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Business Report for the 143rd Fiscal Term

—For Fiscal Year of 2007 (April 1, 2007 to March 31, 2008)—

1. Overview of business operations of the Nitto Denko Group

(1) Operating progress and results

This business year corporate earnings weakened in Japan due to the yen's sharp appreciation and price hikes of oil and raw materials, while consumer spending remained almost unchanged. Affected by the subprime mortgage problem, the US economy slowed, which made the pace of economic recovery in Europe more moderate than before. Meanwhile, in Asia, particularly China, the economy continued to expand.

Under this economic situation, the Group increased sales of LCD (liquid crystal display) related materials, circuit materials and industrial materials to the FPD (flat panel display) industry and the electronic device industry, especially for HDDs (hard disk drives) and mobile phones. Sales of high-polymer separation membranes for water related environment were also favorable. As for transdermal drug delivery patches, sales were sluggish as new products were not approved as a medicine in the US. In this business year, the Group reorganized and integrated its sales function to cope with the increasing globalization of markets.

As a result, consolidated net sales increased 9.6% from the previous year (changes in percentage hereafter are in comparison to the previous year) to 745,259 million yen. Operating income rose 12.9% to 77,954 million yen, and ordinary income grew 10.6% to 74,468 million yen. Net income went up 13.2% to 46,634 million yen.

(2) Summary of operations by segment

Sales by business segment were as follows:

(Unit: millions of yen)

Business segment	FY2007 (under review)	FY2006 (142nd term)
	Sales (year-on-year change)	Sales
Industrial products	256,910 (down 4.5%)	268,888
Electronic products	432,332 (up 21.1%)	356,941
Functional products	56,016 (up 3.7%)	53,991
Total	745,259 (up 9.6%)	679,822

[Industrial products]

Sales of bonding and joining products for use in portable electronics (such as music players and game machines), HDD-related components, home appliances and personal computers remained strong particularly in East Asia. With regard to surface protection products, sales of surface protection film for the FPD industry were favorable amid rising demand, while sales of automobile paint protection film and metal sheet protection film stayed flat. Sealing products sold well for peripheral components for appliances such as flat TVs and game gadgets and automobile components, while sales for cell phones were affected by production adjustments by customers. With regard to construction materials, sales were sluggish in Japan affected by the enforcement of the revised Building Standards Law, but sales of masking tapes for construction applications were robust in the overseas market. As for custom processing materials and purchased goods, overall sales decreased owing to a decline in handling of procurement products.

As a result, sales from the industrial products segment decreased by 4.5% to 256,910 million yen, and operating income decreased by 0.3% to 27,921 million yen.

[Electronic products]

With regard to the business of LCD-related materials, as the markets for LCD TVs, cell phones and touch panels expanded, the Company put its efforts and resources into the fields, in which it has strength, such as polarizing plates with compensator for large-size panels and transparent conductive films for touch panels. Thanks to these efforts, this business continued to be steady. Sales of semiconductor-related materials rose only slightly in general due to price hikes of materials and an exchange rate fluctuation (in this case, the yen's appreciation), despite favorable sales of environmentally friendly resin and resin for advanced device. Overall sales of circuit materials were robust backed by strong sales for the storage industry, mainly for HDDs, despite weak sales of such materials for use in cell phones. As for electronic processing materials, sales of taping system for semiconductor manufacturing processes slowed affected by market adjustments in the latter half of the business year, while sales of water-protection adhesive tape for semiconductor manufacturing processes and adhesive tapes for semiconductor packaging were healthy, as well as sales of processing materials for small electronic components were

strong in the field of digital home appliances.

As a result, sales for the electronic products segment rose by 21.1% to 432,332 million yen, and operating income rose by 29.9% to 40,852 million yen.

[Functional products]

In medical-related products, sales were generally weak. In the background are: customers' refraining from buying transdermal therapeutic patches influenced by the revision of drug prices; competitors' launch of generic bronchodilator patches (for treatment of asthma); and the fact that in the US, new products (anti-hypertension drugs and cancer pain palliatives) were not approved as medicines within fiscal 2007. Sales of high-polymer separation membranes, particularly those for sea water desalination, were steady in Europe, the Middle East and emerging countries, due to the effects of an increase in production capacity and launch of new products. As for engineering plastic materials, overall sales were flat, although sales of functional materials for OA and information equipment and porous film materials for the automobile parts, electronic parts and home appliances were favorable.

As a result, sales in the functional products segment increased by 3.7% to 56,016 million yen, and operating income decreased by 4.1% to 9,180 million yen.

(3) Trends in operating results and assets

Item	FY2003 (139th term)	FY2004 (140th term)	FY2005 (141st term)	FY2006 (142nd term)	FY2007 (under review)
Sales (million yen)	452,726	514,867	626,316	679,822	745,259
Operating income (million yen)	55,912	70,018	89,224	69,037	77,954
Ordinary income (million yen)	58,045	71,828	90,196	67,319	74,468
Net income (million yen)	33,386	41,842	55,306	41,201	46,634
Net income per share (yen)	197.99	252.72	332.30	248.33	280.07
Total assets (million yen)	389,525	443,264	556,934	604,208	595,972
Net assets (million yen)	223,114	261,090	321,464	367,610	385,593
Net assets per share (yen)	1,360.71	1,583.77	1,943.73	2,192.29	2,297.12

Note: The “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Business Accounting Standards No. 5, December 9, 2005) and the “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet” (Business Accounting Standards Implementation Guidance No. 8, December 9, 2005) have been applied from fiscal 2006.

(4) Capital investment

The Group invested a total of 59,406 million yen in plant and equipment during the business year under review. Of this total, 38,775 million yen was invested on a non-consolidated basis in production facilities for LCD-related materials at the Onomichi Plant, facilities for joining materials and surface protection materials at the Toyohashi Plant, and environment-related facilities for high-polymer separation membranes at the Shiga Plant. For group companies, a total of 20,631 million yen was invested in new factories and production facilities for LCD-related materials and facilities for industrial materials in China, Taiwan and South Korea.

(5) Financing

It has been the fundamental policy of the Group to allocate cash reserve for capital investments for plant and equipment and others. As in the previous year, the Group actively enhanced its production facilities at home and abroad this business year. Even so, we managed to repay some commercial paper and bank loans as a result of improving the efficiency of fund operations, and our interest-bearing debts reduced by 20,684 million yen.

(6) Key issues to be addressed

During fiscal 2007, considering it as a “preparatory year for the next growth,” the Group focused on the reform of Group business structure, the productivity reform for LCD-related materials, the acceleration of overseas development of the industrial material business, and the establishment of global management infrastructure for supporting these projects.

In fiscal 2008, the world economy is experiencing increased uncertainty affected by the subprime mortgage problem in the US. In Japan, the strong yen against the dollar and price hikes of oil and raw materials are putting heavy pressure on corporate earnings, and consumer

spending looks weak. In Asia, the Chinese economy, which had maintained robust growth, is forecast to decelerate.

Under these economic circumstances, the Group formulated a new mid-term management plan, “G” NET-2010, which will last through fiscal 2010. With the basic concept, “Striving for Quality-driven Sustainable Growth,” the plan calls for achieving consolidated net sales of 900,000 million yen and an operating income of 100,000 million yen for fiscal 2010. To attain these earnings targets, we will prioritize: (1) the well-balanced development of niche businesses for supporting high growth and businesses for stably earning profits; (2) enhancement of corporate quality through contribution to global environment and the creation of an easy-to-work environment; and (3) encouraging our employees to think, act and take on challenges on their own. Thus, by proactively investing not only in developing businesses but also in improving quality and training personnel, we aim to be a corporation that will continue to grow even in 2018, the year marking the Company’s 100th anniversary.

In implementing businesses, we will focus on the following efforts:

- Industrial products

With the integration of sales functions within the Group in fiscal 2007, we have made great efforts in the tape business to respond more rapidly to the needs of the industry and customers. In the future, we will further strengthen our worldwide production system, raise production capacity, invest in the measures for reducing impact on the global environment, and develop eco-friendly products such as low-VOC (volatile organic compound) products.

- Electronic products

As for the mainstay LCD-related business, in which large-size LCD panels are becoming commodities, the Group will continue to implement various measures, including the reform of productivity such as reorganization of manufacturing processes, from the perspective emphasizing cash flows. We will increase production capacity for touch-panel materials, whose market is expanding. With regard to semiconductor-related materials, we will establish a new plant in Kyushu in order to cope with a growing demand for environmentally friendly resin.

- Functional products

In the business of medical-related materials, the Group will reinforce the business of transdermal drug delivery patches in North America and Asia. In the backdrop of global water shortage, we will aggressively implement global activities to win orders for high-polymer separation

membranes for sea water desalination and reuse of waste water, which can contribute to protecting the environment, from the perspective of energy saving.

As stated above, amid various changes including shortened product life cycle, globalization of customers as in the case of BRICs whose economies are rapidly developing, and heightened public awareness of environmental problems, the Group takes such changes as business opportunities and will develop its operations.

