



Nitto Denko Group CSR Report
2005

Caring for "the Earth" and "People"



Nitto Denko Corporation

CSR Report Office

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Nitto Denko Corporation

Editorial Policy

- This report is published with the aim of informing all stakeholders about the efforts to fulfill corporate social responsibility by the Nitto Denko Group.
- Based on the policy of "Open, Fair and Best," we are committed to transparency in the disclosure of information.
- Last year, the title of the report was altered from "Environmental Report" to "Environmental and Social Activity Report," expanding coverage to include some of our social activities. Fiscal 2005 is defined as the "First Year of CSR" for the Nitto Denko Group. Taking this opportunity, the report was renamed "CSR Report" this year. Although we have conducted a variety of activities to ensure CSR, we will further accelerate the initiative and aim to enhance the content of the report.
- As long as the Nitto Denko Group is a manufacturer handling chemical substances, we regard efforts for environmental conservation as one of the most important social responsibilities we have to fulfill. This report focuses on the efforts to reduce environmental impacts resulting from the business of the Nitto Denko Group.
- Referenced guidelines
Sustainability Reporting Guidelines 2002 by the Global Reporting Initiative (GRI)
Environmental Reporting Guidelines 2003 by the Ministry of the Environment

At moments of Change with Brilliant Technology and Flexible Attitude

Tackling Improvement of corporate brand value

The Nitto Denko Group defined the brand statement, "Flexible Technology Company—at moments of change with brilliant technology and flexible attitude," as well as a unified brand mark for 113 group companies in July 2004 to further enhance its corporate brand (CB) value.

The group believes that employees are the indispensable foundation of its business, the enhancement of their motivation and pride creates a virtuous cycle, and therefore it improves the satisfaction of all stakeholders including customers and shareholders. The enhancement of corporate brand value does not simply mean the improvement of corporate awareness but means the following three activities: a corporate brand familiarization activity that facilitates the group employees to be proud of their companies and act appropriately as a member of the group; an activity that pursues aesthetic design in accordance with the new brand mark; and active communication with people outside the group.

Continuing the promotion of these activities, the group is committed to the realization of growth with high quality that satisfies all stakeholders and to further strengthen its corporate brand value.

Meaning of the brand mark

The red circle in the center means the moment of brilliance, enthusiasm, energy, warmth, and the globe. The blue curve expresses the change of direction of the flow and therefore the moment of change, as well as a palm enveloping the globe, flexibility, and constant growth.

Ideally, this report should be a report with all items relevant to the Nitto Denko Group; however, due to information gathering and an editorial structure that did not fall completely into place, we have arranged the scope of this report in the following manner. For exceptions, the scope is clearly specified in each section.

■ Coverage for environmental performance data

Nitto Denko (non-consolidated):

Six domestic manufacturing plants

Tohoku Plant, Kanto Plant, Toyohashi Plant, Kameyama Plant, Shiga Plant, and Onomichi Plant

Japan domestic group companies:

Four major Japan domestic manufacturing group companies

Nitto Shinko Corporation, Nitto Lifetec Corporation, Nitoms Inc., and Nitto Electronics Kyushu Co., Ltd.

Overseas group companies:

Eight major overseas manufacturing group companies

Permaccel (U.S.A.), Hydranautics (U.S.A.), Nitto Europe N.V. (Belgium), Nitto Denko (Shanghai Song Jiang) Co., Ltd. (China), Nitto Denko (Taiwan) Corporation, Taiwan Nitto Optical Co., Ltd., Nitto Denko Electronics (Malaysia) Sdn. Bhd., and Nitto Denko Material (Thailand) Co., Ltd.

■ Term

From April 2004 to March 2005 (fiscal 2004)
Some statements may include a period other than this.

■ Next issue

June 2006 (planned)

Meaning of the brand mark

The red circle in the center means the moment of brilliance, enthusiasm, energy, warmth, and the globe. The blue curve expresses the change of direction of the flow and therefore the moment of change, as well as a palm enveloping the globe, flexibility, and constant growth.

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Global Activities Special Topics

The Nitto Denko Group's Efforts on a Group-wide and Global Scale

The 1st Global Technology Conference P11

Approximately 350 members from the group companies all over the world participated in the first Global Technology Conference held in November 2004 and enthusiastically shared information during discussions to respond to the globalization of the business and to raise the level of activities at each site.



① Efforts in South Asia P13

Increased exchange among group companies in South Asia in terms of environment, safety, and quality



② Efforts in China P15

Promoting comprehensive environment and safety measures in China



Detailed information is available on the website.

Environmental performance data, social activities, and other detailed information about the domestic and overseas group companies not included in this report due to the limitations of space will be available on the website as in the last year. (Information will be available in September 2005.)

Efforts for Environmental Conservation

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Prospection, anticipation, and plans for the future

This report includes the prospection, anticipation, and plans for the future as well as the facts of present and past about the Nitto Denko Group. These are the results of assumptions or judgments based on the information that could be obtained when this report was prepared and thus may contain uncertainties. Therefore, they may be different from the results of future business activities or phenomena that may occur in the future. Certain sections in this report contain predictions about the future. Please note, however, that future predictions are based solely on our prospections, and we do not guarantee their reliability or accuracy, nor are we liable for any damages that could arise from this information.

About the Nitto Denko Group

East Asia

NITTO DENKO (CHINA) INVESTMENT CO., LTD.
 NITTO DENKO (SUZHOU) CO., LTD.
 NITTO DENKO (SHANGHAI SONGJIANG) CO., LTD.
 NITTO DENKO (SHANGHAI PU DONG NEW AREA) CO., LTD.
 Plus 26 companies, Total 34 companies

NITTO DENKO (HK) CO., LTD.
 NITTO DENKO (TAIWAN) CORPORATION
 TAIWAN NITTO OPTICAL CO., LTD.
 KOREA NITTO OPTICAL CO., LTD.



Japan



NITTO DENKO CORPORATION
 NITTO SHINKO CO., LTD.
 NITTO DENKO CS SYSTEM CORPORATION
 NITOMS INC.
 NISSHO CORPORATION
 KYOSHIN CO., LTD.
 NITTO DENKO MATEX CO., LTD.

NITTO LIFE-TECH CO., LTD.
 AICHI NITTO DENKO CORPORATION
 NITTO ELECTRONICS KYUSYU CO., LTD
 NITTO SEIKI CO., LTD.
 MIE NITTO DENKO CORPORATION
 NITTO MEDICAL CO., LTD.
 Plus 17 companies, Total 30 companies

Europe



NITTO EUROPE N.V.
 NISSHO HUNGARY PRECISION CO., LTD.
 KYOSHIN EUROPE LTD.
 NITTO SCANDINAVIA AB
 NITTO DEUTSCHLAND GMBH
 Plus 7 companies, Total 12 companies

South Asia

NITTO DENKO (SINGAPORE) PTE. LTD.
 NITTO DENKO ELECTRONICS (MALAYSIA) SDN. BHD.
 NITTO DENKO MATERIAL (THAILAND) CO., LTD.
 NITTO DENKO MATERIALS (MALAYSIA) SDN. BHD.
 Plus 16 companies, Total 20 companies



America

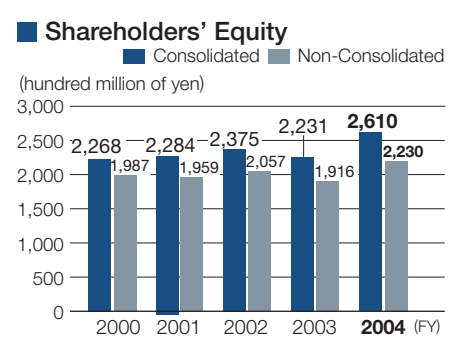
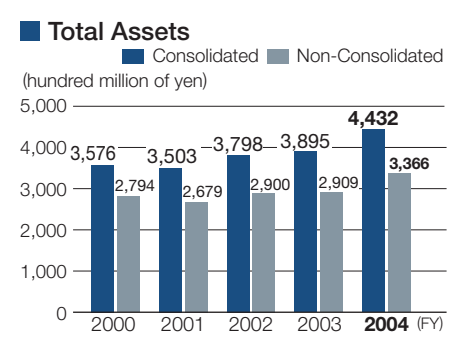
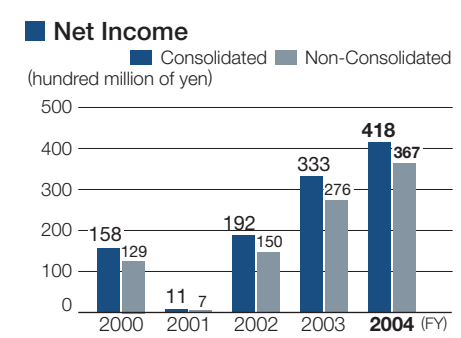
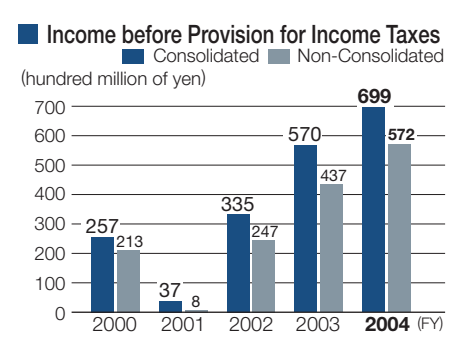
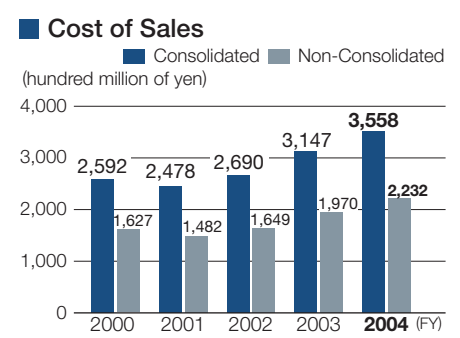
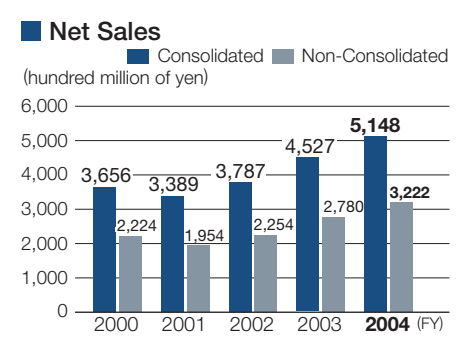
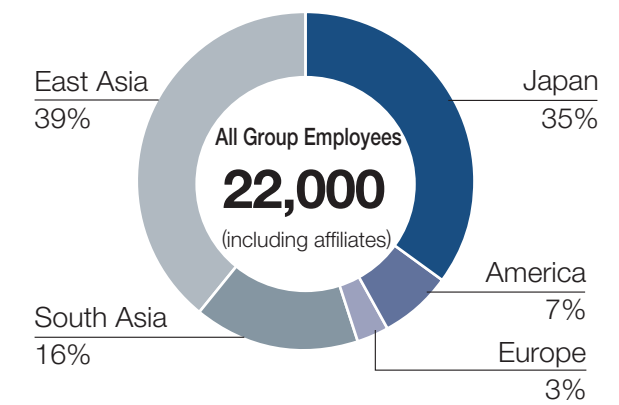


NITTO AMERICAS, INC.
 HYDRANAUTICS
 PERMACEL
 PERMACEL AUTOMOTIVE INC.
 AVEVA DRUG DELIVERY SYSTEMS INC.
 NITTO DENKO AMERICA, INC.
 Plus 11 companies, Total 17 companies

A total of approximately **22,000** people from **113** group companies worldwide are committed to the business on a global scale (including affiliates).

Corporate Profile (As of March 31, 2005)

Company Name Nitto Denko Corporation
Established October 25, 1918
Head Office 1-1-2 Shimohozumi, Ibaraki, Osaka 567-8680 Japan
President Masamichi Takemoto
Capital US\$ 253,538 thousand
Number of Employees Non-consolidated; 2,958
 Consolidate; 13,871



Pursuing new technologies for films and tapes and moving into the LCD, automobile, and medical-related fields based on insulation material technologies

Since 1918 when Nitto Electric Industrial Co., Ltd. was founded with the aim of producing electrical insulation materials domestically, the Nitto Denko Group has provided highly functional materials in a variety of fields based on the polymer synthesis and adhesive processing technologies.

The polymer synthesis technology used for electrical insulation materials is applied to the electronics field, and the adhesive processing technology is used in a variety of adhesive tapes. Furthermore, from new materials for cutting-edge electronic devices and medical-related products supporting health and the environment to membrane products that help conserve water resources, the group provides a variety of products to customers and thus contributes to society.

Industrial Products

The Nitto Denko Group provides offices and households, as well as the electrical, electronics, automobile, housing, construction, and many other businesses, with various adhesive tapes based on the adhesive processing technology cultivated in the development and production of adhesive tapes, including anticorrosion and waterproof materials, sealing products, bonding and joining products, and surface protection materials.



Surface protection films for automobiles



Hybrid-car motor insulation materials



Curing tape for flooring



Surface protection film for electronics and optical materials (E-MASK)

Electronic Products

The adhesive processing technology and the polymer synthesis technology are also utilized in the electric/electronics field. The group's products serve a diverse range of segments within the electronics industry, including semiconductor-related products that make a variety of devices function, LCD-related materials such as polarizing films, flexible printed circuit products, and electronic process materials.



LCD optical film



Polyimide seamless belt



Cleaning Wafer



Transparent epoxy encapsulating resin

Functional Products

The functional product segment supplies many products to the medical and sports fields, including transdermal therapeutic patches releasing medication through the skin into the body and medical and athletic taping. The polymer separation membrane technology provides products contributing to environmental conservation like securing water resources and separation of water and medicines.



