



To our stakeholders

Hideo Takasaki
Board Member and President,
Nitto Denko Corporation

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 2015 activities and present our key policies for fiscal 2016.

Business Summary of Fiscal 2015

In fiscal 2015, by enhancing our business and improving productivity in existing fields, the Nitto Group tackled business portfolio reform through the development of new products and creating new business in the new domains of Green (environmental concerns), Clean (new energy) and

Achieving Zero Accidents and Injuries

We have implemented procedures placing safety before everything else in order to achieve zero accidents and injuries throughout the whole Group. Above all, both a Safety Call pledged and Safety Talk, in which familiar problems relating to safety are spoken about at the beginning of meetings and morning and afternoon assemblies have taken root throughout the Group. The Safety Call shows our determination to protect every one of our 30,000 employees, while the Safety Talk seeks to improve safety consciousness by sharing knowledge of familiar dangers among participants through dialogue. In addition, we utilize lessons learned from past accidents and disasters in daily safety activities.

The Nitto Group will continue to address our business activities under our core value: "Place safety before everything else".

Business Performance of Each Segment (Millions of Yen)

			Fiscal 2014	Fiscal 2015	Year-on-year Comparison
Industrial Tape	Revenue	Functional base products	202,900	201,107	99.1%
		Automobile materials	113,707	121,047	106.5%
		Total	316,608	322,155	101.8%
	Operating income	Total	21,205	28,614	134.9%
Optronics	Revenue	Information fine materials	413,279	380,805	92.1%
		Printed circuit boards	73,217	51,533	70.4%
		Processing materials	22,788	23,493	103.1%
		Total	509,285	455,831	89.5%
	Operating income	Total	87,504	65,444	74.8%
Medical and Membrane	Revenue	Medical	16,379	23,975	146.4%
		Membrane	24,449	29,391	120.2%
		Total	40,829	53,367	130.7%
	Operating income	Total	2,406	11,179	464.5%

Excluding "Intercompany eliminations" in "Business Performance of Each Segment" on page 6.

Fine (life science). In particular, our medical business, which promises mid-and long-term growth, progressed smoothly as a drug for liver cirrhosis using a molecular-targeting drug delivery system (DDS) received Fast Track designation by the FDA (U.S. Food and Drug Administration).

In our industrial tape business, automobile materials showed successful results, centered on the North American market, as a result of our marketing strategy known as *Sanshin Katsudo* (three new activities), which advances three "new" (exploitation of new applications, new product development and creation of new demand).

On the other hand, our main optronics business was influenced by a decrease of production in the market for smartphones and hard disc drives. Overall, revenue decreased by 3.9 % to 793.0 billion yen and operating income decreased by 4.1 % to 102.3 billion yen, when compared to fiscal 2014.

Against this background, the year-end dividend for fiscal 2015 was 70 yen per share, whilst the annual dividend per share was 140 yen, a 20-yen increase in dividend over fiscal 2014, in accordance with our stance on profit distribution. The forthcoming annual dividend is projected to be 140 yen, equivalent to fiscal 2015 and in line with comprehensive calculations regarding future profits and capital expenditure.