(7) Main business of the Group (as of March 31, 2008)

Business segment	Main products
Industrial products	Bonding and joining materials, surface protection materials, sealing materials, packaging material and equipment
Electronic products	LCD related materials, printed circuit materials, electronic process materials, semiconductor-related materials
Functional products	Medical-related products, high-polymer separation membranes, fluororesin products

(8) Status of major subsidiaries (as of March 31, 2008)

Corporate name	Capital	Company's stake	Main business
Nissho Corp.	in million yen 500	% 100.0	Processing and sales of industrial materials
Nitto Europe N.V.	in thousand euro 6,198	100.0	Production and sales of industrial products, electronic products
Nitto Americas, Inc.	in thousand dollars 1,024	100.0	Administration of the Group companies in the U.S.
Nitto Denko (China) Investment Co., Ltd.	in thousand RMB 253,435	100.0	Administration of the Group companies in China
Nitto Denko (Suzhou) Co., Ltd.	in thousand RMB 370,902	100.0 (65.8)	Production and sales of electronic products
Taiwan Nitto Optical Co., Ltd.	in thousand NT\$ 567,503	100.0 (3.6)	Production and sales of electronic products
Korea Nitto Optical Co., Ltd.	in million won 29,768	80.4	Production and sales of electronic products
Nitto Denko (HK) Co., Ltd.	in thousand HK\$ 13,826	100.0	Sales of industrial products, electronic products
Shanghai Nitto Optical Co., Ltd.	in thousand RMB 26,486	100.0 (24.5)	Production and sales of electronic products

Notes:

1. Figures in parenthesis in "Company's stake" indicate the percentage of indirect stake.
2. The Company merged with Kyoshin Co., Ltd. and Nitto Denko Matex Corp. on July 1, 2007 with the Company being the surviving company.

(9) Principal offices of the Group (as of March 31, 2008)

Nitto Denko Corporation	Head office	2-5-25 Umeda, Kita-ku, Osaka
	Offices (Plants)	Tohoku Plant (Osaki, Miyagi), Kanto Plant (Fukaya, Saitama), Toyohashi Plant (Toyohashi, Aichi), Kameyama Plant (Kameyama, Mie), Shiga Plant (Kusatsu, Shiga), Onomichi (Onomichi, Hiroshima)
	Branches	Tokyo Sales Branch (Shinagawa-ku, Tokyo), Nagoya Sales Branch (Naka-ku, Nagoya), Osaka Sales Branch (Kita-ku, Osaka), Kyushu Sales Branch (Hakata-ku, Fukuoka)
	Laboratory	Core Technology Center (Ibaraki, Osaka)
Nissho Corp.	Head office: Kita-ku, Osaka	
Nitto Europe N.V.	Head office & plant: Genk, Belgium	
Nitto Denko (Suzhou) Co., Ltd.	Head office & plant: Suzhou, China	
Taiwan Nitto Optical Co., Ltd.	Head office & plant: Taichung, Taiwan	
Korea Nitto Optical Co., Ltd.	Head office & plant: Pyeongtaek, South Korea	
Nitto Denko (HK) Co., Ltd.	Head office: Hong Kong, China	
Shanghai Nitto Optical Co., Ltd.	Head office & plant: Shanghai, China	

(10) Employees of the Group and the Company (as of March 31, 2008)

	Number of employees	(Changes from the end of the previous year)
Group	25,852	(+1,076)
Company	4,141	(+651)

Note: The number of employees does not include Directors (those who are classified as employees) and temporary workers.

(11) Major creditors (as of March 31, 2008)

(Unit: millions of yen)

Creditor	Balance at the end of the fiscal year
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	8,439
Mizuho Corporate Bank, Ltd.	4,686
Japan Bank for International Cooperation	2,190

2. Shareholders' equity (as of March 31, 2008)

- | | |
|---|--------------------|
| (1) Number of shares authorized to be issued: | 400,000,000 shares |
| (2) Number of shares outstanding | 173,758,428 shares |
| (Number of treasury stock held) | 7,189,976 shares |
| (3) Number of shareholders | 41,309 |
| (4) Major shareholders (Top 10) | |

Name of shareholding party	The stake in the Company	
	Number of shares held	Ownership percentage
JP Morgan Chase Bank, N.A. 380055	Thousands of shares 18,096	% 10.86
Japan Trustee Services Bank, Ltd. (Trust Account)	7,836	4.70
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,255	3.76
State Street Bank and Trust Company	6,035	3.62
State Street Bank and Trust Company 505103	5,075	3.05
Hero and Company	3,673	2.21
The Mellon Bank Treaty Clients Omnibus	3,407	2.05
The Dai-ichi Mutual Life Insurance Company	3,017	1.81
Mellon Bank, N.A. as Agent for its Client Mellon Omnibus US Pension	2,873	1.72
Nippon Life Insurance Company	2,602	1.56

Notes:

- The Company holds treasury stock totaling 7,189,976 shares, but is not included in the above major shareholding parties.
- The ownership percentage has been calculated based on the number of shares outstanding excluding treasury stock.
- Although the following two companies (groups) have submitted reports on large scale shareholdings, the Company lists major shareholders above according to the shareholder register as of March 31, 2008.
 - Group of three companies, including Capital Research and Management Company and its joint holders:
22,170,132 shares (as of February 25, 2008)
 - Mondrian Investment Partners Limited
8,698,500 shares (as of October 17, 2007)

Also, the following report on large scale shareholdings has been submitted as of May 8, 2008.
Group of two companies, including Capital Research and Management Company and its joint holder:

- 19,624,332 shares (as of April 28, 2008)

3. Matters concerning the Warrant

(1) Summary of Warrant issued as compensation for executing duties and responsibilities owned by Directors at the end of this business year

1) Warrant (general stock option)

- Number of the Warrant units issued: 1,430 units (100 shares of common stock per unit)
- Class and number of underlying shares that are the subject to the Warrant: Company's common stock: 143,000 shares
- Classified total of Warrant units held by Directors and other executives

Name	No. 4 Warrant (Note 1)	No. 5 Warrant (Note 1)	No. 6 Warrant (Note 1)
Exercise value (payment amount per unit at the time of exercise)	663,400 yen	705,000 yen	594,800 yen
Exercise period	January 1, 2006 through December 31, 2008	January 1, 2007 through December 31, 2009	January 1, 2008 through December 31, 2010
Number of owners and units by classification (Note 2)			
Directors of the Company	7 persons 490 units	7 persons 470 units	7 persons 470 units

Notes:

1. The No. 4 Warrant was approved at the 140th ordinary general meeting of shareholders under the former Commercial Code. The No. 5 Warrant and the No. 6 Warrant were approved at the 141st and 142nd ordinary general meetings of shareholders, respectively.
2. Outside Directors and Corporate Auditors do not own the above-mentioned Warrant because they are not eligible for it.

2) Warrant (stock option of equity based compensation) (Note 3)

- Number of the Warrant units issued: 727 units (100 shares of common stock per unit)
- Class and number of underlying shares that are the subject to the Warrant: Company's common stock: 72,700 shares

• Classified total of Warrant units held by Directors and other executives

Classification	Type 1 (Note 4)	Type 2 (Note 4)
Exercise value (payment amount per unit at the time of exercise)	100 yen	100 yen
Exercise period	<ul style="list-style-type: none"> • 20 years from the day following the issuing date • 6 years from the day following the day they no longer serve as Directors, Corporate Vice Presidents, Corporate Auditors, Advisers or specific staff members (in principle) 	<ul style="list-style-type: none"> • 30 years from the day following the issuing date • 10 days from the day following the day they no longer serve as Directors
Number of owners and units by classification (Note 5)		
Directors of the Company	7 persons 414 units	7 persons 313 units

Notes:

3. Following the discontinuation of traditional retirement benefit in cash approved at the 139th ordinary general meeting of shareholders, issue of the above Warrant was approved as its replacement at the 139th ordinary general meeting of shareholders and onward.
4. Type 1 was approved at the 139th and 140th ordinary general meetings of shareholders under the former Commercial Code. Type 2 was approved at the 141st ordinary general meeting of shareholders and onward.
5. Outside Directors and Corporate Auditors do not own the above-mentioned Warrant because they are not eligible for it.

- (2) Summary of Warrant issued as compensation for executing duties and responsibilities to the employees of the Company and the directors and the employees of the subsidiaries during this business year

Name	No. 6 Warrant (general stock option)	Warrant issued in July 2007 (stock option of equity based compensation) (Note 6)
Number of the Warrant issued	3,203 units (100 shares of common stock per unit)	168 units (100 shares of common stock per unit)
Class and number of underlying shares that are the subject to the Warrant	Company's common stock: 320,300 shares	Company's common stock: 16,800 shares
Exercise value (payment amount per unit at the time of exercise)	594,800 yen	100 yen
Exercise period	January 1, 2008 through December 31, 2010	July 31, 2007 through July 30, 2037 10 days from the day following the day when the Corporate Vice President of the Company no longer serves as Corporate Vice President ("Right Exercise Starting Day"). Provided, however, that if the Warrant owner is the Corporate Vice President of the Company and has an employment contract with the Company, the later of the day following the day the Warrant owner no longer serves as Corporate Vice President or the day following the said employment contract expires shall be the Right Exercise Starting Day.
Classified number of persons and units issued		
Employees of the Company (excluding those who also serve as Directors of the Company)	108 persons 2,703 units	16 persons 168 units
Directors and employees of the subsidiaries of the Company (excluding those who also serve as Directors or employees of the Company)	27 persons 500 units	/

Note:

6. The Warrant issued in July 2007 was approved by the Board of Directors of the Company to grant to the Directors and the Corporate Vice Presidents as a replacement of the traditional Directors' retirement benefit in cash, the discontinuation of which was approved at the 139th ordinary general meeting of shareholders.

