

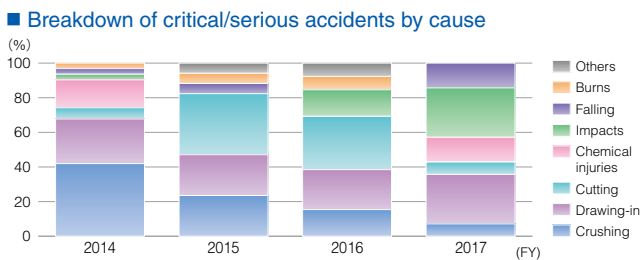
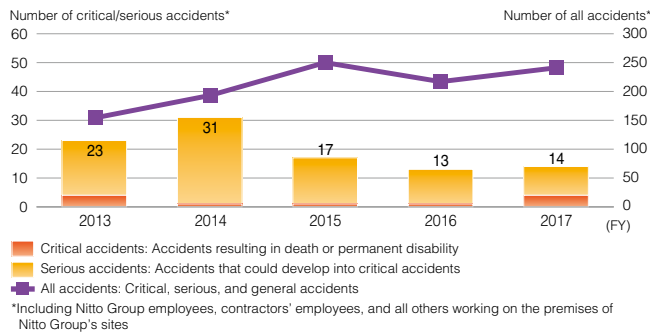
The Nitto Group shares the value of “placing safety before everything else” and we engage in our daily business undertakings with this in mind.

We believe that it is possible to achieve our goal of zero accidents and injuries if all members of the Group unite together to create workplace environments where everyone can work in good health without anxiety.

Work-Related Accidents in FY2017

Thanks to our proactive safety activities to reduce risks associated with equipment and production processes, we have until recently been able to reduce accidents in which employees are crushed or cut by machinery.

In fiscal 2017, however, we had the largest number of critical accidents within the past five years, and we were unable to prevent the occurrence of critical accidents and serious accidents that might lead to such accidents. The number of accidents due to impacts and falling increased, accounting for 50% of all critical and serious accidents that occurred. With regard to impacts, the majority of the accidents involved vehicles, one of which was a tragic traffic accident within one of Nitto’s plants that resulted in the death of someone from outside of the Nitto Group. In response to the sudden increase in the number of accidents due to falling, we acted promptly to implement safety measures and help workers to raise their safety awareness.



Initiatives in FY2017

Traffic Safety

In response to the surge in the number of critical/serious accidents involving vehicles, we carefully identified related risks and introduced traffic safety measures to our plants. One such measure is to oblige all Nitto Group sites to

establish pedestrian walkways to separate pedestrian traffic from vehicle traffic. We also reviewed forklift operations and specifications, as well as the specifications and driving rules of staff parking areas, and invited all employees of the Group to join “kuruma-za” face-to-face discussions held at each site to remind them of the importance of traffic safety.



Pedestrian walkway (right)

In addition, we continued to promote the “Po Ke Te Na Shi Activity” not only to ensure traffic safety, but also to prevent any form of disaster. Posters prepared in different languages are displayed at all Nitto Group sites to involve everyone in this educational campaign.



“Po Ke Te Na Shi Activity” posters in various languages

Safety Training

So far, we have provided experience-based safety training through simulations in Japan, East Asia, South Asia, and elsewhere. Following a pilot study in fiscal 2017, we are introducing in steps a hazard perception training using virtual reality head-mounted displays in order to eradicate accidents caused by falling, which have increased in recent years. The training provides employees with the experience of falling, which can be difficult to simulate, and thereby helps to prevent such accidents by raising their safety awareness.

As in the previous year, we organized a safety session for our management to which we invited a visiting lecturer. We also conducted workshops for those on the management level at a total of 51 sites across the globe in order to enhance their understanding of safety.

Going forward, we at the Nitto Group will establish a new safety fund with a view toward achieving zero accidents and injuries by implementing more effective safety measures and raising safety awareness among our employees. Also, under the conviction that employees’ good health can enhance occupational safety, we will assist them in maintaining and improving their health by reminding them of the importance of good health through a variety of events and other activities.

