

Relationship with Suppliers (Partners)

The Nitto Denko Group regards suppliers as partners with which to achieve further growth. In fiscal 2005, the Group established its CSR-Based Procurement Policy and Action Guideline for Persons Engaged in Procurement Activities to ensure that the rights of suppliers are respected and that trade with them is fair and transparent.

Guidelines for Fair Trade

Establishing Procurement Guidelines for both Domestic and Overseas Group Companies

In fiscal 2005, the Nitto Denko Group established its CSR-Based Procurement Policy and Action Guideline for Persons Engaged in Procurement Activities based on its *open*, *fair*, and *best* principle as well as the principle of partnerships.

The Group's procurement policy is both internally and externally announced as being a common policy of all Nitto Denko Group companies in the world. We have notified the representatives and procurement managers of 12 overseas Group manufacturing companies¹ that procure materials from suppliers of this policy. In addition, we are raising the awareness of Group companies about this policy through the Group and Global Meeting. In fiscal 2006, we will review the procurement criteria based on the procurement policy and subsequently conduct relevant audits.

In the first half of fiscal 2006, we will establish a procurement hot line through which suppliers will be able to report cases of noncompliance with the procurement policy and/or action guideline if they encounter such cases in their dealings with the Nitto Denko Group.

1. Nitto Denko Group's 12 overseas manufacturing companies: Nitto Europe, Permaccel, Permaccel Automotive, Hydranautics, Nitto Denko (Shanghai Song Jiang), Nitto Denko (Shanghai Pu Dong New Area), Nitto Denko (Suzhou), Nitto Denko (Taiwan), Taiwan Nitto Optical, Korea Nitto Optical, Nitto Denko Electronics (Malaysia), and Nitto Denko Material (Thailand)

CSR-Based Procurement Policy

The Procurement Business Sector sets up OPEN, FAIR, BEST & Partnership as the guiding concept.

OPEN

The Nitto Denko Group opens the door to suppliers at home and abroad and creates an environment that promotes unrestrained proposals.

FAIR

The Nitto Denko Group deals with its suppliers on an equal and fair basis in its procurement activities.

BEST

The Nitto Denko Group will do its best to realize its procurement activities based on care for the natural environment as well as laws and ethics, to create new value.

Partnership

The Nitto Denko Group aims to be the choice not only of its customers but also of its suppliers. The Nitto Denko Group seeks to establish true partnerships for coexistence and co-prosperity based on trust and cooperation.

Action Guideline for Persons Engaged in Procurement Activities:

Every member engaged in procurement activities for the Nitto Denko Group must be committed to behaving with respect for corporate ethics and social common sense, and must observe the following action guideline to promote procurement activities that are fair and free of corruption.

1. A person who is engaged in procurement activities shall follow any and all laws and regulations related to procurement processes. If any person finds out any fact indicating noncompliance with the law, the person aware of the noncompliance must immediately report it to his/her supervisor for appropriate actions.
2. A person who is engaged in procurement activities shall not accept any kind of gifts from partners, including summer and year-end gifts and presents from visitors. Similarly, he/she shall refuse any offerings of a complimentary nature, including offerings for celebration/condolence or other courtesy calls.
3. A person who is engaged in procurement activities shall not acquire unlisted shares of partners or acquire shares based on insider information.
4. A person who is engaged in procurement activities shall not purchase products offered by partners at a special discount, for his/her private use.
5. A person who is engaged in procurement activities shall not have any partners pay for his/her transportation/hotel/meals on his/her visit to meet with those partners.
6. A person who is engaged in procurement activities shall not have any interest in partners, including privately demanding payoffs from them.

Communication with Suppliers

(Nitto Denko Group on a Non-Consolidated Basis)

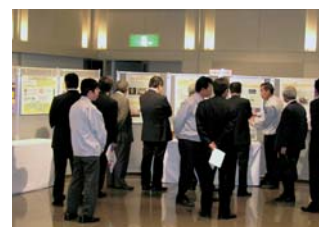
Exchanging Opinions with Suppliers at Partners' Meetings

Based on the idea that suppliers are partners, we changed the name of our annual meeting with suppliers from Suppliers' Meeting to Partners' Meeting.

This meeting is held annually at the Kameyama and Toyohashi Plants, which deal with a large number of suppliers. At this meeting, we explain our activities, procurement policy, requirements for the quality of materials, and quality assurance system to suppliers and exchange opinions with them to deepen mutual relations.



Partners' Meeting



Engaging in an exchange at the poster session

Compliance with the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors

Improving the Order-Placing Process by Introducing Web-EDI

In fiscal 2005, Nitto Denko Corporation launched measures that ensure compliance with the Act against Delay in Payment of Subcontract Proceeds, etc. to Subcontractors concerning orders placed by its indirect departments. In addition to holding a meeting to study the act, the Company introduced Web-EDI² to improve its order-placing process so that it fully complies with the act. Meetings to study the act are held at other Group companies as well.

2. Web-EDI is a Web-based system of electronically placing and receiving orders

comment



Kazutaka Maeda

General Manager, Logistics Department, Manufacturing Section, Nitto Shinko Co., Ltd.

We maintain open and fair relationships with suppliers based on mutual trust

Nitto Shinko mainly manufactures isolating materials, and I am in charge of procuring raw materials for the Company. Taking a global view of things, we choose reliable and environment-friendly materials in our procurement work and focus on always providing products at a reasonable price. Moreover, we attach importance to our relationship with suppliers and maintain open and fair relations with them based on mutual trust as well as on compliance with laws and regulations.

We will continue to choose high-quality materials that are environment-friendly and effective in reducing industrial waste. Using these materials, we will manufacture environment-conscious products, thereby pleasing customers, local residents, suppliers, and employees and contribute to society at large.