4. Executives

(1) Directors and Corporate Auditors (as of March 31, 2008)

Position	Name	Responsibility or main job
Representative Director President	Masamichi Takemoto	CEO & COO (Group Chief Executive Officer and Chief Operating Officer)
Director	Yukio Nagira	Senior Executive Corporate Vice President General Manager of Optical Business Headquarters
Director	Yoshiyasu Kamiyama	Senior Executive Corporate Vice President General Manager of Corporate Sector
Director	Yasuo Ninomiya	Executive Corporate Vice President CTO (Group Chief Technology Officer) General Manager of Corporate Technology Sector
Director	Tatsunosuke Fujiwara	Executive Corporate Vice President CFO (Group Chief Financial Officer)
Director	Tetsuo Horiuchi	Executive Corporate Vice President Deputy General Manager of Corporate Technology Sector
Director	Kaoru Aizawa	Executive Corporate Vice President General Manager of Industrial Business Headquarters
Director	Yoichiro Furuse	Representative Director of Evanston Corporation
Director	Kunio Ito	Professor of Graduate School of Commerce and Management of Hitotsubashi University
Corporate Auditor (full-time service)	Nobuyuki Tanioka	
Corporate Auditor (full-time service)	Shigeru Hozan	
Corporate Auditor (part-time service)	Hisashi Hosokawa	Executive Partner of Strategy Design Institute, MSK Research Institute Co., Ltd.
Corporate Auditor (part-time service)	Kazuo Kumagai	President of The Kurata Memorial Hitachi Science and Technology Foundation
Corporate Auditor (part-time service)	Kosuke Kimura	Professor Emeritus, Kyoto Institute of Technology

Notes:

1. Directors' "position" and "duties" were changed as follows on April 1, 2008.

Position	Name	Duties
Representative Director Chairman	Masamichi Takemoto	CEO (Group Chief Executive Officer)
Representative Director President	Yukio Nagira	COO (Group Chief Operating Officer)
Director	Tetsuo Horiuchi	Executive Corporate Vice President General Manager of Quality, Environment & Safety Management Sector

- Both Yoichiro Furuse and Kunio Ito are the Outside Directors stipulated in Item 15, Article 2 of the Corporation Law.
- Of the Corporate Auditors, Hisashi Hosokawa, Kazuo Kumagai and Kosuke Kimura are the outside corporate auditors stipulated in Item 16, Article 2 of the Corporation Law.
- Shigeru Hozan, the full-time Corporate Auditor, has had experiences in the Company's accounting division over the years, having a broad range of knowledge in finance and accounting.
- In addition to the matters mentioned above, important concurrent serving of Outside Directors and Outside Corporate Auditors is specified in (4) Outside Directors and Outside Corporate Auditors.

6. The Company adopts the executive officer system and the following 17 persons take on the duties as indicated.

Position	Name	Responsibility or main job
Executive Corporate Vice President	Katsuhiro Akamatsu	GNT Promotion, Global management issues
Senior Corporate Vice President	Ryoichi Ota	Procurement business division
Senior Corporate Vice President	Wataru Kitao	Management of operations in East Asia
Senior Corporate Vice President	Setsuo Watanabe	Sales Management sector
Senior Corporate Vice President	Yoshihiko Chikuma	Personnel and general affairs
Senior Corporate Vice President	Koichi Nishikawa	Industrial business management
Senior Corporate Vice President	Yasuo Yoneda	Industrial business management
Corporate Vice President	Tomio Sakka	Development of manufacturing technology
Corporate Vice President	Kenji Matsumoto	Technical information (Technical planning and intellectual property)
Corporate Vice President	Hongin Kim	Optical business management (South Korea area)
Corporate Vice President	Yoichiro Sakuma	Industrial business management (American area)
Corporate Vice President	Yoji Munakata	Industrial business management (Sales and Marketing supervision)
Corporate Vice President	Takeshi Nasu	Industrial business management (Production supervision)
Corporate Vice President	Hideo Takasaki	Optical business management
Corporate Vice President	Toshihiko Omote	Core technology
Corporate Vice President	Tagayasu Ishida	Industrial business management (Sales and Marketing)
Corporate Vice President	Masashi Iida	Industrial business management (Sales and Marketing)

(2) Compensation, etc. paid to Directors and Corporate Auditors

(Unit: millions of yen)

Category	Director (including Outside Director)		Outside Director		Corporate Auditor (including Outside Corporate Auditor)		Outside Corporate Auditor	
	Number of payees	Amount of payment	Number of payees	Amount of payment	Number of payees	Amount of payment	Number of payees	Amount of payment
Compensation approved by the general shareholders meeting	9	222	2	16	5	98	3	30
Bonus paid to Directors	7	240	-	-	-	-	-	-
Stock Purchase/Subscription Warrant (stock option)	7	124	-	-	-	-	-	-
Total		586		16		98		30

Notes:

1. The amount of employee's salary (including bonus) for a Director who also holds an employee post is paid separately the above-mentioned compensation approved by the general meeting of shareholders. The amount of employee's salary (including bonus) was not paid for the current term.
2. The limit of compensation for Directors is 20 million yen per month (approved by the 130th general meeting of shareholders) and that for Corporate Auditors is 12 million yen per month (approved by the 139th general meeting of shareholders).
3. Matters related to the Warrant (stock option) were approved at the 142nd ordinary general meeting of shareholders.
4. 6 million yen is additionally paid as retirement benefit in addition to the compensation mentioned in the table above. This was paid to the Director who was to receive reimbursement following the discontinuation of the Directors' retirement benefit which was approved at the 139th ordinary general meeting of shareholders held on June 24, 2004.

(3) Summary of policy to determine amount or calculation method of compensation for Directors and Corporate Auditors

1) Compensation for Directors

Compensation in cash, compensation by the Warrant and bonus of Directors are determined by the Representative Directors in accordance with the duties, responsibilities and performances of each Director within the range of the total amount approved by the general meetings of shareholders.

2) Compensation for Corporate Auditors

Compensation for Corporate Auditors is determined by consultation among Corporate Auditors in accordance with the duties and responsibilities of each Corporate Auditor within the range of the total amount of compensation for Corporate Auditors approved by the general meetings of shareholders.

(4) Outside Directors and Outside Corporate Auditors (as of March 31, 2008)

- 1) Concurrent serving of Outside Directors and Outside Corporate Auditors (in case of business executors and outside directors and/or corporate auditors of other companies)

Name	Important concurrent serving
1. Outside Directors	
Yoichiro Furuse	Representative Director of Evanston Corporation
Kunio Ito	Outside Director of Akebono Brake Co., Ltd Outside Auditor of Tokio Marine & Nichido Fire Insurance Co., Ltd. Outside Director of Mitsubishi Corporation
2. Outside Corporate Auditor	
Hisashi Hosokawa	Executive Partner of Strategy Design Institute, MSK Research Institute Co., Ltd. Representative Director & CEO of Green ARM Co., Ltd.

Notes:

- Yoichiro Furuse concurrently serves as Representative Director of Evanston Corporation, but Evanston and the Company have no significant business relationships.
- Hisashi Hosokawa concurrently serves as Executive Partner of Strategy Design Institute, MSK Research Institute Co., Ltd. and Representative Director & CEO of Green ARM Co., Ltd., but the both firms and the Company have no significant business relationships.

- 2) Major activities of Outside Directors and Outside Corporate Auditors

Name	Major activities
1. Outside Directors	
Yoichiro Furuse	Participation: Board of Directors: 100% (10 times out of 10 times) Major comments He mainly makes comments from the viewpoint of experienced corporate executive
Kunio Ito	Participation: Board of Directors: 90% (9 times out of 10 times) Major comments He mainly makes comments based on his broad insight as a learned person and academic expert.
2. Outside Corporate Auditors	
Hisashi Hosokawa	Participation: Board of Directors 100% (12 times out of 12 times) Board of Corporate Auditors 100% (7 times out of 7 times) Major comments He mainly makes comments based on his broad insight and knowledge for global economy and information.
Kazuo Kumagai	Participation: Board of Directors 92% (11 times out of 12 times) Board of Corporate Auditors 100% (7 times out of 7 times) Major comments He mainly makes comments from the viewpoint of experienced corporate executive.
Kosuke Kimura	Participation: Board of Directors 100% (12 times out of 12 times) Board of Corporate Auditors 100% (7 times out of 7 times) Major comments He mainly makes comments based on his broad insight as a learned person and academic expert.

3) Liability limitation agreement of Outside Directors and Outside Corporate Auditors

The Company has executed agreements with all of the Outside Directors and Outside Corporate Auditors to limit the compensation liability provided in Paragraph 1, Article 423 of the Corporation Law, and the compensation limitation amount under these agreements are the amount determined under laws and regulations.

5. Accounting auditors

(1) Name of accounting auditor: KPMG Azsa & Co.

(2) Amount of compensation for accounting auditor for this business year

(Unit: millions of yen)

a.	Amount of compensation as an accounting auditor for this business year	56
b.	Total amount of money and other asset interests to be paid by the Company and the subsidiaries of the Company	99

Notes:

1. The compensation for auditing as an accounting auditor under the Corporation Law and the compensation for auditing under the Securities Exchange Law have not been differentiated in the auditing agreement between the Accounting Auditor and the Company, and also cannot be materially differentiated, so the above figure is the total of these compensations.
2. The Company entrusts the specialized advisory service for evaluation operation of internal control in relation to the financial reporting that is the service other than those stipulated in Paragraph 1, Article 2 of the Certified Public Accountant Law to the Accounting Auditor and pays the compensation for it.
3. Korea Nitto Optical Co., Ltd. and Nitto Denko (HK) Co., Ltd., the subsidiaries of the Company, are audited by the accounting auditors other than the Accounting Auditor of the Company.