The Nitto Group remains committed to its environmental policy of “Protecting our planet to pass on to future generations.” Under a full recognition of the four types of risk that our business activities can pose to the global environment, we are engaged in addressing such risks while at the same time tapping into our vast experience so that we can offer solutions to society that contribute to environmental conservation.

■ Environmental risks incidental to the Nitto Group's business activities

- Climate change**
 - Global warming
 - Abnormal weather
- Resource depletion**
 - Energy resource depletion
 - Increase of waste
- Water crisis**
- Decrease of biodiversity**
 - Use of harmful chemical substances



At the Nitto Group, as a part of the drive to integrate our management objectives with our environmental activities, environmental goals are set not only for the Group, but also for each division, and steady efforts are being made to achieve them. We have established an environmental fund to purchase state-of-the-art equipment and develop new technologies – something that had until now been difficult under the previous investment criteria. In fiscal 2017, we introduced high-efficiency solvent recovery equipment and treatment equipment for exhaust air containing toluene to the Toyohashi Plant and an advanced water purification system to the Shiga Plant, thereby reinforcing our environmental activities. We are also conducting a series of demonstrations of new technologies and products that make use of Nitto products, including cyclical utilization of water and photocatalytic air purification.

Climate Change Countermeasures

Two of the Nitto Group's key platforms for tackling climate change are reduction of CO₂ emissions and reduced use of hydrochlorofluorocarbons (HCFCs).

The amount of CO₂ emissions by the Nitto Group depends on how much energy is used at production processes and how much waste and solvents are combusted. We thus came up with an energy-conservation strategy that includes introduction of renewable energy and co-generation systems, with the result that our CO₂ emissions in fiscal 2017 exhibited a downward trend to amount to 829,868 tons.

Pursuant to the Montreal Protocol, the Nitto Group began abolishing equipment using HCFCs and has successfully scrapped approximately 10% of such equipment over the past two years. Our goal is to abolish all such equipment in Japan, Taiwan, the U.S., and Europe by fiscal 2020 and in other regions by fiscal 2030. At the same time, according to the Kigali Amendment, we preferentially purchase equipment using refrigerants with low global warming potential.

■ Mid- and Long-Term Environmental Plan

Target	Mid-term	Long-term
CO ₂ emissions	805,000 tons/year (Fiscal 2019)	730,000 tons/year (Fiscal 2025)
Atmospheric toluene emissions (non-consolidated)	200 tons/year (Fiscal 2020)	—
Waste reduction	3% reduction in per unit production (vs. the previous year)	21% reduction in per unit production (fiscal 2025 levels vs. fiscal 2015 levels)

Resource Depletion Countermeasures

In fiscal 2018, the Nitto Group embarked on a new initiative to reduce waste by 21% versus fiscal 2015 (target: 3% reduction per material input from the previous year) by fiscal 2025 by using the 3R (Reduce, Reuse, and Recycle) approach.

We also take note of the economic effects of Material Flow Cost Accounting (MFCA)* and promote efficient use of resources by proactively recycling waste plastics, organic solvents, and chemicals for production.

* MFCA: An environmental accounting method that monitors resource and energy loss from the production process in order to visualize waste

Water Crisis Countermeasures

Water is a vital resource for our business activities. At production processes where large amounts of water are used, we reduce such amounts by using our membrane products to recycle water. We have designated our Shiga Plant as a “recycling-oriented green plant” with a plan to increase the water recycling ratio from 50% to 90% within the next five years.

Decreased Biodiversity Countermeasures (Hazardous Chemical Substance Countermeasures)

In order to minimize any biological impact that our business activities might have, we are working to reduce atmospheric emissions of chemical substances and also to properly manage such substances. Accordingly, we have set the target of reducing our total atmospheric toluene emissions to 200 tons per year by fiscal 2020. In fiscal 2017, we implemented anti-leakage measures and switched to chemical substances with lower environmental impact at the Toyohashi Plant, where a large quantity of chemical substances is used, as well as other locations, thereby successfully reducing their atmospheric emissions by 313 tons from the previous fiscal year to 277 tons per year.