Reserve osmosis membrane for seawater desalination

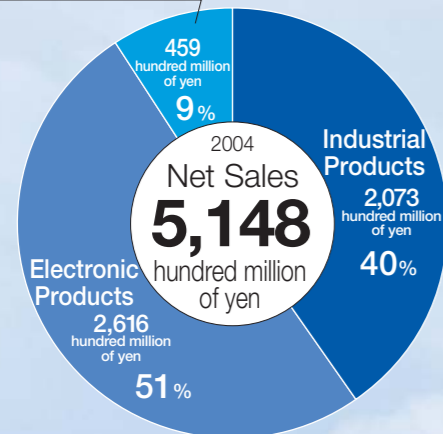


Transdermal therapeutic patches for asthma treatment



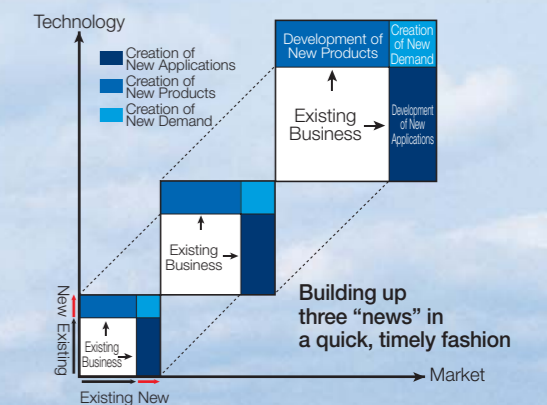
Surgical tapes/Dressing

Functional Products



The Drive Behind New Product Development — Three New Activities

A niche market is a constantly changing market, requiring speedy development of new products. In order to offer new products at a steady pace, we combine our technology base and marketing capability to promote businesses in an organic, sustained manner. Our marketing activities are strictly based on a "customer first" concept. By staying close to customers, we are able to anticipate their needs and translate them into products. Thus, new applications and new products, developed under existing technologies and market trends, serve to generate new demand, which, in turn, grows into separate markets. New applications, new products, and new demand—our Three New Activities—are designed as such, to build up these three "news" in a quick, timely fashion.



“Open, Fair and Best” as behavioral norms

The Nitto Denko Group worldwide becomes “One-Nitto” to improve its quality of growth.

Able to be a Global Excellent Company only after fulfilling its social responsibility

In the One-Nitto Dream Plan Step 2, or the mid-term business strategy starting from fiscal 2005, the Nitto Denko Group set a goal of becoming a company recognized as a Global Excellent Company by the end of fiscal 2007. The term Global Excellent Company does not simply mean a company with good performance. It is of course important to pursue excellent business performance to sustain the company, in the same way we have to strive to receive high commendation from all stakeholders as well. Evaluation should be based on many aspects: to what extent employees are devoted to the company, and how they can be proud of their work; how the company tackles environmental issues, including industrial waste disposal and emission of organic solvents into the air while improving resource productivity; and to what extent the company is respected by the people in the region and the world.

The group has promoted a variety of initiatives continuously to improve its quality of growth. First, fiscal 2003 was defined as the “First Year of Globalization.” In that year, the group re-accelerated the initiatives to unite the group as one body, including the introduction of global meetings in each sector. In the following year, approximately 350 members from the group’s technology sectors got together to participate in the global meeting to strengthen responsiveness on a global scale. [→P11-12](#)

Fiscal 2004 was stipulated as the “First Year of the Corporate Brand,” and the group started an initiative to create a company that employees are proud of and where they can work with liveliness and excitement. As a part of the initiative, in July, the group established a brand statement and a unified brand mark representing the concept of the statement. In January 2005, it co-sponsored the Osaka International Ladies Marathon, and many Nitto Denko group employees participated in the operation as a team.



“Open, Fair and Best” as the behavioral norms of CSR promotional activities

Fiscal 2005 is defined as the “First Year of CSR” in the Nitto Denko Group. Throughout the year, we consider what corporate social responsibility means for the group and start to implement it anew.

The Policy for CSR Assurance Activities was defined, the CSR Committee was initiated, and the CSR Assurance Department was established in April 2005 to create a culture in which people observe laws and ethics and to establish the culture as the basis of corporate activities.

Guidelines for CSR Assurance Activities

The company goal is to execute business activities that correspond to the values of diversified stakeholders based on compliance with laws and ethics and appropriate information disclosure with “Open, Fair and Best” as behavioral norms and to enhance corporate value, or the most important social responsibility, through sound business activities.

Efforts toward environment, safety, and quality are the responsibility of a manufacturer.

The Nitto Denko Group, as a manufacturer, recognizes that an endeavor to maintain and stabilize quality is important in the development and design stages to provide products and services that satisfy customers. In addition, it also considers it important to secure the safety of employees and local residents and to minimize environmental impacts.

As we use a large quantity of organic solvents in the manufacturing process, we duly recognize the risk of fire and take a variety of precautionary measures. If a fire should occur, we would place the first priority on the safety of employees and local residents when taking action.

We have drastically reduced the emission of organic solvents into the air by increasing the amount of deodorizing equipment. Furthermore, indices and target values are defined for the reduction of greenhouse gas to enhance the activities.

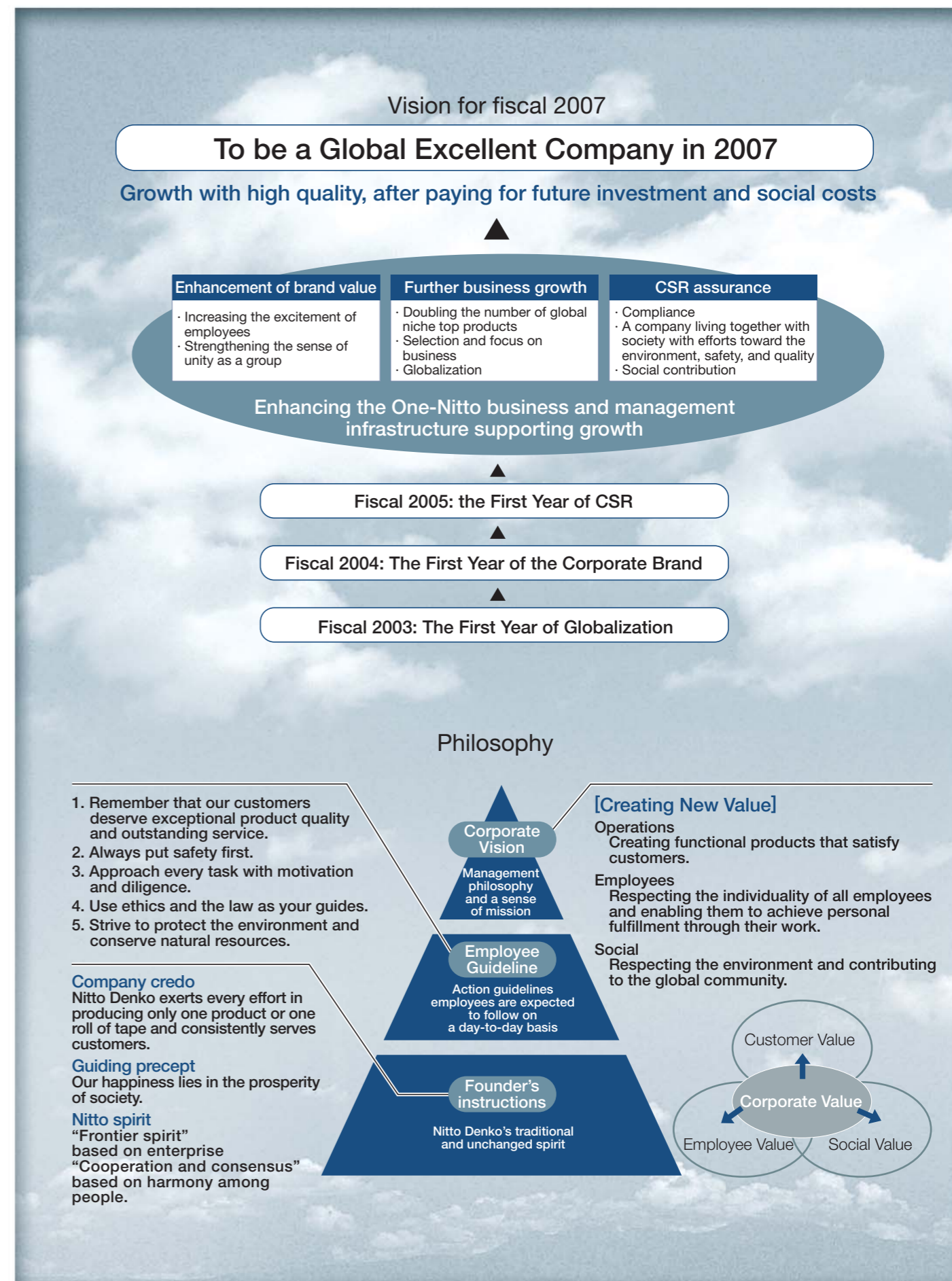
We will make serious efforts in all activities with the spirit of “Open, Fair and Best.”

It would be a great help if you understand the activities of the Nitto Denko Group through this report and give us your honest opinions and comments.

June 2005

President
Nitto Denko Corporation

Masamichi Takemoto



Placing priority on legal and ethical compliance, we will promote CSR activities based on communication.



Center: Tatsunosuke Fujiwara, Chief Financial Officer (also serving as chairman of the CSR Committee)
 Right: Tetsuo Horiuchi, Corporate Vice President and General Manager of QES Sector, CSR Committee Member
 Left: Masakazu Ozawa, Corporate Vice President and General Manager of Human Resources Department (also serving as CSR Committee Member)

CSR assurance means to correctly recognize the social and environmental issues a company faces during the course of business and to take responsible action. In other words, we recognize it as simply, "doing things in the natural order." To realize this, it is necessary to familiarize the idea of "Open, Fair and Best," each representative sharing information openly, making a fair decision, and doing our best, which are the

behavioral norms of the group's employees, based on good communication.

For continuous improvement of CSR activities, the CSR Committee, which was established on April 1, 2005, set six CSR assurance objectives and will place particular emphasis on compliance in fiscal 2005.

Six CSR assurance objectives for fiscal 2005

- Identify and improve CSR relating issues with focusing on the risks that threaten human life and health and the risks that betray social confidence.
- Create a culture of "Open, Fair and Best" as the standard to support compliance.
- Make continuous efforts to appropriately disclose and improve information including the CSR Report and SRI*1 related information.
- Share the best practices to support employees within the group to enhance their motivation
- Endeavor to implement measures against global warming as a target shared within the group achievement measured by throughput*2 per product unit)
- Create a safe, secure working environment as a target shared within the group (reducing the frequency of industrial accidents on global standards)

*1 SRI: Socially Responsible Investment. Investment that evaluates efforts to fulfill corporate social responsibility like environmental conservation and compliance, in addition to financial status and growth potential
 *2 Throughput: Value added through the activities of the company (e.g., sales cost minus direct cost)

Corporate governance

Sound and transparent corporate management is being promoted.

The Nitto Denko Group has advocated "Open, Fair and Best" as behavioral norms and promoted sound and transparent corporate management. At the general shareholders' meeting in fiscal 2004, the company resolved to reduce the term of office of directors from two years to one and the number of directors from nine to five in order to establish a corporate management system that responds accurately and promptly to changes in the business environment and to clarify the directors' management responsibility.

It also established the management advisory committee consisting of external experts to implement sound and transparent corporate management. Three auditors out of five are external auditors.

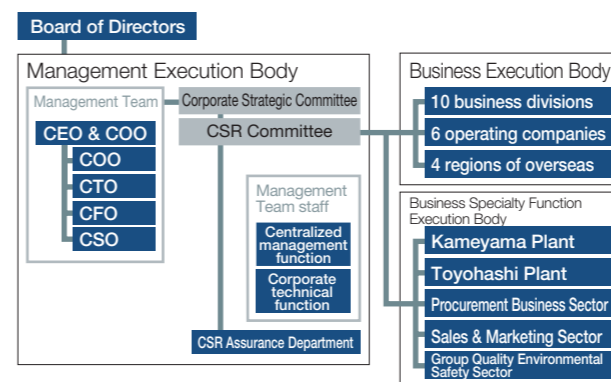


Note CEO: Chief Executive Officer of the group
 COO: Chief Operating Officer of the group
 CTO: Chief Technology Officer of the group
 CFO: Chief Financial Officer of the group
 CSO: Chief Strategy Officer of the group

CSR assurance system

CSR Committee and CSR Assurance Department were established.

The Nitto Denko Group established the CSR Committee as an umbrella organization of the CSR assurance activities and the CSR Assurance Department as a promotional secretarial organization in fiscal 2005. At the same time, a person responsible for each execution body was nominated as the CSR assurance manager to ensure communication within the organization.



Business Execution Body

Ten business divisions responsible for the execution of business: four overseas regions (U.S.A., Europe, East Asia, and South Asia) and six operating companies (Nitto Shinko Corporation, Nitto Denko CS System Corporation, Nitoms Inc., Nissho Corporation, Kyoshin Corporation, and Nitto Denko Matex Corporation)

Business Specialty Function Execution Body

Specialty function divisions responsible for business and the Toyohashi Plant and the Kameyama Plant with a cross-sectional function covering multiple business divisions

Risk management

Eight Priority Risks were defined.

In November 2003, the Nitto Denko Group conducted a risk management survey targeting a total of 1,000 management level employees and directors within the group. Based on the results, the group defined eight priority risks.

In fiscal 2005, the group will enhance the practicability of risk management, including emergency response field exercises. In addition to conventional auditing activities, a survey of potential risk will also be implemented in all execution bodies to thoroughly identify the risks that threaten human life, health, and safety as well as the risk of betraying the confidence of people in society.

Eight Group Priority Risks

- | | |
|-------------------------------|---------------------------------------|
| 1) Product/Manufacturing risk | 5) Environmental risk |
| 2) Compliance risk | 6) IT risk |
| 3) Labor risk | 7) Risk of crimes against the company |
| 4) Accident/disaster risk | 8) Other |

Compliance

Compliance attitude surveys were conducted.