(3) Policy to determine dismissal or non-reelection of the accounting auditor

In addition to the dismissal of the Accounting Auditors by the Board of Corporate Auditors in accordance with the provision of Article 340 of the Corporation Law, in principle, the Company does not reelect the Accounting Auditor, elects another relevant accounting auditor and brings the accounting auditor election agenda to the general meeting of shareholders upon consent or request of the Board of Corporate Auditors when the relevant execution of the business by the Accounting Auditor is deemed difficult or when problems are found for eligibility or creditworthiness of the Accounting Auditor based on the auditing standards. The Company also intends to determine election or non-election of the Accounting Auditor based on the number of years continued for auditing in addition to the factors mentioned above.

6. Internal Controls and Policies of the Company

- (1) Controls to ensure that the exercise of duties by Directors complies with legal provisions and the Articles of Incorporation, and controls to secure appropriateness of operations

The Company, in accordance with the provisions of Article 362 of the Corporation Law and of Article 100 of the Enforcement Rules of the Corporation Law, defined the Company's fundamental policies on a system to secure appropriateness of operations (hereafter referred to as "internal controls") at its Board of Directors meeting held on May 26, 2006. Subsequently at the Board of Directors meeting held on March 28, 2008, these internal controls were confirmed and the policies were partly revised as described below.

- 1) Internal controls to ensure that the exercise of duties by Directors and the employee complies with legal provisions and the Articles of Incorporation
 - i) As the basis of a compliance system, corporate vision and guiding principles and a code of business conducts aimed at ensuring compliance with legal and ethical standards as an action standard are defined, and the code is issued and enforced to the entire staff not only of the Company but also of the whole Group. Directors take the lead in complying with legal and ethical standards.
 - ii) In order to promote CSR activities, including the establishment of compliance and risk management systems, a CSR Director is appointed and a CSR Committee chaired by the appointed Director is set up, as well as an outside director system is adopted. By doing this, we will increase the transparency of the whole management system including the process of corporate decision-making.
 - iii) An audit department, as an internal audit division, is established for conducting internal audits of each division of the Company and the Group companies to measure reasonableness of operational processes and validity and effectiveness of operations. In addition, departments specializing in environment, safety, quality and export management are established for coordinating with the audit department when conducting audits.
 - iv) Under the internal reporting system for handling legal violations and ethical standards, a reporting channel is established in which to secure anonymity of informants, the direct recipient of information is an external institution. In addition, the Company establishes an in-house hotline window as well as a Corporate Ethics Committee including the CSR Director and Corporate Auditors, for handling non-compliance matters and preventing reoccurrence of any act of noncompliance.
- 2) Internal controls regarding retention and management of information associated with the exercise of Directors' duties

All documents associated with the exercise of Directors' duties such as the minutes of the general meeting of shareholders, the Board of Directors meeting and the management strategy meeting and the collective decision-making document, in accordance with the regulations on document management and retention, are properly and surely retained and managed in the form of paper or electronic means, and if necessary is made available for viewing.

3) Rules on managing the risk of loss and other internal controls

As the basis of the Company's risk management system, operational risks associated with business structuring or foreign business management, risks emerging from external factors such as exchange volatility and country risk, and risks associated with technological competitiveness including new technology development skills and intellectual property rights, are managed at all times and measured when necessary by the Board of Directors, Management Strategy Committee and each of the business executive organizations. With regard to risks associated with product quality/deficiency, environment, disaster and safety, correspondence to information security and antisocial forces, and risks related to compliance matters such as the Anti-trust Law, the Pharmaceutical Affairs Law and the Export Law, the CSR Director and the designated responsible department are empowered to periodically perform a thorough review of the key risks. These risks are monitored and measured respectively by departments and through various committee activities as well as projects organized as necessary. In the event of an unforeseen situation, the President, the CSR Director and Corporate Auditors are promptly notified, and the emergency headquarters is established under the President for preventing enlargement of damage, keeping any loss to a minimum, maintaining continuity of business and restoring operations as soon as possible.

4) Internal controls to ensure efficient execution of Directors' duties

- i) As the basis of a system to ensure that the duties of Directors are exercised efficiently, the Board of Directors meeting is normally held on a monthly basis, and an extraordinary meeting is held when necessary. Internal decision-making rules are defined so that important matters related to specific management policies and strategies of the Company are, in accordance with the level of importance, discussed and approved at the Board of Directors meeting, the management strategy meeting (normally held monthly) and/or meetings held by each business executive division or through the collective decision-making system. Also operation systems utilizing IT technologies are positively implemented for securing an environment that enables efficient operational executions.
- ii) Managers responsible for operational execution and the scope of their responsibilities as

well as detailed operational procedures are provided respectively by the organization designated by the Board of Directors or under group decision-making rules.

- 5) Internal controls for ensuring appropriateness of operations in a corporate entity
 - i) As the basis of controls to secure appropriateness of operations in the Nitto Denko Group as a corporate entity, a code of business conducts aimed at ensuring compliance with legal and ethical standards is defined, and issued and enforced to the entire staff of group companies.
 - ii) For securing appropriateness of group-wide operations: group decision-making regulations and standards are developed to ensure that domestic and overseas group companies properly carry out decision-making on management and preliminary discussions and reporting, etc. regarding important matters with the Company; as well as a system is established under which Directors and Corporate Vice Presidents of the Company receive reports from group companies engaged in businesses supervised by these officers, and if necessary, take part in relevant decision-making, based on these regulations and standards. With regard to technological and financial matters, chief officers in responsible for each matter are appointed from among Directors and a system is set up under which these matters are conducted appropriately and efficiently on a group-wide basis.
 - iii) Corporate Auditors coordinate with the audit department in performing audits of each group company in accordance with the audit plan, and when deemed necessary may request at any time reports from corporate auditors, directors and executive managements of any group company.

- 6) Matters concerning a staff appointment of which has been requested by a Corporate Auditor for assisting the Auditor, and matters concerning independence of the staff from Directors
 - i) An assistant to the Corporate Auditor is assigned in the audit department for assisting the duties of the Corporate Auditor. Election, transfer and evaluation of the assistant to the Corporate Auditor are determined based on concurrence from the full-time Corporate Auditor, and the assistant is independent from the Directors.
 - ii) The assistant to the Corporate Auditor does not hold concurrent responsibility for a position related to operational execution.

- 7) Internal controls on reporting to Corporate Auditors (or the board of Corporate Auditors), including reporting by Directors and the employees to Corporate Auditors (or the board of Corporate Auditors), and internal controls to ensure execution of effective audits by Corporate Auditors.
 - i) Directors and the employees in accordance with the audit plan provided for by Corporate

Auditors (or the Board of Corporate Auditors), report any critical matters that may be influential to the operations or to the business results of the Company, to the Corporate Auditors. Regardless of the aforementioned, Corporate Auditors may at any time demand, as necessary, reports from Directors and the employees, and may also request attendance to important meetings as well as call for disclosure of the minutes of such meetings and of collective decision-making documents and various reports.

- ii) Directors define an internal reporting system on compliance along with emergency/accident reporting system, and ensure that these systems are duly operated and maintained so that problems, as they occur, are promptly and properly reported to the Corporate Auditors.
- iii) Corporate Auditors collaborate with Accounting Auditors, the audit department and others as well as exchange opinions and information with the corporate auditors of group companies to secure an environment in which audits can be performed effectively. Directors acknowledge and understand the importance and the usefulness of audits performed by the Corporate Auditors, and then promote effectiveness of the audit department and the internal auditing system.

(2) Basic Policy on Corporate Dominance

The basic views of the Company on acquisition of substantial shares of the Company are as follows:

In case acquisition aimed at substantial shareholdings is to be made, the Company is in the opinion that the decision on whether or not to accept the acquisition should ultimately be left to the judgment of its shareholders. On the other hand however, the Company cannot deny the existence of corporate takeovers with unjust objectives such as sell-offs at high prices, and realize that it is obviously the responsibility of the management of the Company, to secure the basic principles and the brand of the Company and protect the interests of our shareholders and other stakeholders from such unjust parties.

At present, neither is the Company placed under any specific threat for acquisition of substantial shareholdings nor does the Company intend to define explicit defense measures against the advent of such a buyer (so-called takeover defense measures). Yet the Company, having assumed the management responsibility entrusted from its shareholders, is committed at all times to keep close watch over its stock transactions and shareholder movements, and will immediately take measures deemed most appropriate should there be any sign of a party with the intention to acquire substantial shares of Nitto Denko stocks.

In the amounts of money and the number of shares in the Business Report, fractions below the shown figures are omitted. Percentages (%) are rounded to the nearest decimal point.

