaviors and visualize any potential hazards.
- The first priority is to take accident prevention measures.
- We will make continual efforts to improve our ability to identify risks.
- We will establish behavior in the workplace so that safety and peace of mind are the primary considerations.
- We will always take actions to avoid risks.

Occupational Safety and Health Policy

Our goal is to achieve zero accidents and injuries

Under the slogan “Place Safety Before Everything else”. The Nitto Group will work together to firmly establish a safe and healthy workplace for all employees by observing company rules.

We established “Group Regulations on Equipment Safety–Strengthening Protective Measures through Focusing on Eliminating the Causes of Accidents.” The Nitto Group is cultivating a safety-first culture.

Every one of the ninety executive officers announced and signed safety commitments to “Have a strong belief in zero accidents” and “Practice proactive safety activities.” Every one of the ninety executive officers of the Group companies who participated in the session pledged implementation of the safety commitments.

Furthermore, at a safety session of GIIW held on October 25, 2014, Hiroyuki Takasaki, CEO of Nitto Denko Corporation, announced and signed safety commitments to “Have a strong belief in zero accidents” and “Practice proactive safety activities.” Every one of the ninety executive officers of the Group companies who participated in the session pledged implementation of the safety commitments.

In order for our occupational safety and health policy and safety principles to be understood by all employees in the Nitto Group, we are implementing informative activities by distributing handheld cards and putting up safety promotion posters.

We Place Safety Before Everything Else

In order for our occupational safety and health policy and safety principles to be understood by all employees in the Nitto Group, we are implementing informative activities by distributing handheld cards and putting up safety promotion posters.

Establishment of
Nitto safety culture

Approaches from 2013

Proactive safety activity

Promotion of machinery safety

Development of new techniques

Cultivation of culture (globalization)

Preventive safety activity (risk assessment)

Determining and reducing overt and potential risk

Safety measures to prevent the recurrence of industrial accidents

Improvement of dangerous places similar to where accidents have occurred

Occupational Safety and Health Policy

We place safety before everything else

Proactive Safety Activities

Since fiscal 2013, we have undertaken proactive safety activities in order to ensure safety in our workplaces. Proactive safety activities are to preempt risk, thereby eliminating the causes of accidents. The Nitto Group is strengthening protective measures through focusing on following three aspects.

Promoting machinery safety

We established “Group Regulations on Equipment Safety—Basic Concepts”, based on international standards as our fundamental policies on safety design, in fiscal 2013, taking measures to reduce hazards at the equipment design stage. In fiscal 2014, we began establishing design standards and specifications for every machine, according to these basic concepts. In addition, we are reconstructing our system of pre-installation inspections of machinery and undertaking a review of our operational structure.

Development of new technologies

We are currently implementing reduction of hazards by developing new technologies for manufacturing processes. We are also taking measures at the construction stage of the production process. Specifically, with the aim of preventing a recurrence of the fire that occurred in the cleaning of a polymerization tank, we are exploring polymerization procedures which do not require the cleaning of polymerization tanks after polymerization processes using adhesives.

Fostering a safety-first culture

In order to foster a safety-first culture, we are implementing activities to have our occupational safety and health policy and safety principles understood by all employees. We have conducted experience-based safety training for all employees in Japan since fiscal 2005. Employees learn what kind of hazards may occur through simulated experience during this training, thereby fostering improvement of safety awareness among inexperienced employees with a lack of understanding of those hazards.

In fiscal 2014, we developed such activities overseas, introducing a transportable trailer for experience-based safety training to China and conducted training for 8,000 employees in sixteen manufacturing bases.

In fiscal 2015, we will develop our activities further through not only super-adding a trailer in China, but also constructing rooms for experience-based safety training in Taiwan and South Asia.

Occurrence of Accidents

As a result of our belief that “Our goal is to achieve zero accidents and injuries” and by addressing approaches to safety, the number of persons injured in critical accidents has declined. However, the number of persons injured in serious accidents which might become critical accidents, has increased.

In the future, we will promote strengthening of our safety measures for serious accidents.

Since 2012, we have addressed safety approaches involving all of our contractors and concerned parties outside the Nitto Group.

Critical accident: Accidents causing permanent disability

Serious accident: Accidents which could have caused permanent disability

Critical accident: Accidents causing permanent disability

Serious accident: Accidents which could have caused permanent disability

Incident of Accidents

As of the end of March 2015, the number of persons injured in critical accidents has declined compared to the previous fiscal year. The number of persons injured in serious and critical accidents decreased year on year. In fiscal 2015, we will develop our activities further through not only super-adding a trailer in China, but also constructing rooms for experience-based safety training in Taiwan and South Asia.
Human Resources are our most important asset. We support activities by a variety of human resources.

The Nitto Group undertakes business in the growing and changing global marketplace by promoting Global Niche Top® and Area Niche Top® strategies. Overseas regions now account for more than 70% of our sales and employees. Under such circumstances, we place much value on diversity, developing measures aimed at allowing a variety of human resources, irrespective of nationality or gender, to play active roles.

**Employment**

Human resources carrying the future of the Nitto Group are asked to play more active roles than ever, from a global standpoint. We promote employment without distinguishing according to nationality or gender, aiming to grow further by utilizing our human resources to their maximum abilities.

There are a variety of new employees recruited by Nitto Headquarters. Over the past four years, twenty-five non-Japanese nationals have joined Nitto and are now playing active roles within the company. We continue to make positive efforts to recruit more female employees. In fiscal 2015, female employees comprised 30% of the total recruited by Nitto Headquarters.

**Promoting Women to Play Active Roles**

Fourteen percent of management-level employees in the Nitto Group are women, a figure which is increasing with each passing year. Women are able to play active roles in Nitto Denko (non-Japanese nationals have joined Nitto and are now playing active roles within the company. In fiscal 2015, female employees comprised 30% of the total recruited by Nitto Headquarters.

Diversity of Executive Officers

In each company of the Nitto Group, non-Japanese executive officers play active roles. In Nitto Denko (non-Japanese nationals occupied executive officer positions as of June 19, 2015. In the future, we will actively recruit capable human resources, irrespective of nationality, to create a solid pool of executive officers globally.

**Participating in Inter-industry Exchange for Women in Sales**

Seven companies, including Nitto, in which the number of women working in sales is low, cooperate in holding exchange meetings. In the meetings, participants foster a better understanding of the appeal of sales work, expectations from the environment and how to succeed in their roles and manage life events. The meetings are useful for participants, both allowing them to acquire the know-how of working with people with different values and enhancing their motivation for work.

**Participation in Breastfeeding Enlightenment Campaign in China**

In May 2014, Nitto Denko (Xiamen) was registered as an organization in the 10m2 of Love campaign. Anxious about declining breastfeeding rates in China, the National Center for Women and Children’s Health (under the Chinese Center for Disease Control and Prevention) and the United Nations Children’s Fund (UNICEF) jointly launched the campaign, which aims to boost awareness of breastfeeding and to encourage the location of breastfeeding rooms in workplaces and public facilities. Nitto Denko (Xiamen) strives to provide an environment in which women can play active roles, establishing breastfeeding rooms in conformity with international standards and putting up posters encouraging breastfeeding.

Furthermore, we have established NCS (Nitto Group Cultivation System) as the basic level of education for newcomers to the Nitto Group. NCS consists of the following six themes, and is administered in each group company.

**Cultivation of Human Resources**

In response to globalization of management, we launched Nitto Global Business Academy (NGBA) in fiscal 2011, aiming to foster future C-Level executives from a global standpoint. Every year, selected employees participate in NGBA sessions.

NGBA is an educational system composed of the following four streams:

1. **NGBA-E (Executive Course)**, developing future C-Level executives;
2. **NGBA-A (Advanced)**, developing future leaders in each region and business sector;
3. **NGBA-F (Future)**, developing the next generation of globally active leaders;
4. **NGBA-C (Challenge)**, a stimulating course for ambitious young employees.