The Guidelines for legal and ethical compliance were stipulated in April 2003 as the basic criteria for determining compliance.

In fiscal 2004, an attitude survey was conducted in terms of legal and ethical compliance, targeting all permanent employees of the group. The results show an overall high penetration of the corporate philosophy and the policy of the president "Open, Fair and Best," while the individual trend varies according to the employee's organization or age.

To ease the deviation, the group will endeavor to disseminate the idea widely and establish awareness of compliance through education and training in fiscal 2005. The global application of the Guidelines is planned, and for this purpose, it will be reviewed and translated into multiple languages.

Business ethics help line

Another line to an external counselor was established to protect anonymity.

To strengthen the capacity of the group to initiate self-corrective behavior, the Nitto Denko Group in Japan established a business ethics help line in 2003. The help line is operated under a policy where the first priority is placed on both confidentiality of information and a ban on unfair treatment of the informer.

In fiscal 2004, the group conducted a survey on the effectiveness of the help line. The result was that 42% of employees were aware of the line and 43% answered they would use the line. It was revealed that employees did not use the line due to the concerns about anonymity as well as how the company would handle the information.

In April 2005, the group established another help line connected to an external counselor for a higher level of transparency and anonymity. Now, it has both internal and external lines available for employees. The group will endeavor to familiarize employees with the help line through education, training, and other opportunities.

Protection of personnel information

Striving for perfect information protection has been conducted.

The Nitto Denko Group recognizes the importance of protecting personal information and understands the purport of the Law concerning the Protection of Personal Information. The law stipulated the Nitto Denko Group's Regulations for Protection of Personal Information in December 2004. Furthermore, guidelines that clearly describe the regulations and concrete measures were prepared to ensure that employees thoroughly understand the policy.

The Nitto Denko Group's Efforts on a Group-wide and Global Scale

Right: Plenary session held on 16 and 17 November
Below: Environment and Safety Sector Global Meeting held on 18 and 19 November



Global Activities

The 1st Global Technology Conference

The first Global Technology Conference was held in Osaka from 16 to 19 November 2004. Under the theme "To be a global excellent company," approximately 350 members assembled from the Nitto Denko Group companies all over the world. The objective of the conference was to share information in response to the globalization of the business and to raise the level of activities at each site. The conference had been held by each sector until last year.

Year 2004, however, became the first year when four sectors convened joint conference: R&D, Environment and Safety, Quality Assurance and Procurement Business.

A plenary session was held the first two days, where candidates for Global Niche Top* products were announced and exhibited, accomplishments were presented by each sector, and posters were displayed. All communication was in English, which was an opportunity to impress upon the participants the globalization of corporate management. Sector meetings were held in the latter two days, where members from the same sector shared issues, problems, and technologies with each other.

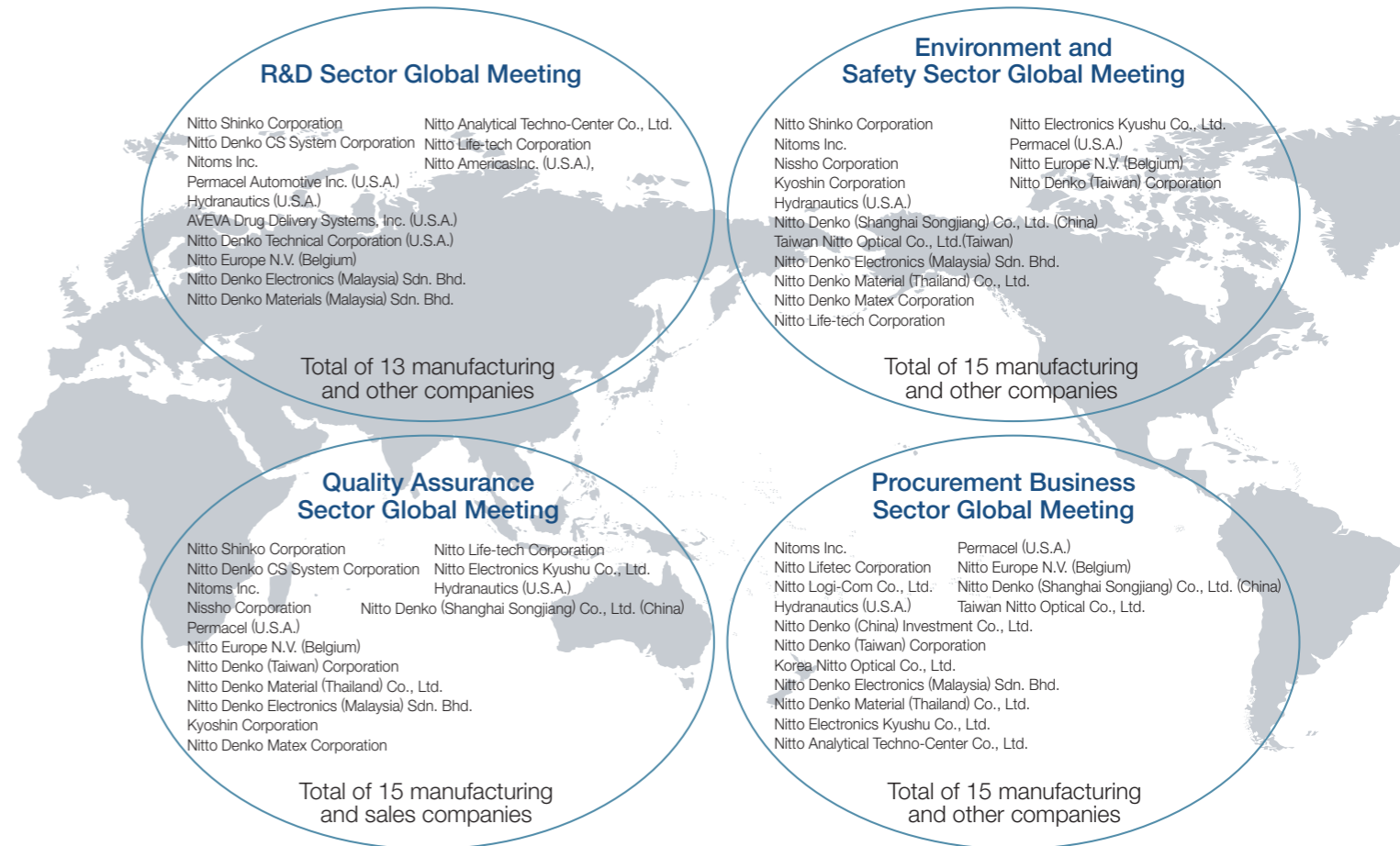
The decision was made to have the conference in fiscal 2005 as well, under the theme "To improve quality" and the sub-theme of Corporate brand (CB) and Corporate Social Responsibility (CSR). The conference will be held every year to exchange information and strengthen communication with other companies around the world.



On November 16 and 17, posters were exhibited, and each sector reported its accomplishments.

* Global Niche Top Products: Products based on the basic strategy of selecting growth markets to capture a niche area and with the aim of securing the world's largest share in the area using the group's unique, differentiated competitive edge.

Group companies participating in the global meetings



R&D Sector Global Meeting

Participants made presentations on products and technology development that use nanotechnology and coating techniques from the Nitto Denko Group. A question-and-answer session was held, and R&D members from all over the world had a constructive discussion.

Through the presentation and the Q&A session, participants shared issues on each nation, leading global technologies, and the status of development in other parts of the world. Such shared information will be utilized for research and development at each site.

Quality Assurance Sector Global Meeting

Under the objective to provide the best quality and service, the theme "recognition of global excellent quality level and the measures to be taken" was discussed in the form of a group discussion. Participants discussed the improvement of customer satisfaction, human resource cultivation and education in terms of quality assurance, compliance with laws and regulations on a global scale, and methods for pursuing quality assurance to avoid the generation of defective products. A variety of issues at each site were identified.

To resolve the issues, a concrete roadmap toward 2007 will be prepared, and quality action plans will be implemented by the whole group in accordance with the map from fiscal 2005.

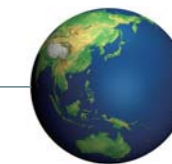
Environment and Safety Sector Global Meeting

The whole group's indices and target values were set for the periods until fiscal 2007 and 2015. For the environmental aspect, a common environmental management index **→P19** and target values were specified, considering measures to prevent global warming. As for safety, the target to eliminate fatal accidents within the group was set for fiscal 2015, stipulating that the number of fatal accidents per a million hours shall be reduced to 25% of fiscal 2005 (based on the group's unique criteria), and concrete activities for achieving the target were planned for each individual site.

An opportunity for group discussion was provided where participants had a lively discussion in both English and Japanese.

Procurement Business Sector Global Meeting

Current conditions were reported by each site, and group discussions were conducted. Six sites, including three overseas sites, reported the influence of the global issue—soaring oil prices—and measures to address it. In the group discussion, participants discussed the role the procurement departments should play toward the realization of the mid-term management plan under the subjects information sharing, optimization of overseas physical distribution, and the possibility of central purchasing.



Activated exchange among group companies in South Asia in terms of environment, safety, and quality



Members from group companies in South Asia meet at the conference.

All manufacturing companies aim at the acquisition of standard certifications

Nitto Denko Electronics (Malaysia) and Nitto Denko Materials (Malaysia) jointly engage in activities concerning the environment, safety, and quality. Each company acquired the international standard certifications in the fields of the environment, safety, and quality as the first overseas manufacturing group companies. Both are in practical terms the leaders of such group companies. They were awarded 5S (Seiri-Neatness, Seiton-Orderliness, Seiso-Cleanliness, Seiketsu-Cleanliness, Shitsuke-Discipline: Five terms beginning with "S" in Japanese that focus on effective workplace organization) Certification by the National Productivity Corporation, a Malaysian governmental organization. In February 2005, an employee of Nitto Denko Electronics (Malaysia) was selected and appointed as an energy management committee at the Federation of Malaysian Manufacturers (FMM), the largest and most traditional economic organization in Malaysia. Since its foundation in 1968, FMM has supported the growth and modernization of Malaysia as an industry leader and now consists of approximately 2,000 Malaysian companies in the manufacturing and industrial service sectors. It is a great honor to join such an economic organization as a committee member.



Fire drill at NIDEM

Regional activities in South Asia can be traced to the small group activities between Nitto Denko Electronics (Malaysia) and Nitto Denko (Vietnam) from September 2003. Before this, only the top management of the two companies communicated with each other. The necessity for cooperation by neighboring companies was required to improve the weaknesses in the environmental, safety, and quality activities; to narrow the gap between the companies in terms of activity levels; and to enhance the capability of the members of each company through the activities. It is also designed for intense communication between local members and for sharing information regarding the environment, safety, and quality. In September 2003, the first meeting was held in Malaysia. Nitto Denko (Thailand) and Nitto Denko (Philippines) participated in the meeting as observers. The two companies were welcomed as official members in May 2004. The activities are supported by the top management of group companies in South Asia, and employees in this region now expand their sphere of

activities to the inheritance of the Nitto Denko Group corporate culture based on the philosophy of "One-Nitto," in addition to the information exchange about the above three fields.

Concrete activities include a study meeting for the acquisition of the environment, safety, and quality certifications, virtually headed by Nitto Denko Electronics (Malaysia) and Nitto Denko Materials (Malaysia). The purpose of the meeting is to communicate knowledge and technologies as well as to raise the level of the three fields in South Asia through mutual internal auditing. The scope of the activities will be extended to include information exchange about administrative tasks and human resource management.

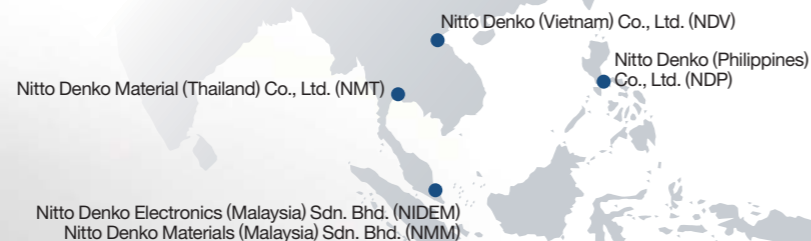
In fiscal 2004, four Group Works were held in South Asia. As participants visit each other's companies, it is a good opportunity for them to learn about the approach or the progress of activities at the host company and thus to understand each other.

The target is that all manufacturing companies in South Asia acquire international certifications that meet the environment, safety, and quality standards by the end of fiscal 2007, and the Nitto Denko Group is recognized as a global excellent company in the end.

Out of 113 companies of the Nitto Denko Group worldwide, fourteen manufacturing companies are located in the South Asia region.

Leaders in the area serve as an engine for remaining companies and guide them for activating the area activities. Nitto Denko Electronics (Malaysia), a manufacturer of semiconductor-encapsulating materials that was founded in 1989, and Nitto Denko Materials (Malaysia), a manufacturer of adhesive tapes that was founded in 1993, are recognized as leaders in this region.

This section introduces the activities to raise the level of technologies and expertise in this region, led by the above two companies.



Acquisition of international standard certifications by NIDEM and NMM

- 1994 ISO 9002 (Quality)
- 1999 ISO 14001 (Environment)
Quality Certification Scheme (Quality)
5S Certificate
- 2000 QS9000 - 2000 JQA (Quality) (by NIDEM only)
- 2004 OHSAS 18001 (Safety)
ISO/TS 16949 (Quality)



History of activities in terms of environment, safety, and quality

- September 2003 The 1st South Asia Group Activity held in Malaysia, and NIDEM and NDV participated.
- February 2004 The 2nd South Asia Group Activity held in Vietnam, and NIDEM and NDV participated.
- May 2004 The 3rd South Asia Group Activity held in Malaysia, and NIDEM, NDV, NDP, and NMT participated.
- September 2004 NIDEM members visited NMT to explain environment and safety as well as the 5S Practices.
- October 2004 NMT members participated in the group activities at NIDEM.
Participated in the presentation session of the group activities and studied the 5S Practices.
- March 2005 NMT and NDV members participated in the study meeting about OHSAS18001 at NIDEM.



