Nitto will celebrate its first centennial on October 25, 2018. Ever since 1918, when the company was established in Tokyo to begin production of electrical insulating materials in Japan, we have been able to follow a path of constant growth and bring a variety of products to the world. On behalf of the Nitto Group, I would like to extend our heartfelt appreciation to our customers, employees, both past and present, shareholders and investors, business partners, and our host communities, without whose support we could never have come this far. Now, I would like to share with you more about what we delivered in fiscal 2017 and our key initiatives for fiscal 2018 and beyond.

### Business Summary of Fiscal 2017 and Forecast for Fiscal 2018

During the fiscal year ended March 31, 2018 (fiscal 2017), the real economy showed signs of growth across the globe, buoyed by the economic expansion that had started in the previous year and favorable economic fundamentals. In Japan, the real economy showed a moderate yet firm performance, as the employment environment remained stable and private businesses continued to invest in higher efficiency to counter labor shortages. Since the start of calendar year 2018, however, the stock markets in developed countries underwent a major adjustment from their high plateau due to concerns that the favorable employment situation in the U.S. might accelerate the pace of interest-rate hikes. At the same time, there is a growing wariness concerning protectionist policies and rapid changes in financial markets.

The global economy is expected to sustain its growth in fiscal 2018. We are thus hoping to achieve revenue of 860,000 million yen and operating income of 135,000 million yen for the year ending March 31, 2019 by accomplishing our tasks in each business without fail while paying careful attention to protectionist policies and rapid changes in financial markets.

### Performance of Each Segment

As a result of the above, revenue increased by 11.5% from the same period of the previous year (changes hereafter are given in comparison with the same period of the previous year) to 866,262 million yen. Operating income increased by 35.8% to 125,722 million yen, income before tax income increased by 37.5% to 136,168 million yen, net income increased by 37.3% to 87,463 million yen, and net income attributable to owners of the parent company increased by 37.7% to 87,377 million yen.

In accordance with the basic dividend policy, it has been decided to pay 80 yen per share for the year-end dividend, which remains unchanged from the interim dividend, making the full-year total 160 yen per share, which is an increase of 10 yen from the previous year. We plan to pay a full-year dividend of 180 yen per share for the next fiscal year, after taking into account earnings forecasts, capital expenditure plans, and other factors.

The global economy is expected to sustain its growth in fiscal 2018. We are thus hoping to achieve revenue of 860,000 million yen and operating income of 135,000 million yen for the year ending March 31, 2019 by accomplishing our tasks in each business without fail while paying careful attention to protectionist policies and rapid changes in financial markets.

### Mid-Term Management Plan “Jitsugen*-2020”

In order for us to realize a further leap forward, the Nitto Group has drawn up the new Mid-Term Management Plan “Jitsugen*-2020,” which will guide us through the three years ending March 31, 2021.

* The plan is named after our goal of consistent “realization” (*jitsugen*) of our corporate strategies and performance goals.

### Propelling of Growth Strategies

In anticipation of major environmental changes in society and industry, we aim for realization (jitsugen) of new business creation and growth.

#### Strategic Investment

- **Capex**: 210.0 billion yen
- **Reinforcement of business foundations**
  - ESG, R&D, Monozukuri, IP, IT, HR, branding
  - Resource allocation: 400.0 billion yen
  - Strategic investment: 190.0 billion yen

#### New business creation and growth

- **New product creation, structural reform, ANT creation**

#### Communications

- **Monozukuri (production technology)**
  - New product creation, structural reform, ANT creation

#### Corporate Strategies

- **Strategic investment**
  - ESG, R&D, Monozukuri, IP, IT, HR, branding
  - Resource allocation: 400.0 billion yen
  - Strategic investment: 190.0 billion yen

#### Management Plan

- **Fiscal 2016**
- **Fiscal 2017**
- **Fiscal 2018**
- **Fiscal 2019**
- **Fiscal 2020**