Selected employees from across the whole group participate in NGBA-E and NGBA-A in English. By engaging in heated debates, participants are able to cultivate the ability to deal with management issues, thus developing into Nitto Persons, able to play active roles globally.

**NGBA System of Selective Education**

![NGBA System of Selective Education](image)

**Number of NGBA participants in fiscal 2014**

<table>
<thead>
<tr>
<th>Course</th>
<th>Purpose</th>
<th>Number of participants</th>
<th>Nation of origin</th>
</tr>
</thead>
<tbody>
<tr>
<td>NGBA-E</td>
<td>Development of future C-Level executives</td>
<td>8</td>
<td>Belgium, U.S.A., Japan</td>
</tr>
<tr>
<td></td>
<td>(1) NGBA-E (Executive), developing future C-Level executives</td>
<td></td>
<td>Twenty (including twelve non-Japanese) have finished the course so far, one of them a woman</td>
</tr>
<tr>
<td>NGBA-A</td>
<td>Development of future leaders in each region and business sector</td>
<td>18</td>
<td>Taiwan, U.S.A., Hong Kong, Belgium, Korea, Singapore, China, Philippines, Japan</td>
</tr>
<tr>
<td></td>
<td>(2) NGBA-A (Advanced), development of future leaders in each region and business sector</td>
<td></td>
<td>Sixty-seven (including forty-one non-Japanese) have finished the course so far, three of them women</td>
</tr>
<tr>
<td>NGBA-F</td>
<td>Development of the next generation of globally-active leaders</td>
<td>10</td>
<td>Japan</td>
</tr>
<tr>
<td></td>
<td>(3) NGBA-F (Future), developing the next generation of globally-active leaders</td>
<td></td>
<td>One woman out of total participants in 2014</td>
</tr>
<tr>
<td>NGBA-C</td>
<td>A stimulating course for ambitious young employees</td>
<td>16</td>
<td>Japan</td>
</tr>
<tr>
<td></td>
<td>(4) NGBA-C (Challenge), a stimulating course for ambitious young employees</td>
<td></td>
<td>Four women out of total participants in 2014</td>
</tr>
</tbody>
</table>
Compliance and Human Rights
Enlightenment Activities

We pursue a concept of compliance not limited to obeying the relevant laws, but one that also adheres to broad societal norms and ethical behavior.

Understanding Compliance Thoroughly

The Nitto Group defines compliance as constantly exercising ethical judgment, not limited to obeying the relevant laws, but also adhering to every societal norm. In order to have our employees understand compliance thoroughly and beyond the mere differences of culture, customs and areas, we translate our Business Conduct Guidelines into sixteen different languages and distribute them to all employees. Furthermore, we educate new employees about the importance of human rights and compliance training at the beginning of each employee's career. We offer refresher training every year to enable each of them to implement compliance as leaders. In fiscal 2014, the workshops were held a total of 166 times in nineteen countries, with 2,290 management-level employees participating in them.

In addition, we hold CSR workshops for management-level employees every year to enable each of them to implement compliance as leaders. In fiscal 2014, the workshops were held a total of 166 times in nineteen countries, with 2,290 management-level employees participating in them.

Human Rights Enlightenment in Nitto Sales and Marketing Bases

We have regularly conducted sessions on human rights in all sales and marketing bases in Nitto since fiscal 2012. In fiscal 2014, 532 employees participated in a total of twenty-seven sessions. Using educational materials such as DVDs, participants cultivate an understanding of human rights and learned the art of communication while showing respect towards others through participating in group debates.

Human Rights Enlightenment in the U.S.

Seven companies of Nitto Denko Automotive and Nitto Americas each conduct annual human rights training for all employees. For an hour and a half, participants learn about what constitutes discrimination, harassment, violence and bullying in the workplace. In Nitto Denko America, all employees are obliged to receive on-line education on harassment and bullying, not only on joining the company, but also every two years. In particular, prevention of harassment is emphasized. The program is two hours in length for management-level employees, which is twice as long as that for general employees.

Reporting and Counseling System on Corporate Ethics

To facilitate the early detection of violations of the law and ethics issues, we have an independent reporting system, as well as details in our business conduct guidelines, on a reporting and counseling system that allows employees to contact the CSR Department directly. In fiscal 2014, we received sixteen reports concerning labor disputes, human rights violations and dishonesty through these systems. We settle issues while ensuring the protection of all whistleblowers. There were no issues concerning duty of disclosure under the Commercial Code.

Ban on Child Labor and Forced Labor

The Nitto Group emphasizes the ban on child labor and forced labor in business conduct guidelines and has all group companies understand it. In fiscal 2014, there were no issues with child labor or forced labor.

Human Rights Enlightenment Activities

The Nitto Group supports the Universal Declaration of Human Rights and has established a Nitto Group Basic Policy on Human Rights. We address common issues across the Group, while also addressing issues specific to certain countries and areas.

As an example, in Japan we have participated in Corporate Education for Dow Chemical and Human Rights Issues, Osaka, since 2004. Furthermore, we have staffed personnel in charge in each base and group company under the Nitto Group Central Human Rights Enlightenment Committee and pursue human rights enlightenment.

Environmental Conservation Activities

The Nitto Group is implementing environmental management through two approaches: “minimizing the negative environmental impact of our businesses,” and “providing a positive impact through our products and services.”

Protecting Our Planet for Future Generations – The Nitto Group’s Environmental Policy

We contribute to the development of a sustainable society by minimizing the negative environmental impact of our businesses and providing a positive impact through our products and services.

Our environmental policy for business activities:

Integrity with a commitment to environmental preservation both locally and globally
- We understand the environmental impact of our business activities over our entire supply chain.
- We continually reduce the environmental impact of our operations.
- We appropriately manage environmentally hazardous substances.
- With gratitude to nature for her blessings, we balance our business activities with the cycle of natural materials.
- As part of our social commitment, we make proprietary technologies and information that can benefit the environment publicly available.

Helping to create a sustainable society by offering products and services
- We develop products and services that help resolve global environmental problems.
- We operate production facilities with our customers to eliminate environmental problems.
- We provide products and services that reduce the environmental impact of our customer’s processes.

Compliance with laws in letter and spirit
- We comply with the letter and spirit of environmental laws in all countries where we operate.
- We observe relevant international standards and voluntary regulations.

Environmental Management System

We have an expert team in order to promote environmental management across the entire Nitto Group. Our policies, visions and goals relating to environmental management are deliberated in Board of Directors or Corporate Strategy meetings, in which the CEO, COO, CFO and CTO participate. Business divisions play a central role in the activities.

Features of the Nitto Group’s Business Activities

Our production processes are characterized by a large environmental impact caused by the use of organic solvents. In the process of coating film with adhesives, vast amounts of energy to volatilize organic solvents are necessary. Much of the energy that we now use is derived from fossil fuels, which involves the emission of carbon dioxide.

Volatile organic solvents are burned in treatment facilities, rendered harmless and vented to the atmosphere. However, some solvent gases escape into the atmosphere, though the amount is infinitesimal. Furthermore, in the treatment process, burning solvent gases generates carbon dioxide. As carbon dioxide and organic solvents cause climate change and air pollution, we wish to reduce the volume of organic solvents used as much as possible.

