

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 fine materials.

In automobile materials, a marketing activity known as *Sanshin Katsudo* (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 effort to release a new anti-fibrosis drug.

Overall, sales (revenue) increased by 10.1% to 825.2 billion yen and operating income increased 47.2% to 106.7 billion yen, when compared to fiscal 2013. In fiscal 2014, we adopted International Financial Reporting Standards (IFRS). As a result, the standard is different from that of past years. That notwithstanding, both sales and operating income achieved new highs, exceeding sales of 749.5 billion yen in fiscal 2013 and operating income of 89.2 billion yen in fiscal 2005.

Approaches for Fiscal 2015

As for global economic forecasts for fiscal 2015, capital expenditure in the Japanese economy is forecast to expand. However, we find the economies of some countries

facing uncertainty, with anxiety about a decelerating U.S. economy, geopolitical instability in parts of Europe and decelerating growth in China.

In such circumstances, the Nitto Group will strengthen its growth strategy by developing ample business in the "Green" (environmental concerns), "Clean" (new energy) and "Fine" (life sciences) domains, while maximizing sales profits in existing fields and developing new businesses.

As for products for the electronics industry, we aim to make our thin polarizing films for smartphones and televisions the de facto standard, in parallel with achieving satisfactory results in wearable terminals, a market showing promise for the future. In printed circuits, we will supply fine-pitch circuit products, which is our forte, and will respond to such needs as high-volume hard disk drives (HDD) and super-fine definition panels for smartphones.

In our industrial tapes, we will firmly respond to demand for products for the automobile industry a market which is expanding in Europe and the U.S. In particular, in the auto-electronics field, we will consider providing new value, taking advantage of our technologies which we have cultivated in the electronics field.

As for our Area Niche Top® strategy, which aims to seize a leading market share in growing countries and areas by responding to change, we will launch new themes, with 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 contract 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 befitting our Area Niche Top® strategy. In the Green, Clean and Fine domains, we will continue to advance new themes, sharpening our *Tajiku* (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.



H. Takasaki

Hideo Takasaki
Board Member and President,
Nitto Denko Corporation

In the Report posted on July 31, there was an error in the article titled "Business Summary of Fiscal 2014." This error has been corrected.