Recent years have seen one famous company after another becoming embroiled in scandals. For organizations to prevent such disgraceful incidents from recurring, they must remain alert to signs of injustice and nip them in the bud.

The Nitto Group takes a strong stance to ensure that each and every one of our members engages in compliance and never overlooks even the smallest suspicious point to eradicate the source of any problem.

Deepening Our Understanding of Compliance

We distribute the Nitto Group Business Conduct Guidelines, which are available in 16 different languages, to all of our employees who have various cultures, customs, and nationalities, and oblige all of them to receive training on the Guidelines as a part of our new employee orientation. Compliance is also one of the topics covered at CSR workshops for directors and management-level employees, and participants are encouraged not to stop at merely practicing compliance, but also to play an active role in monitoring and preventing injustice. In fiscal 2017, a total of 149 workshops were held in 20 countries, during which 2,368 attendees deepened their understanding of such topics as power harassment and injustice (organized crime) through case studies and group discussions.

Also, we ask our business partners to thoroughly observe compliance in the CSR-Based Procurement Guidelines. Starting from fiscal 2017, we began checking in advance whether our new suppliers are CSR conscious.



CSR workshop in the Philippines

Corporate Ethics Whistle-Blowing System

To facilitate early detection of legal violations and ethical issues and ensure instantaneous action against them, we have established a whistle-blowing system that allows employees to directly contact our CSR department. Contact information is provided in the Nitto Group Business Conduct Guidelines. All employees of the Group may avail themselves of this service if they find it difficult to consult with their superiors or the relevant departments at their respective Group companies. We also establish independent reporting systems in countries and regions in

order to protect whistleblowers and respond to their reports appropriately.

Also available is the Partner Hotline, which our business partners may use to seek consultation on cases of noncompliance or suspected noncompliance involving transactions with the Nitto Group.

In fiscal 2017, there were no issues concerning duty of disclosure under the Commercial Code of Japan. However, we did receive 12 reports concerning labor disputes, human rights violations, and dishonesty through this system. We have settled these issues after carefully interviewing the parties involved, while also ensuring the protection of all whistleblowers.

Ban on Child Labor and Forced Labor

The Nitto Group clearly states its ban on child labor and forced labor in its Business Conduct Guidelines and has it thoroughly implemented among all Group companies. We also ask our business partners to comply with this policy in the CSR-Based Procurement Guidelines and ensure that there are no issues with child labor or forced labor during preliminary checks with new suppliers, which we began in fiscal 2017.

Human Rights Enlightenment Activities

Endorsing the Universal Declaration of Human Rights, the Nitto Group has established its own Basic Policy on Human Rights. Twice annually, at the beginning of each new fiscal year and on Human Rights Day, a message from the Chairman of the Nitto Group Central Human Rights Enlightenment Committee reminds the entire Group to protect human rights.

In Japan, those in charge of human rights enlightenment at each plant/office and Group company take the lead in helping all employees to deepen their understanding of human rights. In fiscal 2017, training sessions on harassment, which included viewing of an informative DVD, were given.

At Group companies outside of Japan, similar programs are offered to address the human rights issues unique to each country and region.

The Nitto Group considers human resources to be our most valuable assets. In order for us to sustain our growth in the global market and make new innovations as we move into the Nitto-New Century, we are developing measures aimed at cultivating our human resources, including the creation of a work environment in which employees are encouraged to continue taking on challenges and find it easy to advance their careers.

Diversity

The Nitto Group employs approximately 30,000 people across the globe, who bring diversity to the Group in terms of nationality, cultural background, gender, age, and employment type. With a view toward cultivating Nitto Persons who contribute to the organization as they develop themselves, creating new values that help us to apply diverse perspectives to business management, and enhancing productivity through work style reform, we provide a work environment in which each and every employee feels satisfied with what they do and is given equal opportunities to play an active role.