The Three Major Factors in the Environmental Load of the Nitto Group

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

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Environmental Conservation Activities

Protecting our planet to pass on to future generations

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Environmental Conservation Activities

Environmental Impact of Our Business Activities – Material Flow of Business Activities (non-consolidated)

<table>
<thead>
<tr>
<th>Activity</th>
<th>Quantity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Materials from material recycling</td>
<td>19,443 ton</td>
</tr>
<tr>
<td>Raw materials purchased</td>
<td>43,082 ton</td>
</tr>
<tr>
<td>Purchased solvents</td>
<td>61,575 ton</td>
</tr>
<tr>
<td>Purchased electricity (excluding solvents)</td>
<td>1,942,510 GJ</td>
</tr>
<tr>
<td>Solar power generation</td>
<td>2,544,074 m³</td>
</tr>
<tr>
<td>Recycled energy</td>
<td>1,942,510 GJ</td>
</tr>
<tr>
<td>Tap water &amp; Industrial water</td>
<td>1,897,714 m³</td>
</tr>
<tr>
<td>Water</td>
<td>5,982,633 m³</td>
</tr>
<tr>
<td>Wastewater</td>
<td>2,255,686 m³</td>
</tr>
<tr>
<td>Recycled water</td>
<td>1,040,316 m³</td>
</tr>
<tr>
<td>Solvents incinerated</td>
<td>1,749,474 GJ</td>
</tr>
<tr>
<td>Organic solvents</td>
<td>778 ton</td>
</tr>
<tr>
<td>Sewage</td>
<td>2,544,074 m³</td>
</tr>
<tr>
<td>Effluent water</td>
<td>2,799,107 m³</td>
</tr>
<tr>
<td>CO₂ emissions</td>
<td>877,193 metric tons</td>
</tr>
</tbody>
</table>

Environmental Risks and Opportunities

We consider reduction of environmental impact will lead to prevention of environmental risk and the seizing of opportunities in the market. As listed in “Associated Business Risks” on page 15, supposing that new environmental regulations were introduced, business costs could be adversely affected. Preparing for such laws and regulations, we will seek not only to minimize our environmental impact as much as possible, but to also continue to improve the efficiency of energy and resources, which will lead to increased production efficiency.

In addition, environment- and energy-related markets are expected to continue to expand in the future. As the Nitto Group considers this will present opportunities for us to provide our products and services in such markets, we will engage in the development and provision of sustainable products contributing to environmental conservation.

Providing Products Useful in Solving Global Environmental Problems

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

Providing Sustainable Products in Our Existing Business

In our existing business, we are also advancing the development and refinement of products contributing to environmental conservation. We will continue to improve products contributing to negative environmental impact in our customers’ production processes.

Environmental Management Index

In order to evaluate the environmental management status of the entire Group, we use an Environmental Impact Value-Added Productivity index. The Nitto Group has set fiscal 2005 as the base year and aims to double the index (Index=200) by 2015.

Environmental Impact Value-Added Productivity in fiscal 2014

<table>
<thead>
<tr>
<th>Year</th>
<th>2006</th>
<th>2010</th>
<th>2011</th>
<th>2012</th>
<th>2013</th>
<th>2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Emissions (Index)</td>
<td>111</td>
<td>141</td>
<td>162</td>
<td>192</td>
<td>241</td>
<td>283</td>
</tr>
<tr>
<td>Value-added Productivity (Index)</td>
<td>176</td>
<td>206</td>
<td>227</td>
<td>248</td>
<td>280</td>
<td>320</td>
</tr>
</tbody>
</table>

Our Approach to Climate Change Issues

Our Policy on Climate Change

We are implementing reductions in CO₂ emissions in conformity with our Environmental Policy: “Integrity with a commitment to environmental preservation both locally and globally.”

CO₂ Emissions (Scopes1+2)

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

In the future, we will further the development of products and processes which are energy-efficient at the time of manufacture.

Environmental Conservation Activities
Environmental Conservation Activities

Waste* Disposed

<table>
<thead>
<tr>
<th>Amount of waste disposed divided by net sales in fiscal 2014: 193kg/million yen (consolidated)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Waste within the Nitto Group is mainly roll edges of tape and off-cuts of film generated from the cutting process. We try to reduce such loss through improving the production process. Therefore, we properly dispose of as much waste generated as possible under Nitto Group Regulations for Waste Management.</td>
<td></td>
</tr>
</tbody>
</table>

Total and Unit Generation of Waste (consolidated)

<table>
<thead>
<tr>
<th>Waste (metric tons/year)</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Nitto Group companies</td>
<td>37,157</td>
<td>37,157</td>
<td>37,157</td>
<td>37,157</td>
<td>37,157</td>
<td>37,157</td>
<td>37,157</td>
</tr>
<tr>
<td>Overseas group</td>
<td>5,947</td>
<td>5,947</td>
<td>5,947</td>
<td>5,947</td>
<td>5,947</td>
<td>5,947</td>
<td>5,947</td>
</tr>
<tr>
<td>Total</td>
<td>43,104</td>
<td>43,104</td>
<td>43,104</td>
<td>43,104</td>
<td>43,104</td>
<td>43,104</td>
<td>43,104</td>
</tr>
</tbody>
</table>

Large amounts of organic solvents are used in the production of tape and adhesives. In order to reduce our environmental impact, we install incineration equipment used for solvent gases or solvent recovery units, on every line as needed.

To reduce solvent gases escaping in spite of our existing measures, we are engaged in developing adhesives without the use of organic solvents and in improving the production process.

Total and Unit Organic Solvent Emissions (consolidated)

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nitto Group companies</td>
<td>13,284</td>
<td>3,032</td>
<td>3,032</td>
<td>3,032</td>
<td>3,032</td>
<td>3,032</td>
<td>3,032</td>
<td>3,032</td>
</tr>
<tr>
<td>Overseas group</td>
<td>747</td>
<td>747</td>
<td>747</td>
<td>747</td>
<td>747</td>
<td>747</td>
<td>747</td>
<td>747</td>
</tr>
<tr>
<td>Total</td>
<td>14,031</td>
<td>3,779</td>
<td>3,779</td>
<td>3,779</td>
<td>3,779</td>
<td>3,779</td>
<td>3,779</td>
<td>3,779</td>
</tr>
</tbody>
</table>

Biodiversity Conservation

In order to contribute towards a sustainable society, Nitto has been involved in biodiversity conservation activities, as a driving partner of Declaration of Biodiversity by Nippon Keidanren, since 1997.

Further Promotion of MFCA Management

Since 2001, the Nitto Group has approached the reduction of loss of raw materials and energy in the production process by using Material Flow Cost Accounting (MFCA). Recently, some processes have been transferred overseas with more globalization, increasing the opportunities to analyze production processes cutting across several bases with MFCA. As bases are located in a great many areas, it might normally be difficult to grasp all of the data. Therefore, we developed a simplified procedure of the ISO standardized MFCA compatible with Nitto’s own procedures. We will promote MFCA throughout the Group and enhance resource efficiency utilizing the simplified procedure, too.

Environmental Impact Value-Added Productivity Index is not within range of the target level for 2015 is that we have not created added-value corresponding to the environmental impact.

We reduced environmental investment in fiscal 2014, compared to the previous fiscal year. However, we are currently drawing up a new environmental vision and goals, and a new investment plan for the next ten years. By making use of methods to improve resource and management efficiency, such as Material Flow Cost Accounting (MFCA), we will continue to reduce the impact of the three aspects of negative environmental impact: the use of energy, the waste disposed, including industrial waste; and the use of organic solvents. Furthermore, we aim for minimization of environmental impact not only within the Group, but also across whole supply chains. In addition, in order to increase added value, we will have to construct a mechanism for promoting the provision of products and services contributing to environmental conservation.

Aiming to protect our planet to pass on to future generations, the Nitto Group will continue to promote environmental management in the future.