Consolidated Balance Sheets

(Unit: millions of yen)

	Amount	
	As of March 31, 2008	As of March 31, 2007 (Reference)
(Assets)		
Current assets:	315,824	315,303
Cash on hand and in banks	80,182	75,762
Trade notes and accounts receivable	142,070	150,377
Inventories	72,403	72,293
Deferred tax assets	8,045	7,505
Other current assets	13,894	10,892
Allowance for doubtful accounts	(772)	(1,528)
Fixed assets:	280,148	288,904
Tangible fixed assets:	243,803	246,744
Buildings and other structures	96,118	97,490
Machinery and delivery equipment	94,011	95,541
Tools, furniture and fixtures	8,705	9,236
Land	19,530	19,666
Construction in progress	25,438	24,809
Intangible fixed assets:	6,610	6,768
Goodwill	72	60
Other intangible fixed assets	6,538	6,707
Investments and other assets:	29,733	35,391
Investment in securities	10,806	17,320
Deferred tax assets	3,431	2,191
Pre-paid annual pension cost	11,241	11,050
Others	4,420	5,103
Allowance for doubtful accounts	(166)	(274)
Total assets	595,972	604,208

Consolidated Balance Sheets

(Unit: millions of yen)

	Amount	
	As of March 31, 2008	As of March 31, 2007 (Reference)
(Liabilities)		
Current liabilities:	180,536	209,422
Trade notes and accounts payable	100,588	104,417
Short-term loan payable	8,416	24,228
Commercial paper	-	10,000
Accrued expenses	19,440	18,552
Income tax payable	12,329	9,777
Other current liabilities	39,762	42,447
Long-term liabilities:	29,842	27,174
Long-term loans payable	6,933	1,806
Provision for retirement benefits	18,267	16,102
Reserve for retirement bonuses to directors and corporate auditors	574	852
Deferred tax liabilities	457	1,628
Negative goodwill	1,063	1,540
Other long-term liabilities	2,545	5,244
Total liabilities	210,379	236,597
(Net assets)		
Shareholders' equity	393,221	358,530
Paid-in capital	26,783	26,783
Capital surplus	56,163	56,023
Earned surplus	338,701	304,552
Treasury stock	(28,427)	(28,829)
Valuation and translation adjustments	(10,594)	6,411
Valuation difference on available-for-sale securities	3,171	5,646
Deferred gains or losses on hedges	169	(76)
Translation adjustments	(13,935)	842
Subscription rights to shares	897	484
Minority interests	2,068	2,183
Total net assets	385,593	367,610
Total liabilities and net assets	595,972	604,208

Consolidated Statements of Income

(Unit: millions of yen)

	Amount	
	April 1, 2007 – March 31, 2008	April 1, 2006 – March 31, 2007 (Reference)
Sales:	745,259	679,822
Cost of sales	548,551	496,361
Gross profits	196,708	183,460
Selling, general and administrative expenses	118,753	114,423
Operating income	77,954	69,037
Non-operating revenue:	4,749	4,523
Interest and dividend income	892	790
Revenue from equity method investment	-	392
Miscellaneous revenue	3,856	3,340
Non-operating expenses:	8,235	6,241
Interest expenses	1,738	1,651
Foreign exchange loss	4,032	2,220
Loss on equity method investment	146	-
Miscellaneous expenses	2,318	2,369
Ordinary income	74,468	67,319
Extraordinary gains:	2,363	400
Gain on sales of fixed assets	534	389
Gain on sales of investments in securities	308	11
Other extraordinary gains	1,521	-
Extraordinary losses:	7,741	2,618
Loss on sales and disposal of fixed assets	5,129	1,653
Impairment loss on fixed assets	345	86
Annuity purchase cost for an overseas pension plan	-	218
Special benefits on retirement	465	582
Loss on sales of affiliated companies	-	77
Other extraordinary losses	1,799	-
Income before provision for income taxes	69,090	65,100
Provision for income taxes		
Current	23,215	22,330
Deferred	(1,408)	1,116
Minority shareholder's interest	650	452
Net income	46,634	41,201

Consolidated Statements of Cash Flows (Reference)

(Unit: millions of yen)

	April 1, 2007 - March 31, 2008	April 1, 2006 - March 31, 2007
Cash flows from operating activities		
Income before provision for income taxes	69,090	65,100
Depreciation and amortization	49,617	40,169
Increase (decrease) in trade notes and accounts receivable	(1,082)	(5,401)
Increase (decrease) in inventories	(4,465)	(11,613)
Increase (decrease) in trade notes and accounts payable	5,495	9,849
Interest paid	(1,762)	(1,104)
Income taxes paid and refunded	(20,799)	(37,124)
Other increases (decreases)	5,501	3,156
Net cash provided by operating activities	101,595	63,032
Cash flows from investing activities		
Acquisition of fixed assets	(66,850)	(77,716)
Proceeds from sale of fixed assets	2,995	1,308
Others	2,385	(877)
Net cash used in investing activities	(61,468)	(77,285)
Cash flows from financing activities		
Increase (decrease) in short-term loans	(8,579)	2,555
Increase (decrease) in commercial paper	(10,000)	10,000
Repayment of long-term loans	(3,798)	(1,386)
Dividends paid	(12,485)	(10,777)
Others	7,215	489
Net cash provided by (used in) financing activities	(27,648)	879
Effect of exchange-rate changes on cash and cash equivalents	(7,822)	1,240
Net increase (decrease) in cash and cash equivalents	4,655	(12,132)
Cash and cash equivalents at the beginning of the period	74,551	86,684
Cash and cash equivalents from new consolidation	31	-
Cash and cash equivalents at the end of the period	79,238	74,551

Consolidated Statement of Changes in Net Assets

April 1, 2007 – March 31, 2008

(Unit: millions of yen)

	Shareholders' equity				
	Paid-in capital	Capital surplus	Earned surplus	Treasury stock	Total shareholders' equity
Balance March 31, 2007	26,783	56,023	304,552	(28,829)	358,530
Net increase/decrease during the fiscal year					
Cash dividends			(12,485)		(12,485)
Net income			46,634		46,634
Repurchase of treasury stocks				(6)	(6)
Disposal of treasury stocks		140		408	548
Net increase/decrease during the fiscal year					
Total increase/decrease during the fiscal year	-	140	34,148	402	34,691
Balance March 31, 2008	26,783	56,163	338,701	(28,427)	393,221

	Valuation and translation adjustments				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Translation adjustments	Total			
Balance March 31, 2007	5,646	(76)	842	6,411	484	2,183	367,610
Net increase/decrease during the fiscal year							
Cash dividends							(12,485)
Net income							46,634
Repurchase of treasury stocks							(6)
Disposal of treasury stocks							548
Net increase/decrease during the fiscal year	(2,475)	246	(14,777)	(17,006)	413	(115)	(16,708)
Total increase/decrease during the fiscal year	(2,475)	246	(14,777)	(17,006)	413	(115)	17,982
Balance March 31, 2008	3,171	169	(13,935)	(10,594)	897	2,068	385,593

Notes to consolidated financial statements

1. Notes regarding significant accounting policies for the preparation of the consolidated financial statements

(1) Scope of consolidation

1) Number of consolidated subsidiaries: 105

Major companies: Nissho Corp., Nitto Europe N.V., Nitto Americas, Inc., Nitto Denko (China) Investment Co., Ltd., Nitto Denko (Suzhou) Co., Ltd., Taiwan Nitto Optical co., Ltd., Korea Nitto Optical Co., Ltd., Nitto Denko (HK) Co., Ltd., Shanghai Nitto Optical Co., Ltd.

Newly consolidated subsidiaries:

Established: Nitto Precision Vietnam Co., Ltd.

Transferred from a non-consolidated subsidiary: Korea Nitto Denko Co., Ltd.

Company whose status as a consolidated subsidiary ceased:

Merged with the Company: Kyoshin Co., Ltd., Nitto Denko Matex Corporation

Liquidated, sold, etc.: Kyoshin Electronics (Shanghai) Co., Ltd. and other 6 companies

2) Number of non-consolidated subsidiaries: 4

Major company: Nitto Denko Technical Corporation

Transferred to a consolidated subsidiary: Korea Nitto Denko Co., Ltd.

All of the non-consolidated subsidiaries are small, and their total net assets, net sales, net profit or loss, and earned surplus, etc., which correspond to holdings under the equity method have little effect on the consolidated financial statements. Hence, these companies are excluded from the scope of consolidation.

(2) Application of equity method

1) Number of non-consolidated subsidiaries subject to equity method: 4

Major company: Nitto Denko Technical Corporation

Transferred to a consolidated subsidiary: Korea Nitto Denko Co., Ltd.

2) Number of affiliates subject to equity method: 1

Established: Kathyd Technology, Llc

- (3) Fiscal year of the consolidated subsidiaries
Number of companies whose fiscal year is the same as that of the company: 84
Number of companies whose fiscal year is different from that of the company: 21
*For the twenty-one companies above, a provisional settlement of accounts based on March 31, 2008 were used.
- (4) Accounting policies
- 1) Valuation basis and methods for principal assets
- i) Securities
Other securities:
Securities with available fair value:
Carried at fair value for the consolidated balance sheet date. (Valuation adjustments were reported in the net assets section, and selling cost was calculated using the moving average method.)
Securities with no available fair value:
Stated at cost based on the moving average method
- ii) Derivatives: Stated at fair value
- iii) Inventories: Mainly stated at the lower of average cost or market price
- 2) Depreciation method of major depreciable assets
- i) Tangible fixed assets:
Mainly the declining-balance method
- ii) Intangible fixed assets:
Straight-line method (software for in-house use is depreciated using the straight-line method over its useful life of five years)

(Additional information)

In the wake of the revision of the Corporation Tax Law in fiscal 2007, we reviewed the economic useful life of some facilities, and shortened the useful life from seven years to five years beginning in this consolidated fiscal year. As a result, operating income, ordinary income and income before provision for income taxes are each 2,703 million yen less than those based on the conventional life.