Promoting comprehensive environment and safety measure activities in China



China has the world's largest population at 1.3 billion. While it enjoys rapid economic growth, environmental issues have become conspicuous.

The Nitto Denko Group companies in China tackle environmental conservation. This section introduces the activities of Nitto Denko (Shanghai Songjiang) (hereafter, NSS), a wholly owned subsidiary of Nitto Denko established in 1995 as the second manufacturing base in China. The company started substantial operations in 1998 and now produces lead-free polyvinyl chloride (PVC) tape, polymer reverse osmosis membrane modules, and other products. The products are used not only in China but also in many parts of the world.

NSS is the most active about environment and safety activities among the thirteen manufacturing group companies in China and is a member of the Environment and Safety Sector Global Meeting. The company is also included in the Group's environmental accounting and is an execution organization of the Environmental Voluntary Plan.

NSS cares about the company, employees, society, China, and the world and aims to be a safe and employee-friendly organization that does not make an impact on the environment and strives to acquire integrated certification on the environment, safety, and quality (ISO 14001, OHSAS 18001 and ISO 9001), in addition to the quality standard certification that the company has already acquired.

Company Profile

Company name: Nitto Denko (Shanghai Songjiang) Co., Ltd.
(100% subsidiary of Nitto Denko Corporation)
Address: Shanghai Songjiang Industrial Zone, No.116 Liyang Rd., Songjiang, Shanghai, China
Capital: US\$41.3 million
Established: December 1995
Number of employees: Approximately 400
International standard certification: ISO 9002 and QS 9000 acquired concurrently in January 2000
ISO 9001 in May 2003
Major products: Polymer reverse osmosis membrane modules
Lead-free polyvinyl chloride (PVC) tapes
Anticorrosion heat shrinkable tubes (NEO COVER)
Fluoroplastic tapes (NITOFロン tape)



NITOFロン tape

Polymer reverse osmosis membrane modules



Fire and evacuation drill

Dramatic improvement of waste recycling ratio from the previous year

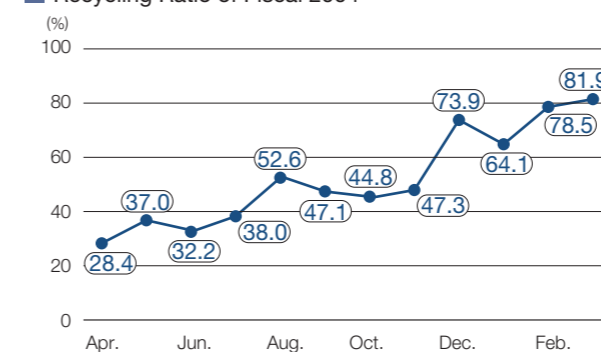
NSS introduced an environmental accounting system in 2002 to improve cost consciousness by knowing the converted monetary value of industrial wastes and to reduce waste generation by the combined efforts of the manufacturing and administration sections. As industrial waste generation is on the increase in line with the increase in production, NSS concentrates its efforts on measures to reduce industrial waste generation and increase recycling.

Measures to reduce the generation include the establishment of a management system for product defect ratios and yields in each process. The system identifies the process where industrial waste is generated and enables us to devise a countermeasure against the source of generation. As a result, the amount of industrial waste generation was reduced by 10% in fiscal 2004.

When we turn our eyes to recycling, NSS started heat recovery from incineration of industrial waste, waste oil, and waste fluids in fiscal 2004, in addition to the conventional effort to recycle the edge of PVC tapes. The result shows dramatic improvement in the recycling ratio from 30% in April 2004 to 82% in March 2005. The company set a target of 90% or over for March 2006 (average for fiscal 2005 was 85%) and is committed to further increase recycling.

Furthermore, NSS achieved a 1,600-ton reduction in monthly water consumption as a result of the promotion of recycling water. For fiscal 2005, it is planning a 28,000-ton reduction in total.

Recycling Ratio of Fiscal 2004



Although we produced significant results in terms of the environment in fiscal 2004 by improving the waste recycling ratio, we would like to tackle global warming, which is a shared global concern. The first priority is safety. We would like our company to contribute to, employees, Songjiang, Shanghai, China, and the world.



Environment and Safety Manager



Staff and a deodorizing furnace

Promoting traffic safety campaign with the local community

At NSS, the president also holds the post of chairman of the total safety organization. The organization conducts a variety of activities in each field of occupational safety, occupational health, environment and safety, fire and disaster prevention, and traffic safety. The activities are based on NSS's unique total safety action plan laid down every year, where the group's policy stipulated at the Environment and Safety Sector Global Meeting **-P11-12** is also reflected.

For occupational safety, Risk Prediction Training (KYT) has been conducted since its foundation in 1995, and the risk assessment system has also been introduced to prevent accidents. As for fire accident prevention, the company pays special attention to the human aspect (soft measures), such as educational and training opportunities, while fire extinguishing equipment (hard measures) is readily available.

Due to the characteristics of the Songjiang region where NSS is located, the company places the first priority on traffic safety. Considering the regional traffic conditions where bicycle and motorbike accidents occur frequently, the company provides educational and instructional opportunities to prevent its employees from being involved in such accidents while commuting. The number of traffic accidents where NSS employees were involved increased from two in fiscal 2000 to nine in fiscal 2003. As countermeasures, the company prepared and distributed booklets on traffic safety and traffic hazard maps within the commuting area, while focusing employees' attention on measures for traffic safety by requiring the registration of bicycles and motorbikes, wearing of helmets, having traffic safety committee members check them when they commute, and imposing penalties on violations of the rules. The company also asked the Japanese Enterprise Association in the Songjiang area for cooperation in ensuring traffic safety, thus liaising with the local community. As a result of these efforts, the number of traffic accidents in fiscal 2004 was reduced to one. The company is committed to improve traffic conditions nearby, working together with neighboring companies.

Relation between the Manufacturing Process of Adhesive Tapes and Environmental Impact

The Nitto Denko Group produces its products with materials such as base materials and adhesives as well as energy and water resources. We make all possible efforts to minimize the environmental impact generated from the processes. For example, in the manufacturing process of adhesive tapes, one of our representative products, organic solvents often play an important role when adhesives are applied to the base material. In addition, it is almost impossible to eliminate the generation of every edge part of a tape and defect from production activities. Under the circumstances, the group recovers wastes, waste heat and water, and organic solvents choosing the method based on their characteristics, and reuses them by material recycling*1 and thermal recycling*2 to save energy and reduce environmental impact.

*1 Material recycling: Reuse the wastes as raw materials
 *2 Thermal recycling: Use the wastes as fuel, and then recover and use the thermal energy

Environmental Voluntary Plan ①

Reducing industrial wastes P22

From the manufacturing processes, a wide variety of wastes are generated. Wastes from the Nitto Denko Group include the edge of tapes generated when cutting a tape, wastage of films as a result of changes in product types, scraps from the punching process, and defectives. The recycling ratio of Nitto Denko on a non-consolidated basis is as high as 98.6% as a result of efforts for material recycling, where wastes are treated and then reused as raw material, and thermal recycling, where thermal energy from incineration of wastes is utilized.

Environmental Voluntary Plan ②

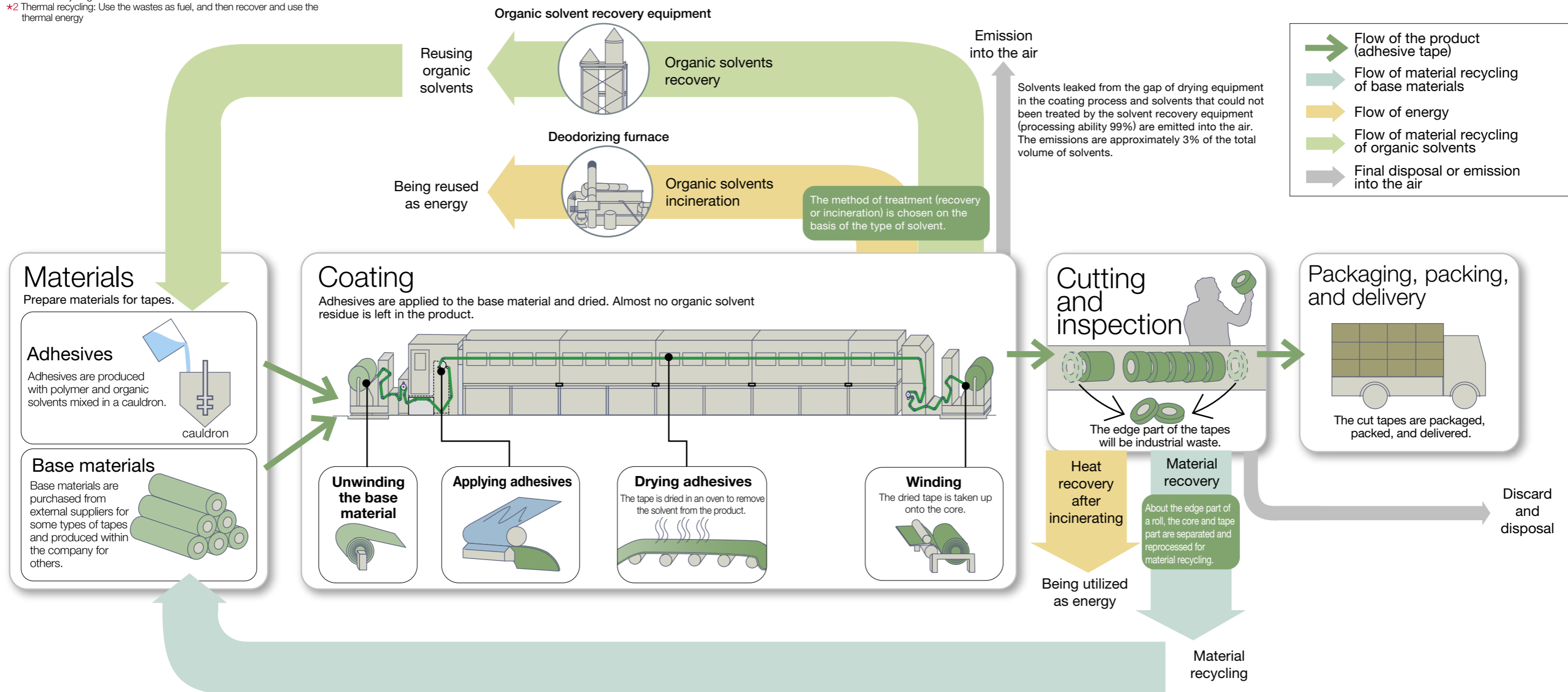
Preventing global warming P23

To reduce emission of CO₂, one of the greenhouse gasses, Nitto Denko makes efforts for efficient use of energy, including installation of energy-saving facilities and co-generation systems, as well as converting fuels to ones with less environmental impact. CO₂ is also emitted even from deodorizing furnaces that treat organic solvents used and emitted at the manufacturing processes. All such furnaces are equipped with heat recovery systems to recycle thermal energy, reducing energy consumption in the process and thus preventing global warming.

Environmental Voluntary Plan ③

Preventing air pollution P24

Organic solvents which become one of the causes of air pollution if emitted into the air are rarely included in the products. But they play an important role in the process of producing adhesives. The Nitto Denko Group reuses the solvents as raw materials after treating them in the recovery equipment, or reuses them as thermal energy after incineration in the deodorizing furnaces. Furthermore, to reduce the total consumption of organic solvents, we have reviewed the total manufacturing processes and developed a product that does not require organic solvents in the manufacturing processes.



Environmental Management

The Nitto Denko Group formulated the Corporate Environmental Policy in 1996. Based on the policy, the group is endeavoring to realize environmental management that enables both improvement in resource productivity and business growth. In fiscal 2005, we will set the group's targets for the environmental management index and accelerate the activities on a group-wide and global scale.

Establishing an environmental activity promotion system

Seven group companies participated in the Group Environment and Safety Committee to share information.

The Group Environment and Safety Committee and the Environment and Safety Sector Global Meeting have been held since fiscal 2003. Members in charge of the environment and safety participate in the committee and meeting to share information within the group. Nissho Corporation, Kyoshin Corporation, and Nitto Denko Matex Corporation newly joined the committee in fiscal 2004 in addition to four Japan domestic group manufacturing companies*1.

*1 Japan domestic group manufacturing companies include Nitto Shinko Corporation, Nitoms Inc., Nitto Life-tech Corporation, and Nitto Electronics Kyusyu Co., Ltd.

Acquisition of ISO 14001 certification

Two overseas group companies aim at acquiring the certification.

All Japan domestic plants and major group manufacturing companies acquired the certification by March 2001. Eight of the overseas group companies have obtained the certification. As of fiscal 2005, Nitto Denko (Shanghai Songjiang) and Nitto Denko (Taiwan) are in the process of acquisition.

Internal audit

To reduce risks, the group internal audit that covers the fields of environment, safety, and quality has been implemented.

Nitto Denko established the Specialty Technology Audit Department in September 2004, followed by formulation of the Nitto Denko Group Regulation for Specialty Technology Audit in the Fields of Environment, Safety, and Quality in August 2004 and its enforcement in October 2004. The whole

group is subject to the regulation, where an annual audit in the fields of environment, safety, and quality is defined. The focus of the audit is not on the system itself as in a conventional audit, but on the remedy for the root causes of risks to identify and reduce risks.

