

ENVIRONMENTAL ACTIVITIES

“Promoting business activities in harmony with the natural environment” is one of the core tenets of our management philosophy. We aim to reduce the impact of our activities on the environment, and accordingly, have established mid- to long-term objectives. Our three most important goals are to develop new manufacturing technologies, to create environment-friendly products and establish an environment management system.

Environment-friendly Manufacturing

Industrial waste, CO₂ and chemicals generated from manufacturing activities impact the environment in various ways. The Nitto Denko Group is undertaking efforts to further reduce the environment load, including introduction of an energy-saving system, product collection and recycling and manufacturing process innovation.

Development of Environment-friendly Products

Nitto Denko Group develops environmentally sound products from the following four perspectives.

1. Products that contribute to environmental conservation

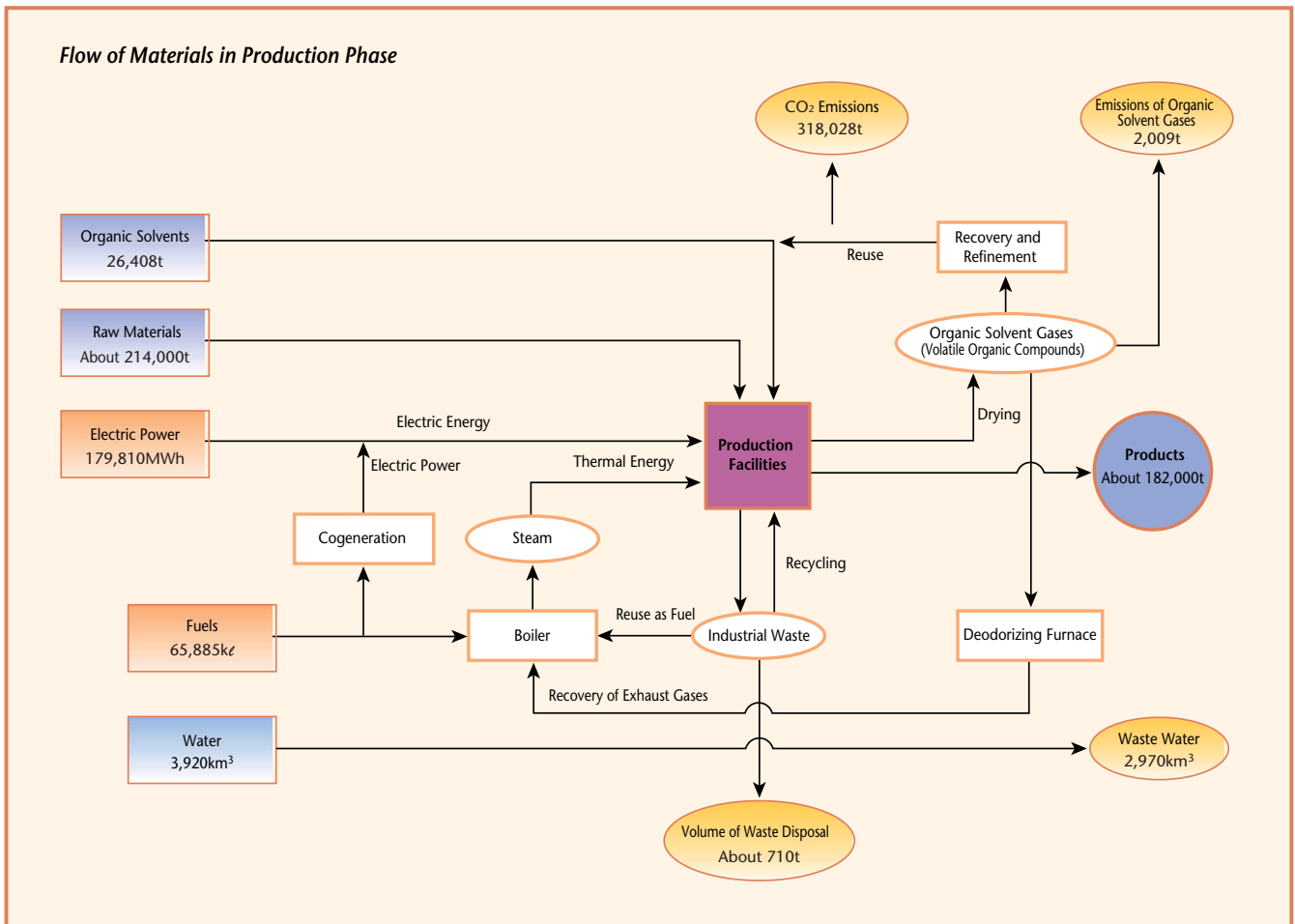
Halogen-free sealing materials in line with Green

Procurement Policy:

Super Clean Foam (foam sealing material)



Super Clean Foam



2. Products that contribute to reduction of environmental load when used

Enhances brightness of LCDs and contributes to energy saving:
Polarization converting system



Polarization converting system

3. Products that are easily recycled upon disposal

Employs recycling-oriented system from sales and usage to collection and recycling:
Cleaning Wafer



Cleaning Wafer

Establishment of Environment Management System

We introduced an internally developed environmental accounting system in fiscal 2001, and actively promoted the implementation of this system to designated Group companies in fiscal 2002.

As one of the main features of Nitto Denko's environmental accounting system, we include the costs of raw materials used in processing industrial waste, and the costs associated with the purchase of energy, solvents and industrial-use water, in addition to the environmental conservation costs identified in the Ministry of the Environment's "Guidelines for Introducing an Environmental Accounting System."

Through this environmental accounting system, we intend to shift our environmental policy from a conventional approach centered on waste management to the development and establishment of new manufacturing technologies that produce zero waste, together with pursuing a balance between environmental management and business performance. In addition, Nitto Denko has introduced flow cost accounting being developed in Germany and other countries on a trial basis. With this type of accounting, costs from energy and raw materials invested in production to indirect costs are separated into flow to manufactured products and flow to waste in order to get an understanding of both the amount of materials and money by process units.

Non-consolidated Environmental Costs

(Millions of yen)

	Fiscal 2003	Fiscal 2002
Net sales	225,450	195,456
Environmental conservation costs		
General expenses	913	976
Waste disposal	1,039	925
Outsourcing	181	227
Salary and compensation	466	515
Depreciation and amortization	1,218	1,159
Technology development	972	1,141
Total	4,789	4,943
Environmental impact costs		
Waste costs	33,554	30,918
Energy	4,085	3,970
Solvent supply	1,692	1,561
Industrial water supply	304	260
Total	39,635	36,709
Environmental impact cost ratio to net sales	17.6%	18.8%