From this consolidated fiscal year, we evenly depreciate the difference between the amount equivalent to 5% of the acquisition value and the memorandum value over a five-year period, starting from the following fiscal year of the consolidated fiscal year when the value of assets reached 5% of the acquisition value. This change has a limited impact.

3) Accounting criteria for major allowances

i) Allowance for doubtful accounts

Allowance for doubtful accounts is provided to cover probable losses on collection. It is the sum of the probable uncollectable amount estimated using the rate of actual collection losses for normal receivables and a review of the individual collectability of the specific receivables.

ii) Provision for bonuses to directors

The Company and its domestic consolidated subsidiaries make provisions for the amount of bonuses for directors deemed to accrue during the fiscal year, based on the Company's estimated payment obligation for the current consolidated accounting year.

iii) Provision for retirement benefits

The Company makes provisions for the necessary amount of allowance for employees' severance and retirement benefits deemed to accrue during the term based on the Company's estimated payment obligation and the balance of the pension fund at the term-end.

Prior service cost of pension plans is amortized from the year in which the gain or loss is recognized by the straight-line method for a given number of years (12 years) within employees' average remaining years of service.

Actuarial gain or loss is amortized from the year following the year in which the gain or loss is recognized by the straight-line method for a given number of years (12 years) within employees' average remaining years of service.

iv) Reserve for retirement bonuses to directors and corporate auditors

The consolidated subsidiaries in Japan calculate the required amount based on internal regulations in preparation for payment of retirement allowances to directors and corporate auditors.

4) Conversion criteria of major assets or liabilities in foreign currencies into Japanese yen

Monetary credits and debts in foreign currencies are converted into Japanese yen by using the spot exchange rates on the day of consolidated account settlement, and the difference arising from such conversion is stated as gain or loss. Assets and liabilities of overseas subsidiaries and others are converted into yen based on the spot exchange rate on the day of consolidated settlement of accounts, and revenue and expenses are converted into yen by using the average exchange rate during the fiscal year, while the difference arising from the conversion is shown as translation adjustments in net assets and minority interest.

5) Methods of accounting for major leases

Finance leases, excluding those in which the transfer of ownership of the leased property to the lessee are accounted for as ordinary lease transactions.

- 6) Methods of hedge accounting
- i) Method of hedge accounting
Deferred hedging is used for forward exchange contracts applied to forecasted transactions. For currency swaps that qualify for hedge accounting, gain or loss is translated at the exchange rate stipulated in the contract under the allocation process. Interest rate swaps that qualify for hedge accounting and meet specific criteria are not measured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.
- ii) Hedge instruments and targets
Hedge instruments: Forward exchange contracts, Currency swaps, Interest rate swaps
Hedge targets: Foreign currency-denominated receivables and payables, etc.
- iii) Hedge policy
The Company adopts a policy aimed at averting the risks associated with exchange fluctuations and interest rate fluctuations.
- 7) Other important items for compiling consolidated financial statements
Consumption tax and similar taxes are excluded from the transaction amount.
- (5) Evaluation of assets and liabilities of consolidated subsidiaries
The partial market value method is used to evaluate all assets and liabilities of consolidated subsidiaries.
- (6) Amortization of consolidation adjustment account
Goodwill and negative goodwill are amortized by the average cost method over a five-year period. If these accounts are less significant, it is fully amortized when accrued.

2. Notes to consolidated balance sheets

- (1) Accumulated depreciation of tangible fixed assets 318,883 million yen
- (2) Pledged assets and secured liabilities
- Pledged assets:
- Investment in securities 18 million yen
- Secured liabilities:
- Accounts payable 5 million yen

- (3) Guarantees on liabilities and contracts for future guarantees on liabilities (including notes on management guidance, etc.)

The Company extends guarantees on liabilities for its employees' bank loans.

Employees' housing loans 25 million yen

- (4) Endorsed amounts for notes receivable 5 million yen

3. Notes to consolidated statement of changes in net assets

- (1) Type and total number of outstanding shares as at the end of the current fiscal year

Common stock 173,758 thousand shares

- (2) Dividends

- 1) Dividend payments

Resolution	General meeting of shareholders held on June 22, 2007	Board of Directors meeting held on October 30, 2007	Total
Type of shares	Common stock	Common stock	-
Total dividends (in millions of yen)	5,826	6,659	12,485
Dividend per share (in yen)	35	40	-
Record date	March 31, 2007	September 30, 2007	-
Effective date	June 25, 2007	November 29, 2007	-

- 2) Of the dividends for which the record date falls during the current fiscal year and items for which the effective date arrives during the following fiscal year

The following proposal on dividends for ordinary shares will be presented for resolution at the General Meeting of Shareholders scheduled on June 20, 2008.

Total dividends 6,662 million yen

Dividend per share 40 yen

Record date March 31, 2008

Effective date June 23, 2008

- 3) Type and number of shares for the target of warrant (excluding items for which the initial date of the rights exercise period has not arrived) as of the end of the current fiscal year

Common stock 1,127,100 shares

4. Notes on business combinations

(Merger with consolidated subsidiaries)

At its Board of Directors meeting held on April 27, 2007, the Company resolved to merge through absorption, effective July 1, 2007, with Kyoshin Co., Ltd. and Nitto Denko Matex Corporation, both wholly owned subsidiaries, and concluded a merger agreement with each party as of the meeting date.

Name and business outline of combined entity

- 1) Name: Kyoshin Co., Ltd.
Nitto Denko Matex Corporation
- 2) Business: The above two companies are engaged in sales of industrial, electronic and functional products.
- 3) Purpose of the merger

Amid the ongoing globalization in the market, in order for the Nitto Denko Group to establish a system that facilitates the offering of solutions built on the Company's exclusive core technology, the Group is striving to further strengthen its competitiveness as a Group through reforming Group businesses into a simplified structure.

- 4) Method of the merger

The merger will be implemented by way of absorption (simple merger) in which the Company was the surviving company, while Kyoshin Co., Ltd. and Nitto Denko Matex Corporation were dissolved.

- 5) Merger ratio and delivery of money

As both Kyoshin Co., Ltd. and Nitto Denko Matex Corporation are wholly owned companies of the Company, no issuance of new shares, no capital increase and no delivery of money were to be made under the merger.

- 6) Succession of corporate assets

The Company succeeded from the two companies any and all assets, liabilities, rights and obligations on the effective date of the merger.

Assets in total: 26,261 million yen

Liabilities in total: 1,727 million yen

- 7) Overview of the surviving company

There has been no change in capital and business as a result of the merger.

5. Notes on information per share

Net asset value per share	2,297.12 yen
Net income per share	280.07 yen

In consolidated balance sheets, consolidated statements of income and consolidated statement of changes in net assets, figures less than 1 million yen are omitted.

Non-Consolidated Balance Sheets

(Unit: millions of yen)

	Amount	
	As of March 31, 2008	As of March 31, 2007 (Reference)
(Assets)		
Current assets:	198,764	179,774
Cash on hand and in banks	30,346	20,061
Notes receivable	4,355	851
Accounts receivable	113,945	103,097
Products and merchandise	6,095	3,093
Materials and stored goods	7,332	7,568
Goods in process	17,742	17,890
Short-term loans	586	11,868
Deferred tax assets	4,774	3,723
Other current assets	13,599	11,920
Allowance for doubtful accounts	(13)	(300)
Fixed assets:	260,096	252,636
Tangible fixed assets:	166,852	158,902
Buildings	57,591	59,057
Other structures	3,108	2,842
Machinery	65,779	60,773
Delivery equipment	154	162
Tools, furniture and fixtures	4,765	4,905
Land	13,790	13,847
Construction in progress	21,662	17,312
Intangible fixed assets:	4,639	3,846
Software	2,179	2,193
Utility rights	117	127
Other intangible fixed assets	2,341	1,524
Investments and other assets:	88,605	89,887
Investment in securities	8,036	11,884
Stock of affiliated companies	51,635	65,632
Long-term loans	16,411	3,431
Deferred tax assets	3,458	2,336
Prepaid pension cost	7,865	7,070
Others	1,446	1,242
Allowance for doubtful accounts	(195)	(94)
Allowance for loss on investment	(52)	(1,614)
Total assets	458,861	432,411

Non-Consolidated Balance Sheets

(Unit: millions of yen)

	Amount	
	As of March 31, 2008	As of March 31, 2007 (Reference)
(Liabilities)		
Current liabilities:	146,946	145,745
Trade Accounts payable	78,732	76,421
Commercial paper	-	10,000
Accounts payable	32,511	34,194
Accrued expenses	8,669	6,719
Income tax payable	7,886	5,029
Deposits received	18,741	12,735
Other current liabilities	403	645
Long-term liabilities:	14,509	12,424
Provision for retirement benefits	13,199	11,989
Guarantee deposits received	249	88
Other long-term liabilities	1,060	347
Total liabilities	161,456	158,170
(Net assets)		
Shareholders' equity	293,204	269,319
Paid-in capital	26,783	26,783
Capital surplus	56,163	56,023
Capital legal reserve	50,482	50,482
Other capital surplus	5,681	5,541
Earned surplus:	238,683	215,341
Earned legal reserve	4,095	4,095
Other earned surplus	234,588	211,246
Special depreciation reserve	576	1,063
Fixed asset depreciation reserve	368	301
Reserve for special account for advanced depreciation of non current assets	202	-
Special reserve	185,000	168,000
Earned surplus brought forward	48,440	41,881
Treasury stock	(28,427)	(28,829)
Valuation and translation adjustments	3,303	4,436
Valuation difference on available-for-sale securities	2,987	4,513
Deferred gains or losses on hedges	316	(76)
Subscription rights to shares	897	484
Total net assets	297,405	274,240
Total liabilities and net assets	458,861	432,411