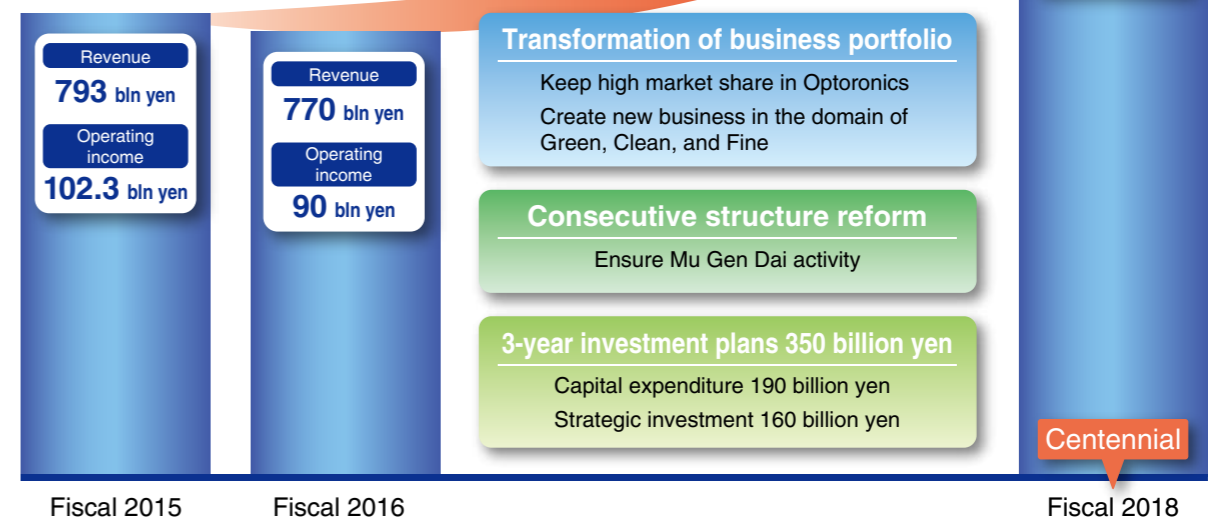
Mid-term Management Plan Nitto-2018

The Nitto Group will celebrate its 100th anniversary in fiscal 2018. In order to traverse this memorable juncture and continue to reform our business portfolio towards "Nitto New Century" (The Next 100 Years), we have drawn up a three-year mid-term management plan, Nitto-2018, commencing with fiscal 2016. With the aim of achieving 910 billion yen in revenue and 130 billion yen in operating income in fiscal 2018, we will tackle this new challenge.

In concrete terms, by creating ample business opportunities (*Tajiku*) in the Green, Clean and Fine domains and improving our fundamental competences by such means as "proximity to customers", *Sanshin Katsudo*, "creation of ample business opportunities" and "convergence", we will create products which are differentiated by our Global Niche Top® and Area Niche Top® strategies to seize a high market share. Moreover, by adding further competence by way of M&As, "utilizing external leverage", "intellectual property strategy" and "improvement of brand values", we will accelerate our growth.

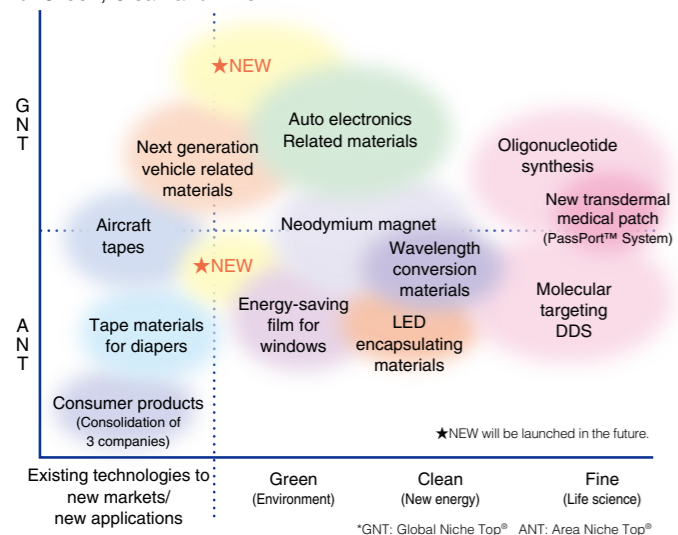
Mid-term management plan, Nitto-2018

Nitto-2018 is 3 year plan to be a bridge toward Nitto-New Century as we head towards centennial in 2018



■ Create and expand new business

Drive the growth by developing new products/ business in the domain of Green, Clean and Fine



In order to support this growth strategy, we will make 190 billion yen in capital investment and 160 billion yen in strategic investment for M&As and environmental measures, collectively 350 billion yen in three years. Simultaneously, we will continue to advance structural reform according to our *Mu Gen Dai* project, streamlining every operation and process from the viewpoints of *mu* (removing), *gen* (reducing) and *dai* (replacing). Furthermore, we will review our management and personnel systems and drastically strengthen our infrastructure and resources from a global perspective. Moreover, by properly observing the Corporate Governance Code, in effect in Japan since June 2015, we will engage in improvement of quality, leading to improvement of corporate value. With these approaches, we aim to be a corporation continuing to satisfy every stakeholder in future years.

Approaches for Fiscal 2016

In fiscal 2016, the first year of our mid-term management plan, Nitto-2018, we aim to achieve 770 billion yen in revenue and 90 billion yen in operating income.

In our optronics business, growth in the smartphone market, which has led our business performance, shows

signs of a slowdown. It is also expected changes in the business environment, such as the adoption of organic EL displays in place of liquid-crystal displays, will gain momentum. The Nitto Group has already begun to take measures to supply materials for organic EL displays, maintaining our high market share, along with that for our optical films for liquid-crystal displays.

Our automobile materials business, a unit of our industrial tape business, has developed into a wider transportation business by adding materials for other forms of transportation, such as aircraft, rolling stock and ships. We are developing not only our product and analysis technologies cultivated in automobile materials for other forms of transportation, but are also deploying our expertise gained in aircraft in automobiles.