Management of Water Resources

Water withdrawals in fiscal 2014: 4,353,806 m³ (bases in Japan)

<table>
<thead>
<tr>
<th>Water consumption (including water recycled at bases in Japan)</th>
<th>2005</th>
<th>2006</th>
<th>2007</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overseas group</td>
<td>292,343</td>
<td>292,343</td>
<td>292,343</td>
<td>292,343</td>
<td>292,343</td>
<td>292,343</td>
<td>292,343</td>
</tr>
<tr>
<td>Total</td>
<td>4,163,940</td>
<td>3,557,668</td>
<td>3,557,668</td>
<td>3,557,668</td>
<td>3,557,668</td>
<td>3,557,668</td>
<td>3,557,668</td>
</tr>
</tbody>
</table>

In conformity with the basic standpoint of this declaration, we approach business activities with due consideration to biodiversity.

Supporting UNEP Activities

The Nitto Group cooperates with the United Nations Environment Programme (UNEP) in playing an active role to realize a sustainable society, and has been a supporting company since fiscal 2010. We support the publication and distribution of the Japanese version of Our Planet and TUNZA, which are official UNEP magazines.

The Next 10 Years

Since 1993, the Nitto Group has been promoting environmental conservation activities by setting an environmental vision and goals every ten years. In 2015, we will reach a milestone of the present active period. However, it will be difficult for us to accomplish our goal of doubling the Environmental Impact Value-Added Productivity Index. Though we have certainly made efforts to reduce our negative environmental impact, production volumes have increased in response to changes in business circumstances. We consider the reason why the

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Ensuring safe and reliable products

The Nitto Group thoroughly conducts product management in every value chain from planning to disposal in order to offer safe and reliable products for our stakeholders.

Chemical Substance Management Policy

We conduct chemical substance management with the aim of providing our customers and employees with safety and confidence. In order to fulfill our social responsibilities as an enterprise, we anticipate social changes while complying with the letter and spirit of the law in every country where we are developing our business.

Our Approach to Chemical Substance Management

In line with the international movement towards “aiming at the minimization of the adverse impacts of the production and use of chemical substances on human health and the environment by 2020,” we fully understand the risks of chemical substances and are engaged in reducing them.

With a harmonious exchange of information with our partners, we properly manage information on the chemical substances contained in raw materials, and promote green procurement, procuring environmentally-friendly materials throughout the entire group. In this way, we give procurement, procuring environmentally-friendly materials substances contained in raw materials, and promote green procurement, procuring environmentally-friendly materials throughout the entire group. In this way, we give confidence. In order to fulfill our social responsibilities as an enterprise, we anticipate social changes while complying with the letter and spirit of the law in every country where we are developing our business.

Ensuring Product Safety

In order to provide our customers with peace of mind, we have not only constructed a regulatory management system, but also control chemical substances contained in our products. Furthermore, we ensure the safety of our products through disclosing information to our customers accurately and promptly.

Recently, against a background of heightened public concern about chemical substances and globalization, prompt responses to the establishment of new or changes in the laws and regulations of each country and area are required. In order to obtain information on laws and regulations in a timely manner, we will continue to strengthen our management system in every area in the future.

Ensuring Employee Safety

In order to provide our employees with peace of mind, we implement chemical risk assessment and abstract every hazard source which may occur in using chemical substances. This allows us to continue to reduce risks and prevent accidents and disasters from occurring through thoroughly implementing proper handling.

Consideration for the Environment

In order to provide society with peace of mind, we implement proper management of chemical substances, aiming to keep the impact on the environment to a minimum. We not only voluntarily forbid the use of some chemical substances thought to have an environmental load, but are also reducing the amount of chemical substances used. Furthermore, we are advancing the development of both alternative materials and alternative technologies.

Quality Policy

In April 2014, we newly established the Nitto Group’s quality criteria. With an unwavering determination to deliver the highest quality to our customers, we provide products and services that are:

- Safe for customers, society, and the environment
- Possess functions that satisfy customer demands
- Easy to use, and appropriate for customer applications and use
- Contain clear information provided quickly upon request
- Reasonably priced with reliability of supply meeting customer-requested delivery dates

Approach to Quality Control

In order to provide a stable supply of safe, quality and reasonably-priced products as demanded by our customers, we are addressing Advanced Quality Management (AQM), which will not only obviate any issues concerning quality, but also minimize risk.

In the future, we will pre-empt changes in advance of society and markets, taking new ideas into consideration.

Advanced Quality Management

In order to ensure quality conformity, we employ FMEA (Failure Mode and Effect Analysis) to forecast any potential issues, without omission, occurring in the design and operations processes and investigate whether proper measures that should be taken in response to them are taken. In addition, we employ SBSQ (Same Brand Same Quality), maintaining the same quality standards for products of the same serial number, irrespective of production base.

Product Risk Management

By establishing an expert committee, we aim to clarify risks associated with our products and to minimize the effects of such risks. We conduct risk management in three section meetings. In the future, we will further develop our activities, aiming for speedier and more global responses.

Risk Management Section Meeting

Main Activities

- Quality
  - Review of contracts with customers
  - Implementation of conclusion of quality assurance agreement
  - Prevention of recurrence of serious complaints arising from lack of information on the part of customers

- Chemicals
  - Response to REACH (including CLP)
  - Response to the chemical substances control laws of each country
  - SDSs prepared in accordance with GHS
  - Review of Nitto Group Regulations on Voluntary Management of Chemicals

- Logistics
  - Response to GHS product description (including GHS in China)
  - Response to physical distribution risks
  - Establishment of Product Lot Number Standardization Guidelines
  - Response to indication of source
  - Response to indication method established by export control order
Procurement Management Policy

We approach procurement from a global point of view in order to improve our corporate value, in accordance with our spirit of being “Open, Fair and Best.” With our goal of remaining an enterprise favored not only by our customers but also by our business partners, we make efforts to build relationships of trust and conduct fair and honest transactions.

Procurement Management Approach

We have established Action Guidelines to ensure that each employee involved in procurement acts in accordance with corporate ethics and societal norms. In the event that there is, or might be a violation of the Action Guidelines, our business partners can report via Partner Hotline.

Furthermore, we respond to issues raised by society, such as the development of green procurement and disclosure of information concerning conflict minerals, and address supply chain management in order to provide products satisfying the needs of our customers.

Promotion of Green Procurement

Every year, laws and regulations concerning chemical products are being strengthened in each country and area. To reduce our environmental impact as much as possible, we promote green procurement in concert with chemical products management, providing environmentally-friendly products to our customers.

Information Disclosure on Conflict Minerals

The Nitto Group has a policy opposing the use of conflict minerals, which are an international concern. With our partners’ cooperation, we continue to provide accurate information to our customers, while trying to reduce contamination risk.

Supply Chain Management

In doing business with approximately 1,700 partners in Japan, we address supply chain management, with the aim of stable procurement of raw materials. In addition, we strive to construct a system which will allow us to fulfill our procurement responsibilities in times of emergency, such as in the event of a natural disaster, fire, or equipment failure.

Logistics Policy

We address logistics globally for the purpose of efficiently delivering products and services satisfying our customers without delay.

Logistics Approach

We are constructing a system for strengthening our logistics management, ensuring safety as well as showing regard for the environment in our physical distribution. Furthermore, we are advancing supply chain management.

Construction of Logistics System

In order to improve the efficiency of our physical distribution, standardization of sales operations and the development of a system supporting such standardization are necessary. In fiscal 2014, we embarked on such standardization in Korea. In the future, we will expand standardization to China and Taiwan, aiming to construct a logistics system to improve productivity globally.

Environmental Consciousness

We are promoting modal shifts in Japan; that is, converting from long-distance road transport (between the Chubu and Kyushu areas) to rail transport capable of mass transit, and will develop the same system globally in the future. Furthermore, we have established a delivery system improving the carrying efficiency of trucks.

We have established an estimative index to properly manage these approaches. In fiscal 2014, by optimizing transportation and delivery routes, these approaches contributed to greenhouse gas (GHG) emission reduction.