Fiscal 2004 was the first year using this system. Thirteen sites, seven Nitto Denko Japan domestic plants, five Japan domestic group manufacturing companies, and one overseas group manufacturing company were audited, and dozens of items requiring improvement were pointed out at each site. Each of the companies is currently endeavoring to improve the items. In fiscal 2005, 33 major domestic and overseas manufacturing companies will be audited. In addition, Nitto Denko will provide training opportunities for auditors as well as heads of auditee sections. The training opportunities for the section heads will enable them to provide extensive management of their own responsible sections.

Setting environmental management index

The environmental management index is set to evaluate environmental impact and value-added comprehensively.

The Nitto Denko Group set the group's common environmental management index (vs. throughput*2 per unit of production) at the Environment and Safety Sector Global Meeting in fiscal 2004. The purpose of the index is that the group will make a concerted effort to reduce all environmental impacts generated from business activities. The index comprehensively evaluates the relation between environmental impact and value-added, also converts all environmental impacts into CO₂ emission equivalents (direct, indirect and constructive) to prevent global warming in the end.

In fiscal 2005, the group will draw up action guidelines on the concrete efforts required for the realization of group's environmental management and also set the middle- and long-term targets for fiscal 2006 or later.

*2 Throughput: The value added by the company through its activities.

Environmental Management Promotion System



Environment and Safety Sector Global Meeting (yearly)
It thoroughly communicates the group's environment and safety plan of the next fiscal year to the plants and each company and gives the direction to reflect them in the individual plan.

Group Environment and Safety Committee (quarterly)
It deliberates the environment and safety mid-term and fiscal year plans, as well as sharing practical issues and exchanging opinions to work out a solution. Especially, important items will be discussed at the corporate strategic committee and will be implemented only after its approval.

Environment and Safety Center
This center has control over the environment and safety sections in Japan domestic plants and domestic and overseas group companies. The roles are to collect and provide information about environment and safety to manage and offer technical support to the group's environment and safety activities. Directly reporting to the executive who is supervising the environment and safety, the center promptly responds to and practices the decisions of the top management.

Results of the Environmental Voluntary Plan

In 1993, Nitto Denko established the "Nitto Denko Environmental Conservation Activities Plan (Environmental Voluntary Plan)", as specific action guidelines for facilitating environmental protection activities. Currently, each plant and business division are working on the achievement of the targets set for fiscal 2005 and 2010.

Results of the Environmental Voluntary Plan in fiscal 2004

(Nitto Denko on a non-consolidated basis)

The recycling ratio marked 98.6%, achieving the target as we did in fiscal 2003. The consumption of energy per unit of production was 445 liters per 1 million yen, achieving the FY 2005 target ahead of schedule. For the ratio of industrial waste value and the organic solvent emission volume, the company is moving toward the achievement of the target in fiscal 2005.

Moreover, the second Environment and Safety Sector Global Meeting was held to promote environmental conservation activities on a group-wide and global scale. Eight overseas group companies representing six countries participated in the meeting. The number of participating companies increased by one compared to 2003.

Results of the Environmental Voluntary Plan in fiscal 2004 (non-consolidated)

Item		Target	FY 2004 Results	Page
To reduce industrial waste	Recycling ratio	FY2005 Target Maintain 98% or over from fiscal 2003 to fiscal 2005	98.6% The FY 2005 target has been achieved on the company average basis.	P22
	Ratio of industrial waste value	FY2005 Target 12% in fiscal 2005 (5 point reduction against fiscal 2000)	12.3% The achievement of the target for fiscal 2005 is almost secured.	
To prevent global warming	Consumption of energy per unit of production	FY2005 Target 460ℓ /¥1million by fiscal 2005 (20% improvement over fiscal 1990) FY2010 Target 430ℓ /¥1million by fiscal 2010 (25% improvement over fiscal 1990)	445 liters/¥ 1 million The FY 2005 target was achieved ahead of schedule.	P23
To prevent air pollution (Reduction of organic solvent emission volume)	Organic solvent emission volume	FY2005 Target 1,200t/year or less by fiscal 2005 FY2010 Target 960t/year or less by fiscal 2010	1,240 metric tons/year The achievement of the target for fiscal 2005 is almost secured.	P24
To continue promoting acquisition of international standards for environmental protection (ISO 14001)		Our Japan domestic production bases are continuing to improve environmental management by applying ISO 14001 at our overseas manufacturing bases as well.	ISO 14001 certification was acquired by • All 6 Japanese domestic plants and HQ • 8 Japan domestic group companies • 8 overseas group companies. Nitto Denko (Shanghai Songjiang) and Nitto Denko (Taiwan) are planning to acquire certification in fiscal 2005.	P19
To support overseas business operations (Expanding environmental consciousness on a group-wide and global scale)		We are carrying our environmental conservation based on "10 environmental matters to be considered for overseas business expansion" indicated by the Federation of Economic Organization, Japan in the "Global Environment Charter"	• The second Environment and Safety Sector Global Meeting was held in November 2004. 7 Japan domestic group companies and 8 overseas group companies representing 6 countries participated the meeting. The meeting is to be held in fiscal 2005 to share information about environment and safety on a global scale.	P11 { P12

Material Flow in Business Activities

The Nitto Denko Group promotes material recycling*1 and thermal recycling*2 of industrial wastes. Organic solvents are recovered in the recovery equipment (material recycling), or incinerated and decomposed in deodorizing furnaces to utilize their thermal energy (thermal recycling).

Material flow in fiscal 2004

(Nitto Denko on a non-consolidated basis)

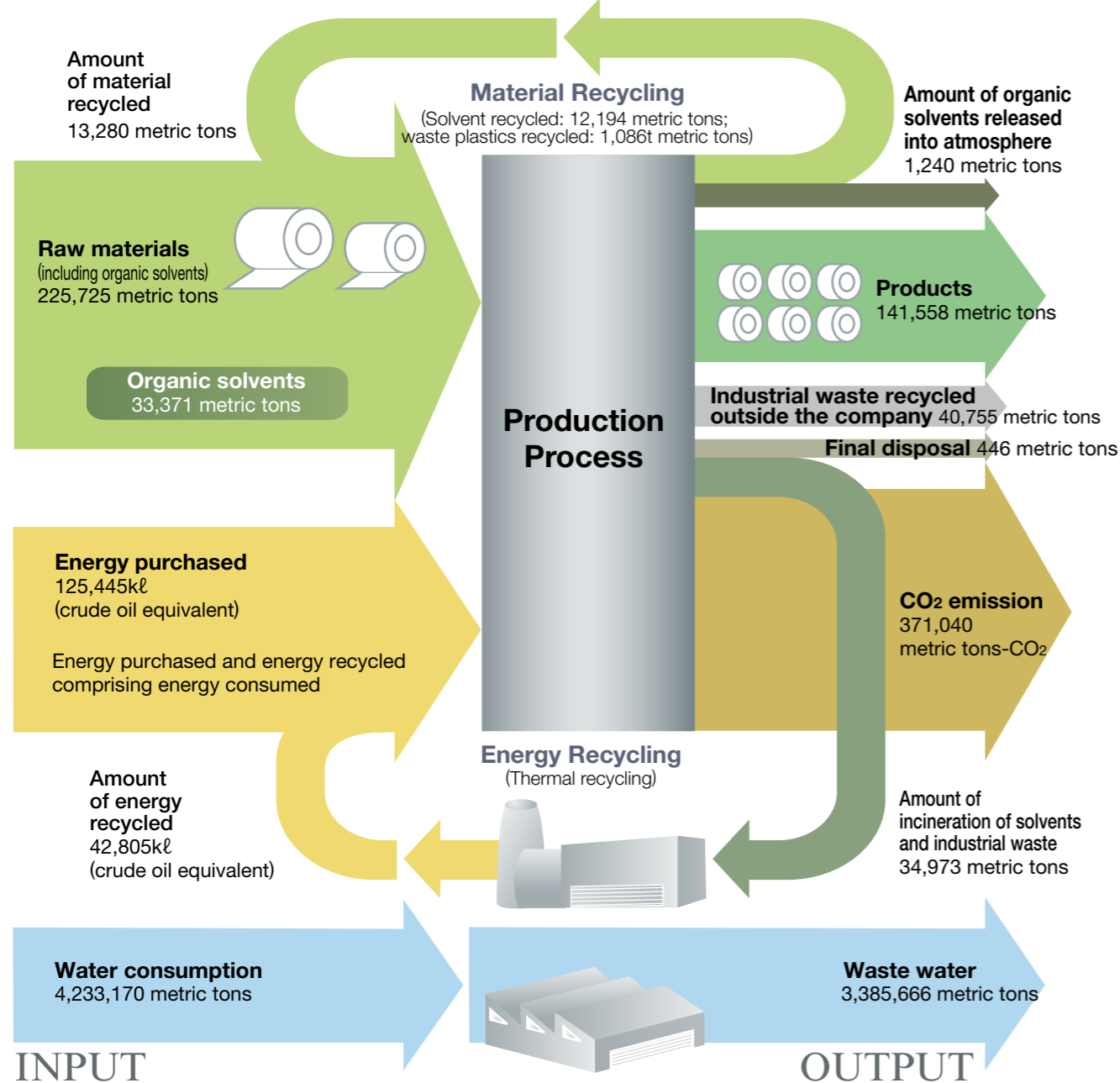
In fiscal 2004, the total raw materials purchased (synthetic resin, paper, rubber, etc.) amounted to 225,725 metric tons, and the total energy purchased was 125,445 kiloliters (crude oil equivalent).

The amount of materials recycled was 13,280 metric tons due to the recovery of organic solvents by the dedicated

equipment in the Toyohashi Plant and the Shiga Plant and recycling of waste plastic in the Toyohashi Plant.

As for thermal recycling, energy of 42,805 kiloliters (crude oil equivalent) was recycled through the heat recovery process by incineration of organic solvents and wastes in deodorizing furnaces.

Fiscal 2004 Material Flow (Nitto Denko on a Non-consolidated Basis)



*1 Material recycling: Reuse the wastes as raw materials
*2 Thermal recycling: Use the wastes as fuel, and then recover and use the thermal energy

Reducing Industrial Wastes

Reducing industrial wastes

The Total Loss Reduction Project started to reduce total waste generation.

Nitto Denko defined the target for industrial waste recycling ratio*1 for fiscal 2005 as 98% or over. Toward the achievement of this target, all plants thoroughly separate wastes according to their types, increase the recycling ratio of valuable resources and promote thermal recycling or material recycling of other wastes in the industrial waste treatment facilities to which the company outsourced their treatment. As a result of the efforts, the rate marked 98.6% in fiscal 2004 and the target was achieved.

The ratio of industrial waste value*2 was improved by 1.5 points from fiscal 2003 to be 12.3%, as a result of such efforts as improving yield in business activities, reducing energy included in the process cost, and altering manufacturing processes. The achievement of the target for fiscal 2005 is almost secured.

However, the total amount of industrial waste generated was the largest ever, marking 51,882 metric tons in fiscal 2004 and a 23% increase from fiscal 2003, due to the increase in production. To reduce the waste generation itself, the Total Loss Reduction Project was inaugurated in November 2004. The project reviews the total manufacturing process and develops a production method that does not produce industrial waste (narrowing sources).

This project was first started in the Shiga Plant where membrane products are handled and the development technology used in this product can be applied to almost all membrane products. Substantial reduction of industrial waste generation compared to the previous year is expected in fiscal

2005. The project will be applied to the Kameyama Plant and other plants, and then finally to all divisions to reduce the total industrial waste generation. Moreover, we will further focus on the establishment of the technology to reuse the generated wastes as raw materials (narrowing outlets).

*1 Industrial waste recycling ratio: Ratio of industrial wastes material recycled or thermal recycled.
*2 Ratio of industrial waste value: An original index showing the ratio of the material and process cost of industrial wastes themselves to the total production.

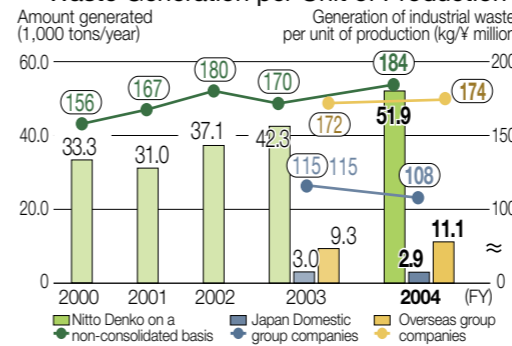
Authorized under the interregional industrial waste recycling manufacturer appointment system

The Nitto Denko products used at the customer end are material recycled.

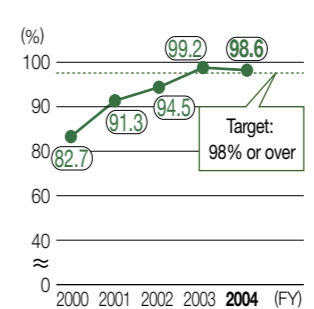
For the purpose of promoting the reduction of industrial wastes and effective resource utilization at the customer's end, Nitto Denko was successfully approved under the interregional industrial waste recycling manufacturer appointment system*3 for the products of the Surface Protective Products Division in April 2003 and for the products of the Industrial Products Division in August 2004. The system enables us to collect and treat the Nitto products used and discarded by the customers throughout the nation. Although the treatment of collected wastes was outsourced to external specialists, equipment and systems in the Toyohashi Plant became ready for recycling in fiscal 2004. Now, wastes are treated and effectively utilized as raw material by Nitto Denko.