In our medical business, we are engaged in facility expansion and reinforcement in order to further the favorable contracted manufacturing of oligonucleotide synthesis. We also plan to advance to the next stage of critical trials of a drug for liver cirrhosis with molecular targeting DDS technology throughout the U.S.

Review of Environmental Goals

Recently, with the adoption of new international frameworks for reducing greenhouse gas emissions, every signatory country has been asked to draw up a reduction target and regularly review it. Considering it was necessary to incorporate new environmental goals, including a GHG emissions target, into our mid-term management plan as part of our business strategies, the Nitto Group has constructed new systems in order to swiftly put the will of top management into practice. As one of our approaches, we established the Green Committee to allow a precise grasp of the present status, as well as risks concerning the environment, and to review our environmental goals.

Furthermore, we have developed our business in the Green, Clean and Fine domains. In particular, we have expanded our lineups of products reducing negative environmental impact in the Green and Clean domains, aiming to reduce the negative impact generated in our customers' processing.

In order to realize our objective of "Protecting our planet for future generations", the Nitto Group will actively engage in environmental conservation and contribute to the development of a sustainable society.

Corporate Governance

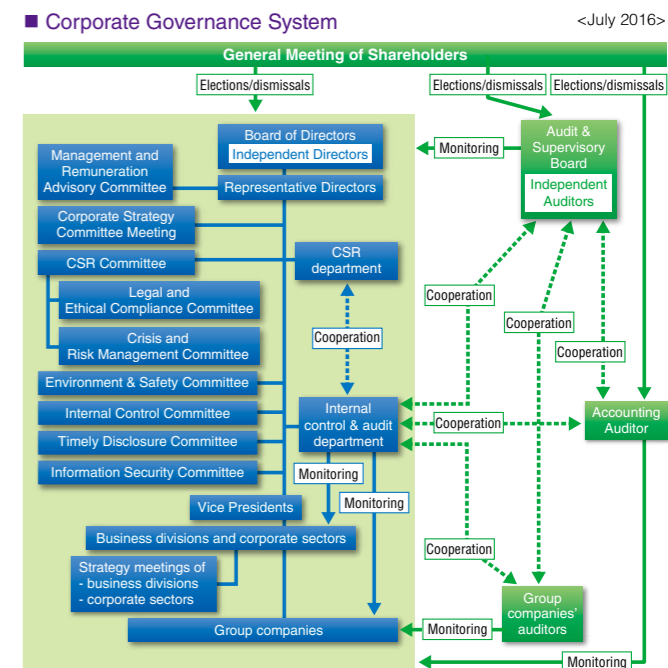
The Nitto Group has always recognized the importance of corporate governance in our business activities and continues to strengthen it. We accepted with sincerity the Japanese government's policies on the strengthening of corporate governance, including the adoption of Japan's Corporate Governance Code, and reviewed our own corporate governance in fiscal 2015. We consider it insufficient to merely adhere to the letter of the Code. We have reviewed our stance on corporate governance, and

streamlined our corporate governance framework, centered on our Corporate Philosophy (Mission and "The Nitto Way") after addressing corporate governance issues of interest to our stakeholders. In addition, we have established Corporate Governance Guidelines, and posted a detailed explanation of our Corporate Philosophy, which is at the core of our corporate governance, on our web site.

Furthermore, we set policies on the holding of shares of companies outside of the Group, disposing of some shares owned. We also provided questionnaires on the performance of the Board of Directors to directors and auditors with the aim of analyzing and evaluating the effectiveness of the whole Board.

Fiscal 2015 was a year of transition for corporate governance in Japan. The Nitto Group will continue to take measures aiming to improve our own corporate governance system further.

■ Corporate Governance System



Our Basic Views on Corporate Governance

We at the Nitto Group make clear our fundamental values and sense of purpose with respect to performance of business in the form of our Corporate Philosophy. We have also established guidelines (the *Nitto Group Business Conduct Guidelines*) for concrete behavior based on this business principle, and spare no effort to make them universally known to our executives and employees.

In order to maximize our corporate value and achieve continuous growth under this Corporate Philosophy, we believe that prompt and transparent decision making, as well as bold managerial decisions, are necessary. Fully aware of the importance of establishing corporate governance to achieve such decision-making, we will not only ensure the effectiveness of our corporate governance system, but also further improve the system in accordance with the following basic principles.

1. We ensure the rights and equality of our shareholders.
2. We collaborate with our stakeholders appropriately.
3. We disclose information appropriately to ensure transparency.
4. We aim to realize the management functions expected of us by our stakeholders.
5. We engage in constructive dialogue with our shareholders.

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