Supply Chain Management

We are implementing supply chain management aiming not only for the stable procurement of raw materials, but also to fulfill our responsibility to supply our customers. In addition, by not only preparing an emergency response manual on the assumption of a major earthquake or other large-scale disaster, but also by conducting training drills based on the manual, we are addressing the construction of a supply system for emergencies.

In line with the globalization of each of our business units, we are also required to demonstrate optimum responses in intellectual property activities in every region and technical field. Furthermore, in launching new business, we are promoting the transition to intellectual property activities which will enable the protection of new business models, seeking to provide management stability and maximization of revenue across the whole Group.

Specifically, under our policy of “Securing rights to intellectual property necessary in operating our business”, we will actively:

- Practice intellectual property strategies aligned with management and business
- Practice intellectual property activities which are optimum globally and in each area
- Aim at improvement in quality of intellectual property and practice a wide variety of intellectual property activities, from acquiring intellectual property to protect our own products to acquiring intellectual property covering our business models.

Patent Publications of the Nitto Group

(In Japan and major countries)

Patent Publications

<table>
<thead>
<tr>
<th></th>
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<td>40</td>
<td>30</td>
<td>20</td>
<td>10</td>
<td>0</td>
</tr>
</tbody>
</table>

*1 World Intellectual Property Organization  *2 European Patent Office

As one of these activities, we are actively advancing overseas applications for and acquisition of patents. According to the Japan Patent Office Annual Report 2014, the global application rate of Japanese applicants is approximately 30%, which is low compared with the global application rate of applicants in the U.S. and Europe, each of which is about 50%. In contrast, the global application rate of Nitto has reached 65.3%, which is a high level and ninth out of the top two hundred companies utilizing the patent system.

Intellectual Property

Intellectual property strategy aligned with management and business

Thomson Reuters 2014

Top 100 Global Innovators

Nitto Selected One of Top 100 Global Corporations in Intellectual Property and Patents for Fourth Consecutive Year

In November 2014, Nitto received a Thomson Reuters Top 100 Global Innovator award for the fourth consecutive year. This award is given to the most innovative corporations and research institutes by Thomson Reuters Professional KK (Head Office: New York City, U.S.A.; Japan Office: Chiyoda Ward, Tokyo). In particular, Nitto won recognition for achieving exemplary results in intellectual property.

Nitto considers intellectual property as the essence of management itself, strengthening our business by amalgamating business strategy and intellectual property strategy. In line with the global development of our business, we have promoted globalization of intellectual property activities. Furthermore, by asserting our property rights to adequately protect our innovations throughout the Group, and by efficiently industrializing those innovations, we have endeavored to maximize the value of our intellectual capital, which led to our receipt of the award.

We were awarded a 2014 Top 100 Global Innovator trophy by Mr. Masaki Nagao, Thomson Reuters’ Managing Director, IP & Science, Asia-Pacific, at Nitto Head Office on December 17, 2014.

With this as encouragement, we will seek to further enhance our intellectual property and to maximize our corporate value in the future.
Based on our core expertise of adhesion and coating technologies, we will continue to create various functional products.

**Opening of a New Facility for R&D and Cultivation of Human Resources, Spring 2016**

We will establish a new facility known as inovas at the Ibaraki Plant, where research and development and cultivation of human resources will be conducted in an integrated manner. The four-story facility, with a total floor space of approximately 20,000 m², will be completed in October 2015, and will open in the spring of 2016.

Aiming to create future value for our customers, inovas will be tasked with encouraging interaction and exchange between people and technologies. It will be a workplace for approximately 350 employees in such sectors as research and development and intellectual property, and will also be an analysis center and a human resources education center. With accelerating research and development in the environment (Green), energy (Clean), life sciences (Fine) and core technology (Basic) fields providing opportunities for dialog with not only customers, but also other people inside and outside the company, we will strengthen development of new products.

The name of the facility was chosen from submissions made by members of the Nitto Group. Nova, whose meaning in Latin is ‘new’, also means ‘new star’, depicting a sudden burst of light. As Nitto has adopted “Innovation for Customers” as our brand slogan, we are determined to be a base producing thousands of ‘nova’ through innovative activities, just as the name inovas suggests.

**Accelerating Creation of New Themes in China**

The Nitto Group has established a global R&D system spanning four key global sites in Japan, the U.S., Switzerland and Singapore, promoting a locally-led global R&D structure making use of the unique characteristics of each area.

To ensure the further growth of our existing businesses and to create future value in the Chinese market, which will become increasingly important in the coming years, Nitto recently concluded an agreement with the Qingdao Municipal Science and Technology Commission, and established Nitto (Qingdao) Technology Research Institute, Co., Ltd. It is our fifth overseas research center and the first in China, and will ultimately employ about thirty personnel.

The new research institute will carry out R&D, focusing on wavelength conversion materials, photocatalyst materials and nanomaterials, and will create new products for use in sectors related to agriculture, energy and the environment.

**Principles of photocatalysts**

- Participating in the Development of CO₂ Separation Membrane Modules
- Developing technologies for the CO₂ separation module
- Contribution to the development of clean energy technologies
- Contribution to the development of CO₂ capture technologies
- Contribution to the development of CO₂ utilization technologies

**Toward Prevention of Global Warming - Participating in the Development of CO₂ Separation Membrane Modules**

On commission from the Ministry of Economy, Trade and Industry, Nitto is promoting a CO₂ Separation Membrane Module R&D Project as a member of Molecular Gate Membrane Module Technology Research Association, whose members also include Research Institute of Innovative Technology for the Earth, Kuraray Co., Ltd., and Nippon Steel and Sumikin Engineering Co., Ltd., and was established in 2011. In this project, we are developing a...
molecular gate membrane module actualizing CO₂ recovery at a cost of 1,500 yen/t-CO₂.

The ultimate purpose of the project is the application to CO₂ capture and storage (CCS), in which CO₂ separated and collected from pre-combustion emissions in integrated coal gasification combined cycle (IGCC) is sealed deep in the ground. Its chief advantage over other CO₂ separation and collection methods is its ability to curb costs.

In membrane separation, amino groups contained in a CO₂ molecular gate function block the passage of other gases. CO₂ molecules block the passage of CO₂, H₂, CH₄ etc. Low Permeable CO₂.

Development of Anti-fibrosis Drug with Molecular Targeting DDS Technology Platform

Clinical studies ongoing

Since 2008, Nitto has been tackling the development of a drug for treating liver and other organ fibrosis. In June 2013 we initiated clinical studies of the drug (evaluation on human subjects) in the US, and have verified a high level of safety in healthy volunteers. The studies will be followed in the next stage by verification of the safety of the drug in human subjects) in the US, and have verified a high level of safety in healthy volunteers. The studies will be followed in the next stage by verification of the safety of the drug in human subjects.

Nitto has developed a safe drug which leads to resolution of fibrosis by combining the concepts of targeted delivery to hepatic stellate cells by Professor Yoshio Nitsui of Sapporo Medical University and Nitto’s drug delivery system (DDS) technologies, with the technical collaboration of Hokkaido University. In order to suppress collagen synthesis, we employed siRNA (oligonucleotide), inhibiting the function of a specific RNA (ribonucleic acid), as a medical agent. Furthermore, in order to facilitate delivery of the highly-degradable siRNA to the hepatic stellate cells, we have designed a unique drug formation using a special carrier protecting the medical agent and a targeting agent targeting the hepatic stellate cells.

Patents for this new drug, covering all of its active medical agents, drug formulation, and therapeutic delivery, are currently being assessed in the U.S. and other countries. In order to provide this new drug to the six million patients suffering from liver cirrhosis, we are diligently working to ensure early approval. We also expect our DDS platform to be applicable to other intractable diseases such as cancer, so further research is ongoing.