Our priorities in this regard are to “achieve work-life balance” and “support diverse human resources in playing an active role.” As such, we also empower women to pursue their desired careers. Within the Nitto Group, the percentage of women in management is on the rise in both Japan and Europe. At Nitto (non-consolidated), the ratio was 4.13% at the end of fiscal 2017, having met its target of 4% one year early. With regard to our employment of individuals with disabilities, most of whom are on the payroll

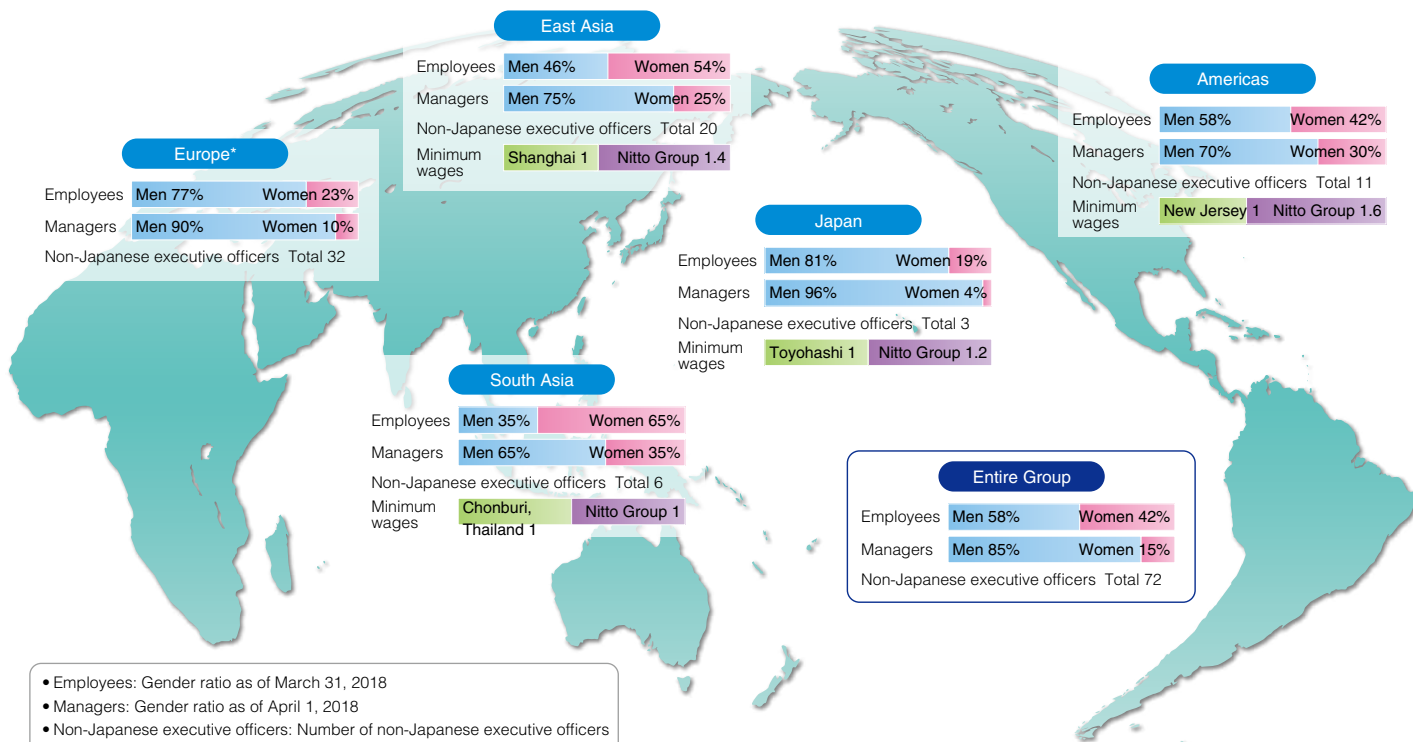
of Nitto Denko Himawari Group companies established at major sites in Japan, the Nitto Group in Japan maintained its percentage of such employees at 2.89% at the end of fiscal 2017, staying true to the concept of “contributing to society by realizing a company in which independence-oriented individuals with disabilities and elderly individuals who understand them can work together and take on the challenge of reaching their own limitless possibilities through their work.”