#### Operating income

- **856.3 billion yen**
- **860.0 billion yen**
- **125.7 billion yen**
- **135.0 billion yen**

#### Revenue

- **856.3 billion yen**
- **860.0 billion yen**
- **125.7 billion yen**
- **135.0 billion yen**

#### Operating Income

- **21,200 million yen**
- **5,985 million yen**
- **27,433 million yen**
- **34,357 million yen**

#### Revenue

- **26,039 million yen**
- **25,279 million yen**
- **44,459 million yen**
- **36,171 million yen**

#### Operating Income

- **48,466 million yen**
- **92,548 million yen**
- **29,039 million yen**
- **25,279 million yen**

#### Revenue

- **186,187 million yen**
- **209,594 million yen**
- **124,239 million yen**
- **129,600 million yen**

#### Operating Income

- **310,416 million yen**
- **339,195 million yen**
- **34,357 million yen**
- **98,155 million yen**

#### Revenue

- **23,410 million yen**
- **24,439 million yen**
- **24,340 million yen**
- **24,349 million yen**

#### Operating Income

- **27,433 million yen**
- **34,357 million yen**
- **129,600 million yen**
- **139,855 million yen**

#### Revenue

- **12,871 million yen**
- **12,393 million yen**
- **23,410 million yen**
- **24,439 million yen**

#### Operating Income

- **4,652 million yen**
- **11,982 million yen**
- **23,410 million yen**
- **24,439 million yen**

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*The above numbers do not include “Intercompany eliminations” under the “Business Performance of Each Segment” on page 6.
Top Message

11 12

The development of electric vehicles (EVs) and self-driving technology has brought with it a major turning point in the auto industry, which is expected to boost demands for car electronics products. Among such products from the Nitto Group is a visible light-blocking material for head-up displays (HUDs). Used to counteract sunlight concentration on HUDs, there should be an even greater need for this product as such displays become increasingly larger in size. Other products under development include those for enhancing the performance and safety of electric motors and those for transportation equipment other than automobiles.

Life Science

Comprising the two main pillars of contract manufacturing and drug discovery, the oligonucleotide medicine business is developing into the core of the Life Science segment. Our strength in contract manufacturing lies in our one-stop support for development of oligonucleotide medicines, from contract manufacturing to pharmaceutical analysis and aseptic fill & finish services. For drug discovery, we are developing a liver cirrhosis drug jointly with Bristol-Myers Squibb (BMS) while also applying our technologies to cancer treatment, and both of these efforts are progressing smoothly. We are doing our utmost to launch these drugs as soon as possible for the many patients who are fighting against those diseases.

The Nitto Group has set its numerical targets for fiscal 2020, which are revenue of one trillion yen and operating income of 175.0 billion yen. We intend to achieve these targets by developing businesses in the aforementioned three strategic domains into profitable ones, in addition to stabilizing our existing businesses.

Reinforcement of Business Foundations

To ensure that these growth strategies will make steady progress, we intend to further consolidate our business foundations by enhancing environmental and safety measures, advancing manufacturing, and improving product quality and brand value. To conserve the environment, we are focusing on reduction of CO₂ emissions, which are causing environmental problems on a global scale, as well as toluene emissions. In fiscal 2017, we were able to halve our toluene emissions by taking advantage of our newly established environmental fund. We are also planning to use this fund to significantly increase the water recycling ratio in order to combat the water crisis. In conjunction with such efforts, we will continue to expand measures to prevent environmental pollution by using products of the Nitto Group whenever feasible.

Recent years have seen one case after another of non-compliance among Japanese companies, resulting in a serious loss of public confidence in them. In response, we immediately conducted surveys on how product quality is managed at all of our production sites to see if there are any similar situations within the Nitto Group. Fortunately, we found no cases of legal violation, but we will nonetheless remain on guard and reinforce our auditing and other relevant systems so that we can always offer the best product quality possible to our valued customers.