Molecular targeting DDS technology

In information fine materials, new smartphone and tablet PC releases, larger-sized panels used in those new models, and customers’ increased production on the back of healthy sales sustained the excellent performance of our optical films for those product categories. Optical films for LCD TVs also gave a strong showing owing to special demand triggered by the FIFA World Cup and the shift toward demand for larger-sized panels following the market debut of 4K TVs. Meanwhile, sales of transparent electro-conductive films for touch panels were sluggish overall, as they sold well to Chinese customers but production by other major customers did not grow as expected. Sales of flexible printed circuits remained robust as the number of smartphone models using them in displays grew throughout the year. The number of such circuits used also increased due to expansion of the high-capacity HDD market. In processing materials, tapes used for downstream processing in semiconductor fabrication sold favorably, as the semiconductor market was buoyed by continued expansion of the smartphone market.

Industrial Tape Business
( Functional Base Products )

In the automotive industry, the Group was able to keep growing ahead of the increase in unit automobile production, as we began to see the fruits of Sanshin activities in the global arena. Some of the businesses that performed particularly well were lamp inner pressure controlling materials for China and paint protection films for Europe. Also worth mentioning is the renovation of the Automotive Technical Center (ATC) within the Toyohashi Plant in Aichi Prefecture, which was carried out in a bid to combine our material and evaluation technologies for integrated solutions that better cater to the ongoing shift toward lighter-weight, electronic automobiles.

Sales to the electronics industry were driven primarily by double-sided adhesive tapes for smartphone panel modules and waterproof/sound-passing functional products. For general-purpose double-sided adhesive tapes, which are used for a broad range of industrial applications, adverse conditions in the European market were offset by orders from East Asian countries. Meanwhile, processing materials, and heat-resistant fluoroplastic products for the electronics market all fared well.

Business Activities

In automotive materials, sales grew significantly due to expansion of the high-capacity HDD market. In processing materials, tapes used for downstream processing in semiconductor fabrication sold favorably, as the semiconductor market was buoyed by continued expansion of the smartphone market.

Optronics Business

In information fine materials, new smartphone and tablet PC releases, larger-sized panels used in those new models, and customers’ increased production on the back of healthy sales sustained the excellent performance of our optical films for those product categories. Optical films for LCD TVs also gave a strong showing owing to special demand triggered by the FIFA World Cup and the shift toward demand for larger-sized panels following the market debut of 4K TVs. Meanwhile, sales of transparent electro-conductive films for touch panels were sluggish overall, as they sold well to Chinese customers but production by other major customers did not grow as expected. Sales of flexible printed circuits remained robust as the number of smartphone models using them in displays grew throughout the year. The number of such circuits used also increased due to expansion of the high-capacity HDD market. In processing materials, tapes used for downstream processing in semiconductor fabrication sold favorably, as the semiconductor market was buoyed by continued expansion of the smartphone market.

Operating Income

Total: 43,753 413,279 109.3% 109.3%
**Medical and Membrane Businesses**

In medical products, an attempt was made to offset the earnings decline in Japan due to the National Health Insurance (NHI) drug price revision of transdermal therapeutic patches and the government’s promotion of generic drugs by boosting orders at a U.S. group company. Sales of membrane products (polymer separation membranes), on the other hand, remained strong, as we were able to receive orders for high-value-added ultrasound water projects from the semiconductor and LCD panel markets, in addition to a steady inflow of replacement orders for boiler feed water membranes and waste water recovery membranes in China and South Asia.

**Revamping ATCs to Produce Optimum Automotive-related Materials**

The Nitto Group has its own testing facilities, known as Automotive Technical Centers (ATCs), in Japan, the U.S., Belgium, China and Thailand, where we evaluate and verify the performance of our products mounted in vehicles. In July 2014, we thoroughly revamped the ATCs, which make quantitative evaluations of complete vehicles possible, allowing our customers to experience the benefits of our products in a near real-life environment. In the future, we will seek to create new customer value, paying attention to the keywords safety, comfort and efficiency required of vehicles, seamlessly integrating the evaluation of vehicles, component design technology and materials technology.

**Business Activities**

**Revenue Medical 17,381 16,379 94.2%**

**Revenue Membrane 20,364 24,449 120.1%**

**Revenue Total 37,745 40,829 108.2%**

**Operating Income Total 2,620 2,193 83.7%**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Revenue (Millions of Yen)</th>
<th>Operating Income (Millions of Yen)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>17,381</td>
<td>2,620</td>
</tr>
<tr>
<td>2014</td>
<td>16,379</td>
<td>2,193</td>
</tr>
</tbody>
</table>

**Expanding Musical Instruments Business**

Nitto developed and launched aircraft anti-corrosion and moisture barrier materials (product names: APROSEAL® and Moisture Barrier) in fiscal 2014. The products not only provide superior anti-corrosion and moisture barrier functions, but also relieve the customer’s workload due to good workability. Recognizing such features, a major airline has already begun adoption of the products for use.

By adding this new product-lineup to our existing masking films and double-coated adhesive tapes for aircraft, we aim not only to expand Nitto’s presence in the airline industry but also to further develop and supply aircraft-related products.

**Rebuilding Our Housing Materials Business**

On April 1, 2015, the Nitto Group’s housing materials business was integrated with L Nissho, and its name changed to Nitto L Materials. By taking advantage of the Nitto Group’s comprehensive strengths, we will provide optimum solutions for the industry targeting the residential electronics industry, including smart houses, smart cities and HEMS®. In the future, we will develop the business globally, and aim to become a solution provider in social infrastructure such as home and general construction and civil engineering.

**Introduction of Production Line for Personal Hygiene Materials in Malaysia**

In March 2015, we introduced a production line for personal hygiene materials at Nitto Denko Materials Malaysia, a local subsidiary in Malaysia. Malaysia is in Asia, a region where a rapid expansion in production of diapers is anticipated. Many diaper manufacturers have plants in neighboring countries in South Asia and in China. Diaper requirements vary slightly from country to country. We will develop and provide products satisfying consumers’ needs by taking advantage of the location of our manufacturing presence in Malaysia.

**Revised ATC Models**

A revamped ATC...
Release of NITREAT KINELOGY® EX
On April 1, 2014, Nitto Medical released KINELOGY® EX, a new product in the NITREAT kinesiology tape series supporting muscles. In response to consumer demand for a tape that ‘stays firmly attached’ and one that ‘can be painlessly removed while not causing a rash’, KINELOGY® EX is a sports tape that is gentle on the skin, allowing the skin to breathe, while not easily peeling off when wet with water or sweat.

Launch of OliGrow® Japan, a Small-scale Oligonucleotide Synthesis Service
Nitto launched OliGrow®, an oligonucleotide synthesis service, at Tohoku Plant, Japan, as an expansion of Nitto Denko Avecia’s OliGrow® service in the U.S. OliGrow® serves customers with small-scale synthesis DNA and RNA (ranging from 25mg to 20g) to meet their requirements (such as modification and use of specialty amino acids) to support R&D to pre-clinical studies. OliGrow® Japan can also provide a transition to expanded production and GMP manufacturing in the future with Nitto Denko Avecia’s clinical and commercial manufacturing capabilities. For details on OliGrow® and OliGrow® Japan, please visit the following websites:
http://www.avecia.com/Avecia/Nitto-Avecia-oliGrow.html
http://www.nitto.com/jp/ja/products/group/medical/007/ (Japanese)
http://www.avecia.com/Avecia/nitto-avecia-oligrow.html

Applying IFRS (International Financial Reporting Standards) since Fiscal 2014
The Nitto Group has actively developed our business overseas as the second stage of our globalization. As a result, our operations have expanded in scale, leading to increasing diversification of nationalities and cultural backgrounds among our stakeholders.