Non-Consolidated Statements of Income

(Unit: millions of yen)

	Amount	
	April 1, 2007 - March 31, 2008	April 1, 2006 - March 31, 2007 (Reference)
Sales	481,799	400,339
Cost of sales	380,270	304,540
Gross profit	101,528	95,798
Selling, general and administrative expenses	67,430	58,445
Operating income	34,097	37,352
Non-operating revenue	14,171	10,024
Interest and dividend income	9,047	6,119
Miscellaneous revenue	5,124	3,904
Non-operating expenses	4,615	4,544
Interest expense	229	124
Foreign exchange loss	2,846	3,126
Miscellaneous expense	1,539	1,294
Ordinary income	43,653	42,832
Extraordinary gains	15,896	44
Gain on sales of fixed assets	434	34
Gain on sales of investments in securities	32	9
Gain on extinguishment of tie-in shares	13,371	-
Other extraordinary gains	2,057	-
Extraordinary losses	10,334	1,067
Loss from revaluation of stock of subsidiaries	8,826	-
Loss on sales and disposal of fixed assets	1,228	920
Other extraordinary losses	280	146
Income before provision for income taxes	49,215	41,809
Provision for income taxes		
Current	14,239	12,430
Deferred	(851)	7,595
Net income	35,827	21,783

Non-Consolidated Statement of Changes in Net Assets

April 1, 2007 – March 31, 2008

(Unit: millions of yen)

	Shareholders' equity													Treasury stock	Total shareholders' equity
	Paid-in capital	Capital surplus			Earned legal reserve	Earned surplus						Total			
		Capital legal reserve	Other capital surplus	Total		Other earned surplus									
						Special depreciation reserve	Fixed asset depreciation reserve	Reserve for special account for advanced depreciation of non current assets	Special reserve	Earned surplus brought forward					
Balance March 31, 2007	26,783	50,482	5,541	56,023	4,095	1,063	301	-	168,000	41,881	215,341	(28,829)	269,319		
Net increase/decrease during the fiscal year															
Cash dividends											(12,485)	(12,485)	(12,485)		
Provision of special depreciation reserve						4				(4)			-		
Liquidation of special depreciation reserve						(491)				491			-		
Reserve for fixed asset depreciation reserve							110			(110)			-		
Liquidation of fixed asset depreciation reserve							(42)			42			-		
Provision of reserve for special account for advanced depreciation of non current assets								202		(202)			-		
Reserve for special reserve									17,000	(17,000)			-		
Net income										35,827	35,827		35,827		
Repurchase of treasury stock												(6)	(6)		
Disposal of treasury stock			140	140								408	548		
Net increase/decrease during the fiscal year															
Total increase/decrease during the fiscal year	-	-	140	140	-	(487)	67	202	17,000	6,559	23,341	402	23,884		
Balance March 31, 2008	26,783	50,482	5,681	56,163	4,095	576	368	202	185,000	48,440	238,683	(28,427)	293,204		

	Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total		
Balance March 31, 2007	4,513	(76)	4,436	484	274,240
Net increase/decrease during the fiscal year					
Cash dividends					(12,485)
Provision of special depreciation reserve					-
Liquidation of special depreciation reserve					-
Reserve for fixed asset depreciation reserve					-
Liquidation of fixed asset depreciation reserve					-
Provision of reserve for special account for advanced depreciation of non current assets					-
Reserve for special reserve					-
Net income					35,827
Repurchase of treasury stock					(6)
Disposal of treasury stock					548
Net increase/decrease during the fiscal year	(1,525)	392	(1,133)	413	(719)
Total increase/decrease during the fiscal year	(1,525)	392	(1,133)	413	23,164
Balance March 31, 2008	2,987	316	3,303	897	297,405

Notes to Non-Consolidated Financial Statements

1. Significant accounting policies

(1) Valuation basis and method for securities

Other securities:

Securities with available fair value:

Carried at fair value at the end of the period (valuation adjustments are reported in the net assets section, and selling cost is calculated using the moving average method.)

Securities with no available fair value:

Stated at cost based on the moving average method

Stocks issued by subsidiaries and affiliate companies:

Stated at cost based on the moving average method

(2) Valuation basis and method for derivatives

Stated at fair value

(3) Inventory valuation basis and method

Products, merchandise, materials, and goods in process:

Stated at the lower of average cost or market price

Stored goods: Stated at cost using the most recent purchasing price

(4) Depreciation method of major depreciable assets

Tangible fixed assets:

Declining-balance method

Intangible fixed assets:

Straight-line method

Software for in-house use is amortized using the straight-line method over its useful life of five years.

(Additional information)

In the wake of the revision of the Corporation Tax Law in fiscal 2007, we reviewed the economic useful life of some facilities, and shortened the useful life from seven years to five years beginning in this fiscal year. As a result, operating income, ordinary income and income before provision for income taxes are each 2,703 million yen less than those based on the conventional useful life.

From this fiscal year, we evenly depreciate the difference between the amount equivalent to 5% of the acquisition value and the memorandum value over a five-year

period, starting from the following fiscal year of the fiscal year when the value of assets reached 5% of the acquisition value. This change has a limited impact.

(5) Accounting criteria for allowances

Allowance for doubtful accounts

Allowance for doubtful accounts is provided to cover probable losses on collection. It is the sum of the probable uncollectable amount estimated using the rate of actual collection losses for normal receivables and a review of the individual collectability of the specific receivables.

Allowance for loss on investment

An amount for potential loss is stated by taking into account the company's financial condition, etc., in accordance with the Company's criteria, in preparation for losses related to investments in subsidiaries.

Provision for bonuses to directors

The Company makes provisions for the amount of bonuses for directors deemed to accrue during the fiscal year, based on the Company's estimated payment obligation for the current fiscal year.

Provision for retirement benefits

The Company makes provisions for the necessary amount of allowance for employees' severance and retirement benefits deemed to accrue during the term based on the Company's estimated payment obligation and the balance of the pension fund at the term-end.

Prior service cost of pension plans is amortized from the year in which the gain or loss is recognized by the straight-line method for a given number of years (12 years) within employees' average remaining years of service.

Actuarial gain or loss is amortized from the year following the year in which the gain or loss is recognized by the straight-line method for a given number of years (12 years) within employees' average remaining years of service.

(6) Method of hedge accounting

1) Method of hedge accounting

Deferred hedging is used for forward exchange contracts applied to forecasted transactions. For currency swaps that qualify for hedge accounting, gain or loss is translated at the exchange rate stipulated in the contract under the allocation process. Interest rate swaps that qualify for hedge accounting and meet specific criteria are not measured at market value but the differential paid or received under the swap agreements are recognized and included in interest expenses or income.

- 2) Hedge instruments and targets
Hedge instruments: Forward exchange contracts, Currency swaps, Interest rate swaps
Hedge targets: Foreign currency-denominated receivables and payables, etc.
- 3) Hedge policy
The Company adopts a policy aimed at averting the risks associated with exchange fluctuations and interest rate fluctuations.
- (7) The consumption tax and similar taxes are excluded from the transaction amount.

2. Notes to non-consolidated balance sheets

- (1) Accumulated depreciation of tangible fixed assets 231,361 million yen
- (2) Short-term receivables from affiliates 73,573 million yen
Long-term receivables from affiliates 16,405 million yen
Short-term payables to affiliates 25,402 million yen

(3) Guarantees on liabilities

The Company offers guarantees on liabilities for loans from banks as follows:

Employees' housing fund	2 million yen
Nitto Denko (Suzhou) Co., Ltd.	4,408 million yen (44,000 thousand US dollars)
Nitto Americas, Inc.	1,208 million yen (12,067 thousand US dollars)
Taiwan Nitto Optical Co., Ltd.	3,280 million yen (1,000,000 thousand new Taiwan dollars)
Nitto Denko Vietnam Co., Ltd.	84 million yen (840 thousand US dollars)
Nitto Denko Fine Circuit Technology (Shenzhen) Co., Ltd.	1,958 million yen (14,571 thousand US dollars) (35,000 thousand Chinese yuan)
Nitto Denko (Tianjin) Co., Ltd.	228 million yen (150 thousand US dollars) (15,000 thousand Chinese yuan)
Nitto Denko (Shanghai Pu Dong New Area) Co., Ltd.	200 million yen (2,000 thousand US dollars)
Shanghai Nitto Optical Co., Ltd.	1,072 million yen (10,700 thousand US dollars)

Nitto Denko (Foshan) Co., Ltd.	242 million yen (17,000 thousand Chinese yuan)
Shenzhen Nitto Optical Co., Ltd.	2,900 million yen

The Company offers the following guarantee on the fulfillment of a contract.