In order to achieve a good work-life balance, Nitto Denko Corporation drew up a Welfare Master Plan (mid-term plan) that embodies “work style reform.”

Others

At the Nitto Group, we adopt the motto of “open, fair, and best” in every personnel-related matter, including recruitment, assignment, evaluation, and training. In addition to strictly following the Equal Employment Opportunity Act of Japan, we make it a rule to treat people in a fair and equitable manner and manage their working

Employment Data of the Nitto Group



• Employees: Gender ratio as of March 31, 2018
 • Managers: Gender ratio as of April 1, 2018
 • Non-Japanese executive officers: Number of non-Japanese executive officers (including concurrent post) as of April 1, 2018
 • Minimum wages: Comparison of legal minimum wages in major cities where Group companies are located

*In Europe, there is no comparable data, as benchmarks and attitudes differ to those in Japan. That notwithstanding, we provide equal-opportunity employment with fair remuneration in accordance with an employee's business experience, personal attributes and the location.

Training System

	New employees	General-level employees	Management-level employees
Management literacy	Leadership, language, etc.		
	Finance, logical thinking		Cultivation of direct reports
Corporate Philosophy training	Corporate Philosophy workshop		
Job-function-specific training	Division A	Technical training	
	Division B	Technical training	
Objective-specific training	Safety and health training, language training, etc.		
			CSR workshop
		Overseas transferee / trainee training	

	New employees	General-level employees	Management-level employees	Directors
Grade-level training	New employee training		Mid-career employee training	Management-level employee training
			Director candidate training	
Selected group training	External	Think tank	Leadership training	Director training
	Internal	NGBA-F	NGBA-A	NGBA-E

hours properly in accordance with the labor laws of their respective countries and regions.

We place top priority on the maintenance of employees' safety and health and allocate full-time health staff members to our main sites to strengthen measures designed to promote their health.

Human Resource Development

Today's business environment is changing so rapidly that we cannot hope to recruit people who will help us to retain our competitive advantage if we continue to provide only conventional routine training. In order to build an organization flexible enough to respond to changes and sustain business growth amid the fierce competition, we are taking multifaceted approaches toward “talent management,” in which we focus on diverse “individuals” to discover and unleash their talents.

More specifically, we individually interview employees who are in important phases of their careers, namely, those who have recently joined the company, play a central role in day-to-day operations, have just been promoted, and so forth, in order to keep abreast of what is happening in the lives of those individuals and in the organization as a whole. To assist these individuals in developing their competency,

we offer a wide range of training opportunities tailored for each job function, such as sales and production engineering, and let them freely choose their own training programs so that we can better cater to their individual needs. In addition to such training opportunities, we will expedite our efforts to foster a workplace environment and culture in which the entire workplace serves as a vehicle for cultivating human resources.

On the occasion of the centennial anniversary of Nitto's foundation, the Nitto Global Business Academy (NGBA, launched in 2011 to foster future senior executives) will drive the Nitto Group forward in the area of new business creation and transform itself into a program that better caters to practical needs as a vehicle to cultivate human resources who will form Nitto's future identity.

Number of NGBA participants in fiscal 2017

Course	Purpose	Number of participants	Nation of origin
NGBA-E	Cultivating next senior executives	6	Belgium, China, Korea and Japan
NGBA-A	Cultivating next regional/business leaders	15	U.S.A., Singapore, Korea, Hong Kong, Turkey, France and Japan
NGBA-F	Cultivating next-generation leaders	10	Japan (not held in other regions in fiscal 2017)