Under such circumstances, in order to provide more useful information for our diversified stakeholders, as well as to improve efficiency and speed of decision-making through integrating the operations of the Group, we decided to align our accounting standards with the IFRS global standard.

Consolidated Financial Statements
Consolidated Balance Sheet

As of March 31, 2015

<table>
<thead>
<tr>
<th>Assets</th>
<th>Amount (in Millions)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Current assets:</td>
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<tr>
<td>Cash and cash equivalents</td>
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<td>Trade and other receivables</td>
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<tr>
<td>Inventories</td>
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<td>Other financial assets</td>
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<td>Other current assets</td>
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<td>Non-current assets</td>
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<tr>
<td>Goodwill</td>
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<tr>
<td>Intangible assets</td>
<td>12,837</td>
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</tbody>
</table>
| Investments accounted for using equity method | 264  
| Financial assets                           | 12,737               |
| Deferred tax assets                        | 30,237               |
| Other non-current assets                   | 8,527                |
| **Total assets**                           | **855,433**          |

As of March 31, 2014

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<td>Other financial assets</td>
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<td>Non-current assets</td>
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<td>Property, plant and equipment</td>
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<td>Goodwill</td>
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<td>Intangible assets</td>
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<tr>
<td>Investments accounted for using equity method</td>
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<td>Other non-current assets</td>
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<tr>
<td><strong>Total assets</strong></td>
<td><strong>783,583</strong></td>
</tr>
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</table>

GATE is a small group activity, which continuously addresses themes concerning manufacturing, and whose goal is improvement of quality. The Nitto Group, by addressing immediate problems in the workplace, encourages awareness and autonomous action by each employee, promoting revitalization of the workplace. We believe this leads to enhancement of workplace, encourages awareness and autonomous action by each employee, promoting revitalization of the workplace. We believe this leads to enhancement of genba-ryoku* and as a consequence, the “creation of a safe and ideal workplace environment” and the “pursuit of customer-satisfying quality.”

Eighteen bases participated in GATE when it was launched in fiscal 2006. However, there is an increasing number of bases eager to take part in the activity every year and by fiscal 2014 the number of participants had grown to sixty-eight bases, including almost all the Nitto bases participating GATE, and over 600 in total. We share examples of improvements achieved by individual teams at our Global Presentation after selection by base and area screening committees.

The second stage of globalization
Expansion in scale of operations leads to diversification of stakeholders
Improving speed of decision-making, profitability and productivity leads to further growth in the future

“Aiming to be a company that continues to grow into the future”

As of March 31, 2015

<table>
<thead>
<tr>
<th>Liabilities</th>
<th>Amount (in Millions)</th>
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</thead>
<tbody>
<tr>
<td>Current liabilities</td>
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<tr>
<td>Trade and other payables</td>
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<td>Bonds and borrowings</td>
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<td>Income tax payables</td>
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<td>Defined benefit liabilities</td>
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<td><strong>Total liabilities</strong></td>
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As of March 31, 2014

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<tr>
<td>Trade and other payables</td>
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<tr>
<td>Bonds and borrowings</td>
<td>56,694</td>
</tr>
<tr>
<td>Income tax payables</td>
<td>7,513</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>14,648</td>
</tr>
<tr>
<td>Other current liabilities</td>
<td>7,829</td>
</tr>
<tr>
<td>Non-current liabilities</td>
<td>43,436</td>
</tr>
<tr>
<td>Bonds and borrowings</td>
<td>3,510</td>
</tr>
<tr>
<td>Other financial liabilities</td>
<td>307</td>
</tr>
<tr>
<td>Defined benefit liabilities</td>
<td>33,723</td>
</tr>
<tr>
<td>Deferred tax liabilities</td>
<td>2,082</td>
</tr>
<tr>
<td>Other non-current liabilities</td>
<td>3,813</td>
</tr>
<tr>
<td><strong>Total liabilities</strong></td>
<td><strong>250,030</strong></td>
</tr>
</tbody>
</table>
### Financial News

#### Consolidated Financial Statements

**Consolidated Statement of Income**

<table>
<thead>
<tr>
<th></th>
<th>April 1, 2014 - March 31, 2015</th>
<th>April 1, 2013 - March 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>825,243</td>
<td>749,504</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>579,009</td>
<td>538,213</td>
</tr>
<tr>
<td>Gross profit</td>
<td>246,234</td>
<td>211,291</td>
</tr>
<tr>
<td>Selling, general and administrative expenses</td>
<td>114,939</td>
<td>108,027</td>
</tr>
<tr>
<td>Research and development expenses</td>
<td>28,240</td>
<td>28,444</td>
</tr>
<tr>
<td>Other income</td>
<td>12,684</td>
<td>4,907</td>
</tr>
<tr>
<td>Other expenses</td>
<td>9,004</td>
<td>7,120</td>
</tr>
<tr>
<td>Operating income</td>
<td>106,734</td>
<td>72,552</td>
</tr>
<tr>
<td>Financial income</td>
<td>700</td>
<td>520</td>
</tr>
<tr>
<td>Financial expenses</td>
<td>1,021</td>
<td>2,152</td>
</tr>
<tr>
<td>Equity in losses of affiliates</td>
<td>465</td>
<td>302</td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>105,947</td>
<td>70,642</td>
</tr>
<tr>
<td>Income tax expenses</td>
<td>27,918</td>
<td>18,454</td>
</tr>
<tr>
<td>Net income</td>
<td>78,028</td>
<td>52,188</td>
</tr>
<tr>
<td>Net income attributable to:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owners of the parent company</td>
<td>77,876</td>
<td>51,892</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td>152</td>
<td>298</td>
</tr>
</tbody>
</table>

#### Consolidated Financial Statements of Cash Flows

<table>
<thead>
<tr>
<th></th>
<th>April 1, 2014 - March 31, 2015</th>
<th>April 1, 2013 - March 31, 2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Cash flows from operating activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Income before income taxes</td>
<td>105,947</td>
<td>70,642</td>
</tr>
<tr>
<td>Net cash provided by (used in) operating activities</td>
<td>119,481</td>
<td>78,444</td>
</tr>
<tr>
<td>II. Cash flows from investing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchase of property, plant and equipment and intangible assets</td>
<td>-53,329</td>
<td>-74,407</td>
</tr>
<tr>
<td>Proceeds from sale of property, plant and equipment and intangible assets</td>
<td>562</td>
<td>728</td>
</tr>
<tr>
<td>Decrease (increase) in time deposits</td>
<td>-1,301</td>
<td>60,277</td>
</tr>
<tr>
<td>Net cash provided by (used in) investing activities</td>
<td>-55,857</td>
<td>-15,803</td>
</tr>
<tr>
<td>III. Cash flows from financing activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net increase (decrease) in short-term loans payable</td>
<td>1,423</td>
<td>701</td>
</tr>
<tr>
<td>Redemption of bonds</td>
<td>-50,000</td>
<td>—</td>
</tr>
<tr>
<td>Cash dividends paid</td>
<td>-17,328</td>
<td>497</td>
</tr>
<tr>
<td>Net cash provided by (used in) financing activities</td>
<td>-58,955</td>
<td>-18,131</td>
</tr>
</tbody>
</table>

#### Consolidated Financial Statements of Changes in Equity

<table>
<thead>
<tr>
<th></th>
<th>April 1, 2014 through March 31, 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Share capital</td>
<td>26,783</td>
</tr>
<tr>
<td>Capital surplus</td>
<td>56,958</td>
</tr>
<tr>
<td>Retained earnings</td>
<td>450,741</td>
</tr>
<tr>
<td>Treasury stock</td>
<td>-31,746</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
</tr>
<tr>
<td>Total equity attributable to owners of the parent company</td>
<td>521,385</td>
</tr>
<tr>
<td>Non-controlling interests</td>
<td></td>
</tr>
<tr>
<td>Total equity</td>
<td>534,552</td>
</tr>
</tbody>
</table>

| Balance at the beginning of current year | 26,783                     |
| Net income | 77,876                     |
| Other comprehensive income |                         |
| Total comprehensive income | 107,643                     |
| Share-based payment transactions | 29                         |
| Dividends | -17,328                      |
| Changes in treasury stock | -2,724                      |
| Total transactions with owners | -1,96                       |
| Balance at the end of current year | 26,793                     |
| Treasury stock | 51,139                      |
| Total equity | 615,778                     |
From the fiscal year ended March 31, 2015, the Nitto Denko Group has implemented the International Financial Reporting Standards (IFRS) to prepare its consolidated financial results.