*3 Interregional industrial waste recycling manufacturer appointment system: allows manufacturers to collect and recycle the used and wasted products originally manufactured by the company inter-regionally without obtaining license for industrial-waste disposal business, if the purpose for collection is recycling

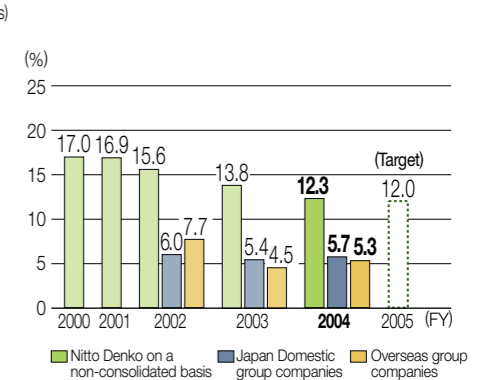
Industrial Waste Generated and Waste Generation per Unit of Production



Recycling Ratio



Ratio of Industrial Waste Value



TOPICS

The Recycling Center (tentative name) will be established in the Toyohashi Plant to promote material recycling of films.

The Toyohashi Plant has long been tackled recycling. To further increase the volume of material recycling and add more value as raw materials, it will construct the Recycling Center (tentative name) within its site in November 2005. The center will partly start material recycling of the waste from the production activities and used films collected from the customers as defined in the

interregional industrial waste recycling manufacturer appointment system as above. It will also develop recycled films and sub-materials with utilizing the recycling technologies to substantially increase the ratio of the use of recycled materials in the company, which currently remains at approximately 4%.

Preventing Global Warming

Use of energy

The target of fiscal 2005 for the consumption of energy per unit of production was achieved.

The Nitto Denko Group aims at reducing the consumption of energy per unit of production (crude oil equivalent of energy consumption per production of one million yen) to prevent global warming caused by massive greenhouse gas emission due to energy consumption.

Nitto Denko on a non-consolidated basis marked 445 liters/1 million yen in fiscal 2004 thanks to the effect produced by the introduction of ESCO* project. The target for fiscal 2005 (460 liters/1 million yen) was successfully achieved ahead of the schedule, largely exceeding the target of Japan Chemical Industry Association which Nitto Denko holds membership in.

Each plant is shifting the energy that it consumes from heavy oil to city or natural gas to reduce CO₂ emissions. The Onomichi Plant will introduce a photovoltaic power generation system in fiscal 2005. We expect it covers approximately 5% of the energy consumption in the Onomichi Plant.

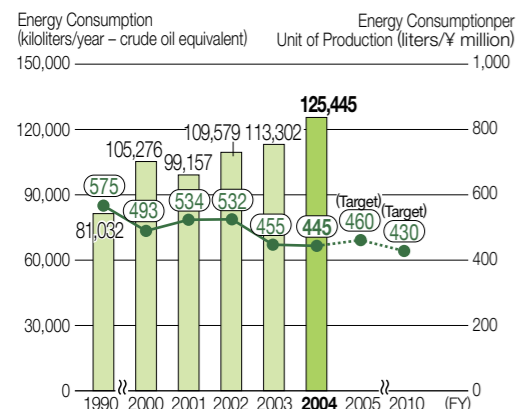
*ESCO Project: It stands for Energy Service Company and means a business to improve energy efficiency. Each company offers a comprehensive services including its technology, equipments, human resources, and the funds required for energy saving and receives a part of the benefit obtained through the energy savings from the customer in compensation for the service.

Fuel Conversion

December 2002	Shiga Plant	Converted from LPG to city gas
April 2004	Kameyama Plant	Abolished the use of heavy oil and converted to city gas
October 2004	Kanto Plant	Converted from heavy oil and LPG to city gas
January 2005	Onomichi Plant	Partly introduced natural gas

Energy Consumption and Energy Consumption per Unit of Production

(Nitto Denko on a non-consolidated basis)



CO₂ emissions from treatment of solvents

Efforts toward effective energy using with solvent treatment equipment is being conducted.

The Kyoto Protocol came into effect on February 16, 2005. It defines 5% reduction in the annual average of greenhouse gas emitted from all developed countries from 2008 to 2012 compared to the level of 1990.

The Nitto Denko Group uses a large volume of organic solvents in its manufacturing processes. CO₂ emissions, which are from the operations of solvent recovery equipment and deodorizing furnaces and from the incineration of solvents in such furnaces, account for approximately 25% of the total emission.

The group is reducing fuel consumption by installing a boiler in the furnace, recovering heat from the incineration of organic solvents, generating vapor being utilized as energy for production. Thus, it endeavors to reduce CO₂ emissions in total.

In the Toyohashi Plant, 50% of CO₂ emissions results from solvent treatment. To reduce such CO₂ emissions, the plant has been replacing a direct-fired deodorizing furnace with a regenerative deodorizing furnace and introducing solvent recovery equipment since August 2004 in stages according to the predetermined plan. We expect 7% reduction in CO₂ emissions (approximately 15,000 metric tons/year), improvement in consumption of energy per unit of production, and reduction of energy costs.

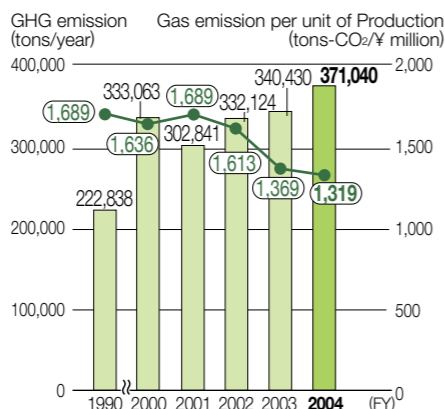
Greenhouse gasses other than CO₂

Use of SF₆ was totally abolished in fiscal 2004.

The Kameyama Plant had used SF₆, one of the greenhouse gasses, in the performance test of electrical insulation materials but succeeded in total elimination of the gas in fiscal 2004. The Nitto Denko Group does not use other chlorofluorocarbon greenhouse gasses (HFCs and PFCs).

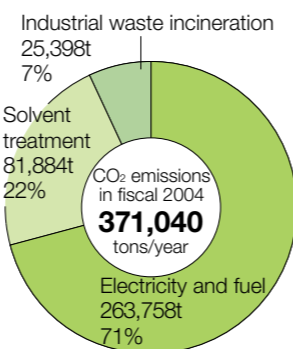
Greenhouse Gas Emission and Gas Emission per Unit of Production

(Nitto Denko on a non-consolidated basis)



CO₂ Emissions by Factor

(Nitto Denko on a non-consolidated basis)



Preventing Air Pollution (Reducing organic solvent emission)

Emission of organic solvents into the air

The emission of organic solvents into the air is constantly being reduced to achieve the target.

To reduce the amount of organic solvents emitted into the air, including toluene, ethyl acetate, xylene, and methyl ethyl ketone, the Nitto Denko Group has taken the measures to narrow the outlet by installing solvent recovery equipment and deodorizing furnaces since 1970's. As a result, the amount of the emissions has decreased year by year. In fiscal 2004, Nitto Denko on a non-consolidated basis marked 1,240 metric tons, which is a steady step toward the target for fiscal 2005 of 1,200 metric tons or less. Solvent consumption per unit of production showed 51% improvement compared to fiscal 1990.

The total consumption of organic solvents, however, was approximately 44,000 metric tons (including 12,194 metric tons recycled), an increase of 4,000 metric tons from the previous year. The group promotes the development of non-organic solvent products to reduce the consumption.

CO₂ is also emitted from the incineration of organic

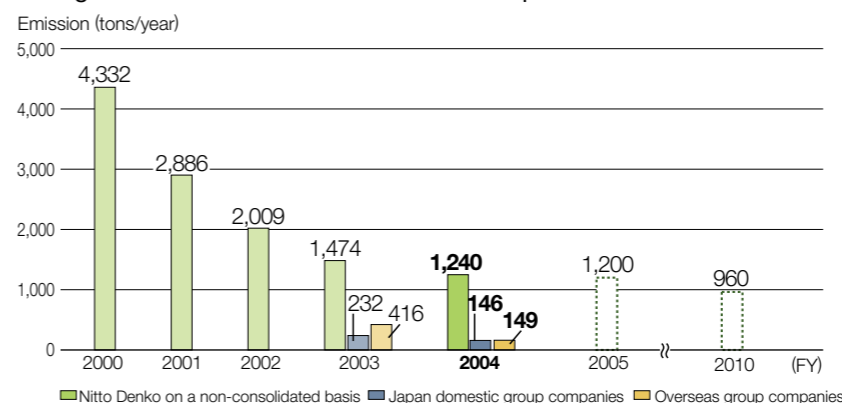


Deodorizing furnace in the Onomichi Plant

solvents in the deodorizing furnaces. Considering the type of treatment gas and energy consumption and comprehensively estimating the reduction of environmental impact, we employ the most appropriate method. (P23)

The overseas group companies also introduced deodorizing furnaces and solvent recovery equipment to prevent air pollution resulting from organic solvents.

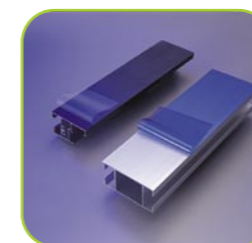
Organic Solvents Emission into the Atmosphere



Solvent Treatment Equipment Introduced in Fiscal 2004 by:

- Toyohashi Plant of Nitto Denko Corporation
- Shiga Plant of Nitto Denko Corporation
- Nitto Denko (Shanghai Songjiang) Co., Ltd.
- Nitto Denko (Taiwan) Corporation

TOPICS



Part of the surface protection film products became non-solvent products.

To minimize impact on human health and the environment, Nitto Denko has endeavored to eliminate organic solvent from the manufacturing processes since early 1970's. We researched the technologies of emulsion and UV polymerization that do not use organic solvents and developed non-solvent products as well as switching the existing products to non-solvent adhesives successively.

Nitto Denko put the surface protection film using water dispersion adhesives, which does not use organic solvents, on the market in April 2003. Since then, the company has promoted the switchover to non-solvent adhesives, and now all products subject to the switchover have been replaced by non-solvent ones.

Controlling Chemical Substances

Controlling chemical substances

Chemical substances subject to PRTR are properly handled.

Prior to the PRTR (Pollutant Release and Transfer Register) which is Japanese legislation in July 1999, Nitto Denko established the Nitto Denko Regulation for Specially Controlled Chemical Substances in fiscal 1995. Under this regulation, we have established and operated an original chemical substance control database to accurately grasp the volume of PRTR substances handled, released, and transferred.

Major PRTR substances handled by Nitto Denko include organic solvents like toluene and dichloromethane. To control their emission, we have placed recovery equipment and incinerating equipment (deodorizing furnaces) and taken measures to prevent leakage from the manufacturing facilities. **+P24**

On the other hand, we positively tackle the development of non-solvent products, aiming to reduce the use of organic solvents. **-P24**

In fiscal 2004, these efforts produced a 71% reduction in the emission to the atmosphere from fiscal 2000.

Controlling PCB

Disposal of PCB waste is being accelerated.

The Nitto Denko Group properly stores polychlorinated biphenyl (PCB), which is a hazardous substance, according to the Law Concerning Special Measures against PCB Waste (Japanese Law). It is our policy to accelerate disposal of PCB, utilizing the disposal reservation system.

About half of the PCB owned by the Toyohashi Plant will be treated by the waste disposal site of Toyota city in fiscal 2005, and the rest will be treated alike in the first half period (Kamii) of fiscal 2006. From now on, other plants and Japan domestic group companies will start the PCB treatment as required.

Amount of PCB Storage

(Nitto Denko plus Japan domestic group companies)

High pressure transformer (number of units)	1
High pressure capacitor (number of units)	63
Fluorescent/mercury lamp stabilizer (number of units)	308
PCB oil (liters)	100

Amount of Major PRTR Substances Emitted

(Unit: metric ton/year)

Chemical Substances	Nitto Denko on a non-consolidated basis					Japan domestic group companies
	2000	2001	2002	2003	2004	2004
Toluene	3,236	2,067	1,379	678	610	62
Dichloromethane	178	72	72	83	89	0
Xylene	27	26	16	20	16	0
Di-n-butyl phthalate	3	2	0	0	0	0
Ethylene glycol monomethyl ether	2	0	2	2	2	2
Ethylene glycol	0	0	0	1	1	0
Dichloropentafluoropropane	19	14	7	3	2	0
Bis (2-ethylhexyl) phthalate	5	4	4	0	0	0
Poly (oxyethylene) nonylphenyl ether	3	9	3	1	0	0
Acrylic acid	1	1	1	0	0	0
Ethylbenzene	0	0	8	8	9	0
N,N-dimethylformamide	0	0	0	0	28	0

Note: There was an error of calculation on the amount of toluene in 2001. The figure was 2,040 metric tons in "Environmental Report 2003". So we correct its figure on this table.

TOPICS

Database in three languages enables us to search for laws and regulations worldwide and data of chemical substances in raw materials.

As business becomes more and more globalized, it is essential to be compliant with laws and regulations worldwide. Each country has its own laws and regulations especially for chemical substances that may exert a profound influence on the human body and the environment.

Nitto Denko established an original database on chemical substances in April 1996. In April 2005, it was further enhanced and totally renewed. This database consists of laws and regulations concerning chemical substances in Japan and abroad, Material Safety Data Sheet (MSDS) from material manufacturers, a list of survey results on applicability of laws and regulations, and a list of survey results on inclusion of

specific substances, as well as material data and a list of substances voluntarily controlled by Nitto Denko, both of which are confidential information.

All group employees have access to the laws and regulations concerning chemical substances they handle.

A chemical substance handling manual can also be easily accessed by operators, enabling them to handle such substances in safety. The manual is currently available in Japanese, English, and Chinese. It will be translated into Taiwanese, Korean, Portuguese, and Vietnamese in fiscal 2005 to respond to multilingual needs and to facilitate the use in overseas group companies.

Other Environmental Conservation Activities

Efforts in logistics

Joint delivery system commenced for efficiency in logistics.

Domestic and overseas transportation of the Nitto Denko Group products is mostly handled by the NITTO LOGI-COM CORPORATION, one of the group companies. To strengthen the efficiency of total logistics, the company has tackled improvement in load efficiency and modal shift.