Hydranautics	610 million yen (5,493 thousand US dollars) (381 thousand euro)
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3. Notes to non-consolidated statements of income

Sales to affiliates	334,953 million yen
Purchases from affiliates	44,689 million yen
Transactions other than business deals with affiliates	13,562 million yen

4. Notes to non-consolidated statement of changes in net assets

Type and number of treasury stock at the end of the current fiscal year

Common stock	7,189 thousand shares
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5. Notes on deferred tax accounting

[Current Assets]

(Deferred Tax Assets)	(Unit: millions of yen)
Accrued bonuses	3,080
Accrued enterprise tax	899
Accounts payable	258
Others	749
<u>Total deferred tax assets</u>	<u>4,986</u>
(Deferred tax liabilities)	(Unit: millions of yen)
<u>Deferred gains or losses on hedges</u>	<u>212</u>
<u>Total deferred tax liabilities</u>	<u>212</u>
<u>Net deferred tax assets</u>	<u>4,774</u>

[Fixed Assets]

(Deferred Tax Assets)	(Unit: millions of yen)
Provision for retirement benefits	2,144
Excess of limit in inclusion of depreciation expenses	2,912
Loss from revaluation of stocks of subsidiaries	10,612
Others	946
<u>Gross deferred tax assets</u>	<u>16,614</u>
<u>Less valuation allowance</u>	<u>(10,612)</u>
<u>Total deferred tax assets</u>	<u>6,002</u>
(Deferred Tax Liabilities)	(Unit: millions of yen)
Valuation difference on available-for-sale securities	2,008
Special depreciation reserve	145
Fixed asset depreciation reserve	253
Reserve for special account for advanced depreciation of non current assets	136
<u>Total deferred tax liabilities</u>	<u>2,543</u>
<u>Net deferred tax assets</u>	<u>3,458</u>

6. Notes on fixed assets used under a lease contract

The Company uses, in part, land, buildings, production facilities and office equipment, etc., under finance/lease contracts without ownership transfer.

7. Notes on Transactions with Affiliated Parties

Relationship		Subsidiary
Name of company		NITTO AMERICAS, INC.
Location		Wisconsin U.S.A.
Capital		US\$1,024,000
Business		Holding company
Holding ratio of voting rights (holders)		Direct 100%
Details of relationship	Concurrent responsibility as Director, etc.	One person
	Actual role	Supervisory function in the U.S.
Transaction type and amount		Loan out of funds 13,134 million yen
		Receiving interest 164 million yen
Category / Balance as of fiscal year-end		Long-term loan 13,134 million yen

Note: The interest rate applied on the loan to Nitto Americas, Inc. has been determined rationally with consideration for the prevailing market rates. No collateral is involved.

8. Notes on business combinations

Please refer to notes on business combinations under the consolidated notes section.

9. Notes on information per share

Net asset value per share	1,780.09 yen
Net income per share	215.17 yen

In non-consolidated balance sheets and non-consolidated statement of income, and non-consolidated statement of changes in net assets, figures less than one million yen are omitted.

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Independent Auditors' Report

May 7, 2008

The Board of Directors
NITTO DENKO CORPORATION

KPMG AZSA & Co.

Masataka Nakao (Seal)
Designated and Engagement Partner
Certified Public Accountant

Hisae Kitayama (Seal)
Designated and Engagement Partner
Certified Public Accountant

Toshiro Miyabayashi (Seal)
Designated and Engagement Partner
Certified Public Accountant

We have audited the consolidated statutory report, comprising the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the related notes of NITTO DENKO CORPORATION (the "Company") as of March 31, 2008 and for the year from April 1, 2007 to March 31, 2008 in accordance with Article 444(4) of the Corporate Law. The consolidated statutory report is the responsibility of the Company's management. Our responsibility is to express an opinion on the consolidated statutory report based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the consolidated statutory report is free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the consolidated statutory report. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated statutory report referred to above presents fairly, in all material respects, the financial position and the results of operations of NITTO DENKO CORPORATION and its consolidated subsidiaries for the period, for which the consolidated statutory report was prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

[English Translation of the Auditors' Report Originally Issued in the Japanese Language]

Independent Auditors' Report

May 7, 2008

The Board of Directors
NITTO DENKO CORPORATION

KPMG AZSA & Co.

Masataka Nakao (Seal)
Designated and Engagement Partner
Certified Public Accountant

Hisae Kitayama (Seal)
Designated and Engagement Partner
Certified Public Accountant

Toshiro Miyabayashi (Seal)
Designated and Engagement Partner
Certified Public Accountant

We have audited the statutory report, comprising the balance sheet, the statement of income, the statement of changes in net assets and the related notes, and its supporting schedules of NITTO DENKO CORPORATION (the “Company”) as of March 31, 2008 and for the 143rd business year from April 1, 2007 to March 31, 2008 in accordance with Article 436(2)①of the Corporate Law. The statutory report and supporting schedules are the responsibility of the Company’s management. Our responsibility is to express an opinion on the statutory report and supporting schedules based on our audit as independent auditors.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those auditing standards require us to obtain reasonable assurance about whether the statutory report and supporting schedules are free of material misstatement. An audit is performed on a test basis, and includes assessing the accounting principles used, the method of their application and estimates made by management, as well as evaluating the overall presentation of the statutory report and supporting schedules. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the statutory report and supporting schedules referred to above present fairly, in all material respects, the financial position and the results of operations of NITTO DENKO CORPORATION for the period, for which the statutory report and supporting schedules were prepared, in conformity with accounting principles generally accepted in Japan.

Our firm and engagement partners have no interest in the Company which should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Corporate Auditor's Report

The Board of Corporate Auditors based on audit reports prepared by each Corporate Auditor, discussed the execution of duties of Directors for the 143rd term from April 1, 2007 to March 31, 2008, and prepared this audit report under unanimous assent from all Corporate Auditors, as follows.

1. Audit methods adopted by Corporate Auditors and the Board of Corporate Auditors
 - (1) The Board of Corporate Auditors defined the audit policy and the audit plan for the current business term, received reports on audit status and results from each Corporate Auditor as well as reports on execution of duties from Directors and Accounting Auditors, and requested further explanation whenever necessary.
 - (2) Each Corporate Auditor complied with the Audit Standards for Corporate Auditors defined by the Board of Corporate Auditors, and in accordance with the audit policy and the audit plan for the current business term, promoted communication with Directors, the internal audit department and others and made efforts to collect information and to secure an audit environment.
 - (3) Corporate Auditors attended the meetings of the Board of Directors as well as other key meetings, received briefings from Directors and staffs on execution of their duties, requested further explanation whenever necessary, inspected critical approvals made in writing and examined the status of business operations and assets at the Company's head office and other major offices.
 - (4) Corporate Auditors monitored and validated the systems (internal controls systems) implemented under the resolutions reached by the Board of Directors, such as the systems necessary to ensure that execution of duties by Directors complies with legal provisions and the Articles of Incorporation and the systems deemed necessary for securing appropriateness of operations of the Company provided for in Paragraphs 1 and 3 of Article 100 of the Enforcement Regulations of the Corporation Law.
 - (5) Corporate Auditors, with respect to the basic policy provided for in Article 127 of the Enforcement Regulations of the Corporation Law and indicated in the Business Report, examined the contents in consideration of the status of discussions made by the Board of Directors and at other meetings.
 - (6) With respect to subsidiaries, Corporate Auditors promoted communication and exchange of information with Directors, Auditors and other staffs of the subsidiaries, and received reports on business operations from the subsidiaries as necessary.
 - (7) Corporate Auditors monitored and evaluated the Accounting Auditors to determine whether the Accounting Auditors maintained their independence and duly conducted the audits, received reports on execution of duties from the Accounting Auditors and requested further

explanation whenever necessary.

- (8) Corporate Auditors received notification from the Accounting Auditors that the “controls to ensure appropriate execution of duties” (provided for in each of the Paragraphs of Article 159 of the Rules on Corporate Financial Statements) have been implemented in accordance with “Quality Assurance Standards for Audits” (Corporate Accounting Council of October 28, 2005), and requested further explanation as necessary.

Based on the aforementioned methods, Corporate Auditors reviewed the Business Report and the supporting documents for the current business term. We also reviewed the statutory reports (i.e. Non-Consolidated Balance Sheet, Non-Consolidated Statement of Income, Non-Consolidated Statement of Changes in Net Assets and Notes to Non-Consolidated Financial Statements) and the supporting documents as well as the consolidated reports (i.e. Consolidated Balance Sheet, Consolidated Statement of Income, Consolidated Statement of Changes in Net Assets and Notes to Consolidated Financial Statements).

2. Audit Results

- (1) Audit results of the Business Report, etc.
 - 1) We hereby state that the Business Report and the supporting documents fairly present the status of the Company, in accordance with the law and the Articles of Incorporation.
 - 2) We hereby state that there are no significant facts indicating any unfair act or violation of the law or the Articles of Incorporation with respect to the execution of Directors’ duties.
 - 3) We hereby state that the resolutions of the Board of Directors regarding internal control systems are adequate. There is no particular matter to be indicated with respect to the execution of Directors’ duties concerning the internal control systems.
 - 4) There is no particular matter to be indicated with respect to the basic policy on Corporate Dominance of the Company presented in the Business Report.
- (2) Audit results of non-consolidated and consolidated statutory reports and supporting documents

We hereby acknowledge that the audit methods and results of KPMG AZSA & Co., independent auditors, are appropriate.

May 8, 2008

The Board of Corporate Auditors, Nitto Denko Corporation

Full-time Corporate Auditor: Nobuyuki Tanioka (seal)

Full-time Corporate Auditor: Shigeru Hozan (seal)

Outside Corporate Auditor: Hisashi Hosokawa (seal)

Outside Corporate Auditor: Kazuo Kumagai (seal)

Outside Corporate Auditor: Kosuke Kimura (seal)