Effective from the fiscal year ended March 31, 2014, the Company and some of its consolidated subsidiaries changed the method of recognition of revenue to one based on the time of delivery to customers from the prior one which was based mainly on the time of shipment. The figures for the fiscal year ended March 31, 2013, are those after the retrospective application of the change except for the figures in "Segment information by geographic area".

As there are a lot of steep hills and narrow alleys in such areas and distribution is hard, the company volunteers tried to distribute the coal briquettes by themselves. All employees from both companies went up and down the steep hills over and over for four and a half hours, carrying the coal on their shoulders and on two-wheeled carts. In all, they delivered 1,000 coal briquettes to seven households.

---

**Financial News**

**Business Summary 10-Year Summary**

**Consolidated financial results, fiscal years 2005 - 2014 (April 1 - March 31)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Japanese Yen</th>
<th>US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>626,619</td>
<td>25,003</td>
</tr>
<tr>
<td>2006</td>
<td>679,822</td>
<td>28,444</td>
</tr>
<tr>
<td>2007</td>
<td>746,259</td>
<td>31,201</td>
</tr>
<tr>
<td>2008</td>
<td>577,322</td>
<td>24,057</td>
</tr>
<tr>
<td>2009</td>
<td>601,859</td>
<td>25,003</td>
</tr>
<tr>
<td>2010</td>
<td>638,556</td>
<td>27,240</td>
</tr>
<tr>
<td>2011</td>
<td>627,633</td>
<td>25,920</td>
</tr>
<tr>
<td>2012</td>
<td>671,353</td>
<td>28,240</td>
</tr>
<tr>
<td>2013</td>
<td>749,835</td>
<td>31,201</td>
</tr>
<tr>
<td>2014</td>
<td>749,504</td>
<td>31,201</td>
</tr>
<tr>
<td>2015</td>
<td>725,214</td>
<td>30,014</td>
</tr>
</tbody>
</table>

**Statement of Income**

<table>
<thead>
<tr>
<th>Year</th>
<th>Japanese Yen</th>
<th>US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>40,519</td>
<td>1,664</td>
</tr>
<tr>
<td>2006</td>
<td>56,491</td>
<td>2,254</td>
</tr>
<tr>
<td>2007</td>
<td>52,521</td>
<td>2,120</td>
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<tr>
<td>2008</td>
<td>52,080</td>
<td>2,120</td>
</tr>
<tr>
<td>2009</td>
<td>52,619</td>
<td>2,180</td>
</tr>
<tr>
<td>2010</td>
<td>52,080</td>
<td>2,120</td>
</tr>
<tr>
<td>2011</td>
<td>52,521</td>
<td>2,120</td>
</tr>
<tr>
<td>2012</td>
<td>52,080</td>
<td>2,120</td>
</tr>
<tr>
<td>2013</td>
<td>48,462</td>
<td>1,994</td>
</tr>
<tr>
<td>2014</td>
<td>72,244</td>
<td>2,833</td>
</tr>
<tr>
<td>2015</td>
<td>72,520</td>
<td>2,833</td>
</tr>
</tbody>
</table>

**Japan**

<table>
<thead>
<tr>
<th>Year</th>
<th>Japanese Yen</th>
<th>US dollars</th>
</tr>
</thead>
<tbody>
<tr>
<td>2005</td>
<td>88,000</td>
<td>3,514</td>
</tr>
<tr>
<td>2006</td>
<td>88,000</td>
<td>3,514</td>
</tr>
<tr>
<td>2007</td>
<td>88,000</td>
<td>3,514</td>
</tr>
<tr>
<td>2008</td>
<td>88,000</td>
<td>3,514</td>
</tr>
<tr>
<td>2009</td>
<td>88,000</td>
<td>3,514</td>
</tr>
<tr>
<td>2010</td>
<td>88,000</td>
<td>3,514</td>
</tr>
<tr>
<td>2011</td>
<td>88,000</td>
<td>3,514</td>
</tr>
<tr>
<td>2012</td>
<td>88,000</td>
<td>3,514</td>
</tr>
<tr>
<td>2013</td>
<td>88,000</td>
<td>3,514</td>
</tr>
<tr>
<td>2014</td>
<td>88,000</td>
<td>3,514</td>
</tr>
<tr>
<td>2015</td>
<td>88,000</td>
<td>3,514</td>
</tr>
</tbody>
</table>

**Innovative Activities Supporting Local Communities**

From April to December 2014, Nitto Denko Automotive, Louisiana supported two local groups running unique fund drives.

We donated the equivalent of approximately 2,560 meals, including proceeds from a bazaar in which used books gathered in the plant were sold, and food bought in by employees, to an NPO feeding children.

We also raised money by selling pet goods recycled from scrap materials and pillowcases in the plant, donating a total equivalent to USD 1,052, including thirty dog beds, to an animal protection group.

**Distribution of Coal Briquettes to Undeveloped Areas in Seoul**

There are undeveloped areas in the city of Seoul where people with difficulty buying even coal briquettes for warmth. In February 6, 2015, both Korea Nitto Denko and Nitto Denko Nitoms Korea donated 2,000 coal briquettes to Babsang Community Welfare Foundation, Bank of Briquette, which supports households of such people.
Donating Used Equipment to Schools in Mexico

In September 2014, Nitto Denko Automotive de Mexico Servicios and Nitto Denko de Mexico donated thirty-nine superfluous chairs and nine superfluous workbenches to an elementary school and a technical school. Some employees attend evening classes at the technical school, so skilled human resources may result from the initiative in the future.

Supporting Physics Experiments in High Schools

In December 2014, Nitto Denko Czech was contacted by Free University of Berlin with a request to supply polaronizing films. The aim was to ask for its cooperation in a project whose goal was to show the fun of competitiveness in technology development to high school students by delivering experiment kits to them.

For example, the reason why a corn-filled silo will break at the walls and not at the bottom is found in the force distribution of granular matter. With Nitto’s polarizing film, the way in which the pressure in granular matter is distributed can be visualized.

In the project, sixty experiment kits will be distributed to six-year high schools in Germany by the summer of 2015.

Supporting Sports

34th Osaka International Ladies Marathon

This is the eleventh year that we have cosponsored the Osaka International Ladies Marathon since our commencement in 2005, in line with the theme “We Support the Challengers with Shared Enthusiasm.” In order to inform as many people as possible of the change in our trade name and company logo in 2013, all employees warmed up the event together. Visitors from Nitto Group numbered approximately 2,000, and worked hard in volunteer activities such as providing water and picking up litter and cheered on the sidelines.

Again this year, we cosponsored the Osaka Half Marathon and the Osaka Enjoy Run, held simultaneously. A taping service provided by Nitto Medical was very well received. Approximately 3,600 people visited our sponsor’s booth, which was set up at the site. We had them experience some of Nitto Group’s products, such as polarizing films and COLOCOLO®.

An experiment kit

Distribution of the pressure in granular matter

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