The company commenced a new joint delivery system for its Japan domestic transportation in January 2005. Conventionally, each company of the group delivered products individually to a customer. Now, products of the group companies in the same area are brought into a shared warehouse and then distributed to the customer all products at once.

From the viewpoint of reducing CO₂ emissions, the group will further enhance efficiency in domestic and overseas logistics.

Environmental conservation for soil and groundwater

Use of chlorinated organic solvents was totally abolished in all plants.

Nitto Denko has exerted efforts in elimination of the use of chlorinated organic solvents since the early 1990's, when hazardous property of such solvents was revealed.

As a result, trichloroethylene and 1,1,1-trichloroethane were totally eliminated from our processes in 1998. The use of dichloromethane had been reduced but was not totally eliminated. It had been used as a solvent for products in the Toyohashi Plant, but the company succeeded in total elimination in May 2005. This means total elimination of chlorinated organic solvents in all plants.

Green procurement

The Guideline for Green Procurement was revised.

Nitto Denko practices to minimize the environmental impact on our business activities as well as promoting green procurement that materials (raw materials, production facilities, etc.) with less environmental impact are procured at appropriate costs to offer environmentally friendly products to customers.

For this purpose, we prepared the Guideline for Green Procurement in 2001 to apply to raw materials, parts, sub-materials, equipment, jigs/tools, fixtures, general office supplies, and subcontracted operations. To determine the materials to be procured, we examine both the environmental assessment of procuring materials and assessment of supplier's initiatives for environment.

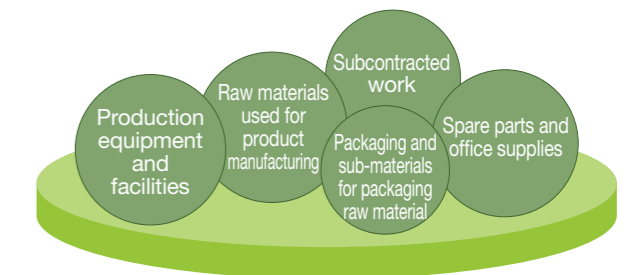
In addition, we carry out a survey of composition as well as laws and regulations concerning the material. The results are compiled into a database and used for chemical substance control. **+P25**

The guideline was revised in June 2004, and information about specific chemical substances was enhanced to satisfy the needs from electric/electronic-related customers. It was translated into English for suppliers overseas and is disclosed on the Nitto Denko's website.



Green Procurement Guidelines

Applicable Products for Green Procurement



Environmental Accounting

Characteristics of the environmental accounting in the Nitto Denko Group

Environmental accounting is implemented from the original viewpoint to reduce both environmental impact and costs.

Environmental accounting was introduced to Nitto Denko on a non-consolidated basis in fiscal 2000, to major Japan domestic group manufacturing companies in fiscal 2001, and to major overseas group manufacturing companies in fiscal 2002. While referring to the guidelines by the Ministry of the Environment and the Ministry of Economy, Trade and Industry, we carry out environmental accounting as a tool to reduce both environmental impact and costs from the original viewpoint.

The group's environmental accounting has two characteristics. One is to make the environmental budget as a goal that should be achieved at each business division and group company and to clarify the environmental issues and responsibility. The other is to clarify the environmental impact costs, which represent the amount of money spent on the environmental impacts, in addition to the environmental conservation costs articulated in the Environmental Reporting Guidelines of the Ministry of the Environment. The environmental impact costs include the value of industrial waste (material and processing costs of industrial wastes that are not treated and made into products) as well as the cost of energy, solvent, and water used at manufacturing stages.

The group aims at improving resource productivity and realizing low cost in total by making efficient use of the environmental conservation costs and reducing environmental impact costs. In fact, however, we do not take full advantage of environmental accounting in the context of corporate management. We will continue studying environmental accounting to fully utilize it in the corporate management.

For change in the ratio of industrial waste value, see P22

Result of Nitto Denko on a non-consolidated basis in fiscal 2004

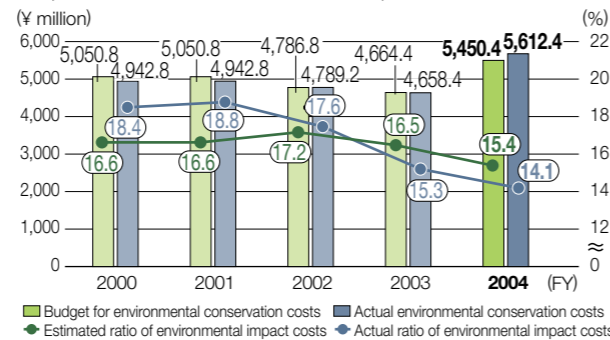
Efforts toward reducing the value of industrial waste is continuously committed.

The environmental conservation costs showed an increase in fiscal 2004 compared to fiscal 2003. This was caused by the increase in waste disposal costs due to increase in production and industrial wastes in consequence, as well as an increase in depreciation and investment in environmental facilities. Major environmental facilities introduced in fiscal 2004 were equipment for fuel conversion, solvent recovery equipment, and deodorizing furnaces. **+P23, 24**

Nitto Denko on a non-consolidated basis improved the ratio of environmental impact costs (the ratio of environmental impact costs to net sales) to 14.1% (15.3% in fiscal 2003) and the ratio of industrial waste value to 12.3% (13.8% in fiscal 2003), showing continuous improvement following the previous year.

The value of industrial waste is expected to decrease due to the reuse of waste solvents in the Toyohashi Plant and activities of the total loss reduction project **+P22**. But, we still regard it a serious problem we should continue to tackle.

Environmental Conservation Cost and Environmental Impact Cost Ratio (Nitto Denko on a non-consolidated basis)



Results of domestic and overseas group companies in fiscal 2004

The ratio of environmental impact cost and the ratio of industrial waste value worsened compared to the previous year due to the skyrocketing oil prices.

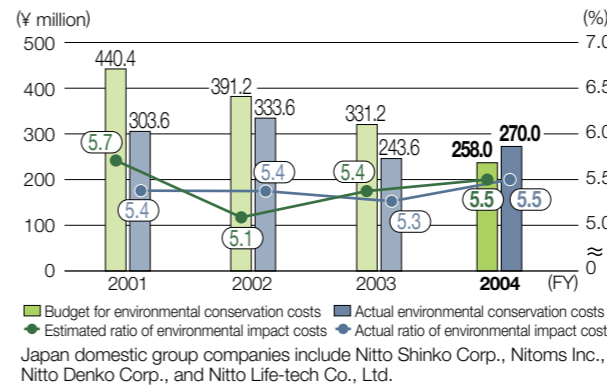
The ratio of environmental impact cost of the Japan domestic group companies was 5.5% (5.3% in fiscal 2003), and the ratio of industrial waste value was 5.7% (5.4% in fiscal 2003), both of which were aggravated compared to fiscal 2003. The target for the ratio of industrial waste value was not achieved.

The ratio of environmental impact cost of the overseas group companies was 8.5% (8.2% in fiscal 2003), and the

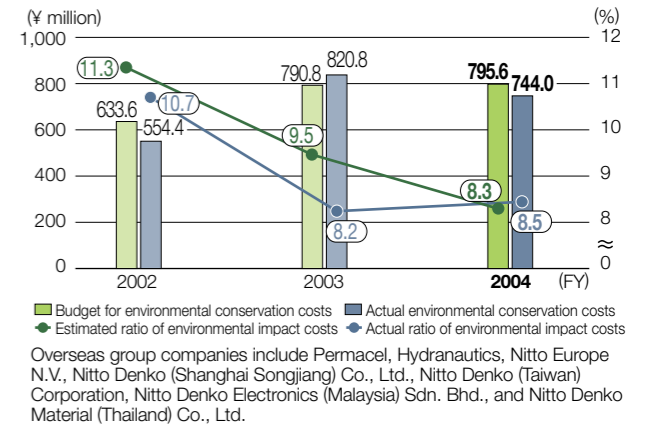
ratio of industrial waste value was 5.3% (4.5% in fiscal 2003). Again, both worsened from the previous year, and the target was not achieved.

Reasons both in Japan and abroad are the increase in solvent cost and value of industrial waste due to the steep rise in oil prices.

Environmental Conservation Cost and Environmental Impact Cost Ratio (Japan domestic group)



Environmental Conservation Cost and Environmental Impact Cost Ratio (Overseas group)



The Method of Environmental Accounting Calculations

◆ Period under review

Nitto Denko Group's accounting period (from April 1 to March 31 of the following year)

◆ Definition

- The activities related to the environment and have an impact on the environment are evaluated by monetary value (accounting information) or the amount of materials (quantitative information).
- Environmental cost consists of environmental conservation cost and environmental impact cost.

Environmental conservation costs	Cost consumed for environmental conservation
General expenses	From the total environmental conservation cost, waste disposal, outsourcing, personnel, depreciation, and R&D&E costs are deducted. (Maintenance and repair costs for exhaust gas/wastewater treatment equipment, cost for ISO 14001 acquisition, activity cost required for reducing waste and saving energy, cost and donations for environmental information disclosure and environmental advertisements)
Waste disposal	Cost for waste disposal and recycling outsourced to subcontractors.
Outsourcing	Cost for subcontracting operations required for environmental conservation to the companies within/outside the group.
Personnel	Cost for the employees engaged in environmental conservation
Depreciation	Total depreciation of the equipment targeted at environmental conservation (hereinafter referred to as "environmental equipment") in the target period (fiscal year)
R&D&E cost	Total of general expenses, waste disposal, outsourcing, personnel, and depreciation for the technological development, which are mostly targeted at environmental conservation.

Environmental impact costs	Cost of the things that have an impact on the environment
Value of industrial waste	Material and treatment costs for industrial waste
Energy	Total amount of the costs for electricity and fuel (heavy oil, LPG, natural gas, etc.) purchased by production factories from external parties
Organic solvents	Total amount of the costs for organic solvents purchased from external parties
Water	Total amount of industrial and tap water expenses

$$\text{[Environmental Impact Cost Ratio (\%)]} = \frac{\text{[Environmental impact cost]}}{\text{[Sales amount]}} \times 100$$

$$\text{[Industrial waste ratio (\%)]} = \frac{\text{[Industrial waste cost]}}{\text{[Production amount]}} \times 100$$

TOPICS

Nitto Denko was the first in Japan that invested in facilities based on the material flow cost accounting.

Material flow cost accounting is an environmental management accounting method developed in Germany, a nation that is conscious of environmental conservation. Its characteristic is to split the production costs including materials, energy, and others into a flow to products and a flow to wastes and to grasp both the amounts of materials and money in each process. Their precise analysis clarifies places that need improvement, including the costs of electricity, labor, and the materials used in wastes and defectives, or the cost not used in the finished products. It enables efficient improvement and capital investment.

In October 2000, when the Ministry of Economy, Trade and Industry started the model program, Nitto Denko made a test introduction of the material flow cost accounting in the adhesive tape production process in the Toyohashi Plant, as the first model corporation in Japan.

The method revealed that the ratio of the cost for wastes and energy not used in the finished products accounted for as much as 30% of the total production cost. At the same time, the manufacturing processes contributing to the loss were identified. Although the ratio was improved to 20% in fiscal 2003, through reviewing raw materials and improving production methods, Nitto Denko determined to make a substantial investment in facilities based on this accounting method in fiscal 2004, which was the first such decision in Japan. We expect that the new facility, which is scheduled to start operation in summer 2005, will significantly reduce these unnecessary costs. The accounting method also has the advantage of counting the value of industrial waste for each process and therefore is useful when making decision regarding capital investment.

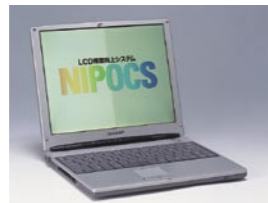
Environmentally Friendly Products

When we develop products, we naturally pursue comfort and convenience. In addition, we make much of the viewpoints of safety and the environment. We conduct environmental impact assessments on existing products as well and try to produce improvements to reduce the environmental impact.

Polarization conversion film for LCDs

Improved brightness on the screen contributing to energy saving.

Incorporated into the liquid crystal display (LCD) of PCs, mobile phones, etc., the film enhances the brightness of the screen by 50 to 60%, thus contributing to energy saving.



NIPPCS

Reserve osmosis membrane modules for seawater desalination

Dramatic improvement in desalination rate.

The membranes are semi permeable films which are hard to pervious to salt. By applying pressure, the membrane filters seawater and converts it into fresh water. Desalination rate was dramatically improved. Seawater is efficiently converted into drinking water or process water to satisfy the urgent water demand.



Reserve osmosis membrane modules for seawater desalination system

Double coated tapes

Double-coated tapes emitting less VOC.

Volatile organic compounds (VOC) cause sick building syndrome. The tape emits less VOC than the indoor concentration guideline value stipulated by the Ministry of Health, Labour and Welfare. Pursuing both adhesiveness and usability, the tape can be applied to a variety of surfaces including interior fittings, plastic materials, and metals.



Double-coated tapes emitting less VOC

Assessment of product's environmental impact based on environmental ISO

Environmental impact assessment is conducted on existing products as well as new products.

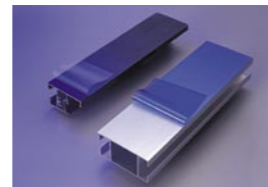
Each Nitto Denko plant conducts an environmental impact assessment on both new and existing products based on the environmental management system.

For new products, an environmental impact assessment is conducted concurrently with a quality requirement check at the design review stage. It is stipulated that a new product cannot be commercially produced if the environmental impact

Surface protection film

Surface protection film containing no organic solvent.

The film is used to protect the surface of metal plates and aluminum sashes during transport or applying. The tape employs water-dispersible adhesives that do not use organic solvents.



Surface protection film containing no organic solvent

Halogen-free semiconductor encapsulating materials

Total elimination of halogen realized by a special flame retardant.