Since 2017, Nitto has been a title sponsor of the ATP Finals, the season-ending finale of the ATP World Tour for men’s professional tennis. We believe that the spirit of this competition, in which first-class players from across the globe exert their utmost efforts to reach the top, is similar to the Nitto Group’s corporate attitude of constantly striving for the leading position in various fields. It is our hope that this sponsorship will help to enhance our brand value.

Furthermore, we will recruit and develop diverse human resources from across the globe who will go on to advance these initiatives, and we plan to assign them to optimal positions so that they can provide even more inputs to such endeavors. By forging ahead with the “Jitsugen-2020” plan and living up to the Nitto Way, which is the sum of our corporate values, we aim to fulfill our corporate Mission of “contributing to customers’ value creation with innovative ideas” so that we can reach our goal of achieving sustainable growth of the Nitto Group.

Resource Allocation: 400.0 Billion Yen

As we announced in the previous year’s Mid-Term Management Plan, we will remain proactive in making strategic investments for M&As and environmental measures, in addition to capital expenditures, in our bid to support the aforementioned growth strategies.

Placing Safety Before Everything Else

We clearly state in our Corporate Philosophy that “we place safety before everything else” based on our firm conviction that we can offer quality products and services that satisfy our customers only when we assure the safety and good health of everyone involved. Occupational safety is essential in guaranteeing a stable supply of products, safety in our host communities, and peace of mind for our employees and their families. Nevertheless, I must admit that the Nitto Group still has issues to address in this regard. Under the powerful belief that we will be able to achieve zero accidents and injuries, we will take safety measures from the three perspectives of “safety of machinery,” “safety of people,” and “safety of the organization.”

Safety of machinery: We will identify and assess risks to eradicate any possible classes of disasters that might be hidden on the shop floor.

Safety of people: We will develop people who not only observe rules, but also choose to act safely even without those rules.

Safety of the organization: Supervisors will visit the shop floor to determine whether operations’ safety is assured and machinery can be operated safely, while always remaining conscious of their responsibility to “protect their workplace, team, and subordinates.”
Top Message

Reinforcement of Corporate Governance

Even before Japan’s Corporate Governance Code came into being in 2015, the Nitto Group had long been keen on "visualizing management." By taking the three approaches of being "easy to understand," taking an "outside perspective," and being "on the same page as shareholders," we have introduced a variety of measures in this regard.

To make the Nitto Group’s thoughts and actions "easy to understand" for our stakeholders, in 2006 we published the "Nitto Group Business Conduct Guidelines," which have been translated into 16 different languages for Group employees to share. In 2014, we renewed our Corporate Philosophy and have since had all employees of the Nitto Group comprehend it and act accordingly. Then, in accordance with the Corporate Governance Code of Japan, we established our own Corporate Governance Guidelines in 2015, thereby setting forth a series of measures that require continued efforts and an attitude of external disclosure. All of these documents are made public on Nitto’s website.

To take an "outside perspective" toward management, in 2003 we set up the Management Advisory Committee (now the Management and Remuneration Advisory Committee), which comprises members from outside of the company. In 2007, we introduced the outside director system, and then increased the number of outside directors to three in 2015. Now, not less than one-third of all board members are outside directors.

Finally, to be "on the same page as shareholders," we introduced the equity-based compensation stock option for Nitto’s officers in 2004. As recently as this year, we also introduced a new remuneration scheme that we hope will be easy to understand and relate to for our shareholders.

Going forward, we will continue our corporate governance reforms with the above three perspectives in mind.

Corporate Governance System

Nitto’s officers in 2004. As recently as this year, we also introduced a new remuneration scheme that we hope will be easy to understand and relate to for our shareholders.

Going forward, we will continue our corporate governance reforms with the above three perspectives in mind.

Corporate Governance System

Amid major transformations in society and the industry, we at the Nitto Group will embark upon the Nitto-New Century to create new businesses and achieve sustained growth in a way that responds to anticipated changes in our business environment. We ask our stakeholders for their continued support and guidance in these endeavors.