By employing a special metal oxide instead of a halogen-based flame retardant, halogen is totally eliminated from the manufacturing processes.



Halogen-free semiconductor encapsulating materials

Insect pest control sheets with agrochemical using entomogeneous fungi

Insect pest control with less impact on the ecosystem.

A new type of entomogeneous fungi using molds was commercialized first in Japan to refuse insects harmful to agricultural crops. As molds used are effective only for specific harmful insects, it exerts almost no influence on other living beings.



BIORISA

Responsibility to Customers

The Nitto Denko Group defined its Corporate Quality Policy as "Creating quality that ensures customer satisfaction." We believe that quality assurance does not only mean product quality but also means responding to customers' requirements. The group secures excellent quality and product safety and pursues further improvement in customer satisfaction by providing prompt and accurate responses through the customer center or the group's intranet.

Corporate Quality Policy

"Creating quality that ensures customer satisfaction"

- Quality and service that always satisfy customer requirements
- Reliable quality appropriate for how and for what the product is used
- Quality with appropriate price ensuring stable supply
- Quality that assures consumer's safety
- Quality that is friendly to society and the environment

Yearly quality policy

(Nitto Denko Group)

Quality assurance activities are promoted with improvement in customer satisfaction and fulfillment of social responsibility as a priority policy.

The Nitto Denko Group defines target values of quality indices and priority measures that the group should tackle each fiscal year and declares them to be the Nitto Denko Group Yearly Quality Policy to promote optimization of the whole group based on the Corporate Quality Policy. The group communicates and familiarizes the yearly policy in each business division and site.

The Yearly Quality Policy for fiscal 2004 defines that the quality assurance activities basically lies in further pursuance of customer satisfaction and fulfillment of social responsibility, and the priority measures are the promotion of product improvement that customer information is utilized and compliance. The group started the common customer satisfaction assessment to review and modify the quality assurance system to fit the customer's needs for quality.

In fiscal 2004, the group failed in achieving some targets and recognized that there were many operational problems, including index improvement, while putting the quality index management system on track.

In the Yearly Quality Policy for fiscal 2005, the quality assurance system shall be enhanced to realize the quality management appropriate for the "global excellent company" satisfying all customers, society, and employees, which is the target of the whole group.

Quality management system

(Nitto Denko Group)

Internal audits that cover the fields of environment, safety and quality were conducted.

The Nitto Denko Group established efficient quality management systems including ISO and the Good Manufacturing Practice (GMP) in line with the business style of the customers who we had business with. Nitto Denko CS System acquired ISO 9001 certification in fiscal 2004, and 45 group manufacturing and processing companies in total obtained the certification by the end of fiscal 2004.

Minimizing risk has been the priority issue since fiscal 2004, and the auditing system was enhanced by establishing

dedicated auditing organizations for environment, safety, and quality. In fiscal 2004, the group had a trial joint internal audit on thirteen sites (seven sites of Nitto Denko, five Japan domestic group manufacturing companies and one overseas group manufacturing company).

In fiscal 2005, the group will continue implementation of internal audits and establish a unique quality management system with a focus on quality improvement activities and cultivation of human resources. We will further endeavor to reflect the results in improvement of customers satisfaction and risk minimization.

Product safety

(Nitto Denko Group)

Product safety consultants have been deployed to each business division to answer complaints promptly and accurately.

In 1995, the Product Liability Law was enforced and, taking this opportunity, the Nitto Denko Group defined the Corporate Product Safety Policy saying, "Providing customers with safe and useful products is the social mission of private enterprises." Based on this policy, the group endeavors to produce products that ensure consumer safety.

The policy is reflected as the fundamental product safety regulations and the management regulations of the material safety data sheet (MSDS), and the group takes perfect measures to realize product safety through audit at each plant.

Based on the policy, meetings of the corporate product safety committee and the division (plant) product safety committee have been regularly held since 1995 to confirm and ensure understanding of the yearly policy and to determine the direction of the activities.

Since 1997, product safety consultants have been deployed to each business division, and they fulfill the responsibility for product safety. Many of the group's products are functional components (intermediate assemblies) used by corporate customers and not the end products directly used by consumers. However, the group pays the closest attention to the quality labels of the products that have direct access to end consumers, including surgical tapes and Cultured ginseng produced by the Medical Related Products Division as well as the packaging tapes for consumer use and other general merchandises produced by Nitoms.



Medical products of the Nitto Denko Group

Responsibility to Customers

Customer center

(Nitto Denko on a non-consolidated basis)

Customer centers were established in business divisions to respond to technical inquiries promptly.

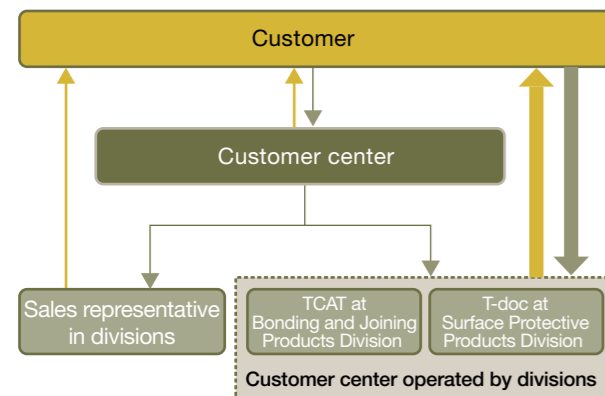
Nitto Denko established a customer center as a contact point of customers and answers to a variety of inquiries via telephone and on the web.

As the purposes and using methods of the products of the Bonding and Joining Products Division and Surface Protective Products Division are diverse, the two divisions receive a large number of inquiries from customers in a variety of industries.

To solve this problem, the company established customer centers in these two divisions to promptly respond to the technological inquiries including requests for technical support and samples. The Bonding and Joining Products Division started the operation of TCAT (Tape Customer Assistant Team) from October 2003, and the Surface Protective Products Division started T-doc (Technical doctor) from September 2004. The two customer centers answer inquiries not only from customers but also from business partners and overseas affiliates.

The company is committed to responding to inquiries from customers promptly and accurately and analyzing the contents of the inquiries to reflect them in the business strategy.

Customer center



Inquiries to the customer centers may be directly answered by the center or if they are technical inquiries, redirected to TCAT at the Bonding and Joining Products Division, T-doc at the Surface Protective Products Division, or sales representatives of other divisions. TCAT and T-doc answer direct inquiries from customers as well.

Intranet quality information system

(Nitto Denko Group)

Quality information is being shared, and complaint information is immediately communicated.

The Nitto Denko Group established an intranet quality information system that the Japan domestic plants and the domestic/overseas group companies could view and enter data in fiscal 2000 to increase customer satisfaction and share information. Hereafter, information about quality index management including customer satisfaction will be added to the system.

If any issue like quality discrepancy should occur, the information is promptly communicated within the group using the intranet quality information system and appropriate measures are taken to minimize the inconvenience to customers. In addition, significantly serious quality issues that may affect company management are promptly reported to the top management to urge them to appropriately make a judgment and give direction. At the same time, the whole group becomes aware of the issue and works on the prevention of reoccurrence and preventive measures for it.

Responsibility for stable supply

(Nitto Denko on a non-consolidated basis)

The China Project started to secure raw material procurement.

To ensure stable supply of products to customers, it is essential to secure procurement of raw materials. For this purpose, Nitto Denko prepared a supplier map to secure supply routes in case of catastrophic disaster and make an inspection of the candidate suppliers.

Overseas procurement rates remain as low as approximately 5% at the moment. To secure a procurement system on a global basis, the company has made inspection tours three to four times a year to suppliers mostly located in the U.S.A., Europe, and China since fiscal 2003.

In fiscal 2004, the company carried out a comprehensive investigation named the China Project, conducting twenty intensive surveys in total in the three months from April to June of the quality, prices and other properties of the candidate suppliers in China. As a result, the company obtained information about suppliers that are able to supply products to Nitto Denko. Since July, staff has been sent to China to secure suppliers in China.

Responsibility to Shareholders (Nitto Denko on a non-consolidated basis)

It is the policy of Nitto Denko to stably distribute profit among shareholders.

We always try to communicate with them, and their comments and suggestions are reflected in the group's corporate activities.

We will further enhance information disclosure on the website and are committed to growing with shareholders.

Dividend payout policy

Enhance the prior investment and divide up profits considering balance.

Nitto Denko's basic policy on dividend payout is to stably distribute profit among shareholders. The payout is determined considering the financial standing, level of profit, and overall trend in dividend payout comprehensively.

On the other hand, it is essential for the company to make positive prior investment in the fields of research and development, as well as production, in order to respond to the rapid technological innovation and customer needs in a timely manner.

Dividends to shareholders are to be 50 yen per share per year for the year ending March 31, 2006. While enhancing prior investment, Nitto Denko will efficiently invest the shareholder's equity and distribute profit considering the balance between the two.

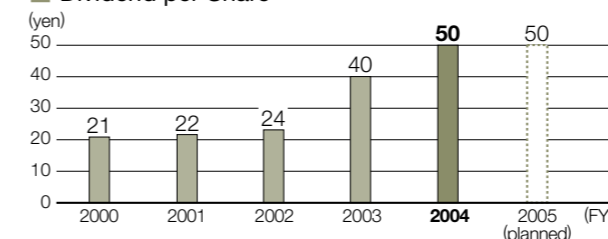
Inclusion in the SRI index

Nitto Denko is included in five SRI funds in fiscal 2004.

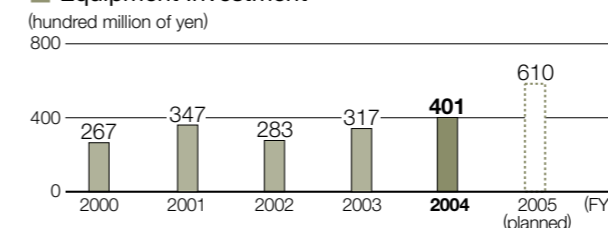
Social responsibility investment (SRI) is attracting more attention. SRI does not only evaluate the financial standing or growth of a company but also the efforts to fulfill corporate social responsibility including environmental conservation and compliance. In the U.S.A., it is said that more than 10% of the aggregate value of listed stock is SRI-related funds.

According to the investment reports of SRI funds in fiscal 2004, Nitto Denko is included in Nikko Eco Fund, Asahi Life SRI Social Contribution Fund (Asu-no-Hane), Sompo Japan Green Open (Buna-no-Mori), UBS Japan Eco Fund (Dr. Eco), and UFJ Eco Partners (Midori-no-Tsubasa).

Dividend per Share



Equipment Investment



General shareholders meeting

The company welcomes as many opinions and suggestions as possible from shareholders and reflects them in future corporate activities.

On June 24, 2004, the 139th regular general shareholders meeting was held at the Hotel Nikko Ibaraki Osaka. 204 shareholders participated, which is a significant increase from 165 last year.

An electronic voting system on the Internet was introduced in fiscal 2003, for shareholders who were not able to come up to the meeting. In total, 328 shareholders voted via the system, which was a dramatic increase from the 195 last year.

The company also had a reception welcoming shareholders after the meeting, where all directors and corporate vice presidents participated and had a chance to talk with shareholders at each table. The opinions and suggestions we received during this opportunity will be reflected in future corporate activities.

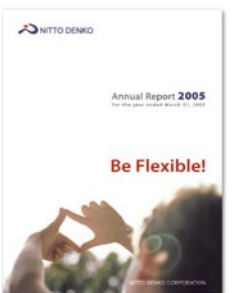
Communication with shareholders and investors

Prompt information disclosure on the website is being endeavored, especially for individual shareholders.

Nitto Denko has an opportunity to communicate with shareholders, investors, and analysts and reflects the contents of the communication in the group's management. To facilitate an understanding of the group, the company has enhanced a variety of communication tools including an annual report, other brochures, and the corporate website.

The ratio of foreign shareholders accounts for almost 50% of the total shares issued. Under the circumstances, the company sent representatives to twenty-seven companies mostly in North America and Europe to explain the current status of corporate management in fiscal 2004.

Although the ratio of shares owned by individual shareholders to total shares issued remains comparatively low, the number of such shareholders accounts for more than 90% of the total number of shareholders. To enhance information disclosure for individual shareholders, the company will accelerate the speed of information disclosure on the website.



Annual Report

Communication in fiscal 2004

- Result briefing via the conference call (quarterly in April, July, October, and February)
- Company information session for institutional investors (May)
- Meeting and interview with investor by Investor Relation (IR) Department (approximately 280 meetings and interviews)
- Foreign investors visited by the president and directors. (Total 27 companies mostly in North America and Europe)

Responsibility to Employees

The Nitto Denko Group believes that employees (human resources) are the most important asset of the company and makes much of the individuality of each employee. The group also places the first priority on safety and endeavors to provide a safe working environment.

Recruitment policy

(Nitto Denko Group in Japan)

Selection valuing personal ability and character is implemented to seek self-motivated people.

The Nitto Denko Group seeks self-motivated people who strive for innovation, creation, and independence and always work toward a new objective. We believe that a company is a field where such people can realize their dream using company properties, including opportunities, space, financial capability, and equipment. For this reason, we value personal ability and character, put priority on the interview, and conduct fair recruitment.

Reemployment after compulsory retirement

(Nitto Denko Group in Japan)

The human resource bank is facilitating the reemployment after compulsory retirement.

Expected loss in company skills by the retirement of baby boomers is common concern among Japanese enterprises. This is also a serious problem for the Nitto Denko Group. For Japan domestic group companies, reemployment after compulsory retirement at the age of 60 has been in operation since 1994. As of the end of fiscal 2004, 82 people were reemployed.

The group is preparing the Nitto Denko Group Human Resource Bank to improve the working environment of employees over sixty and to strengthen the group's competitiveness through inheritance of technologies and techniques. This should be completed before the substantial retirement of this generation starts.

The bank is a database of skills of employees who want to continue to work in the group after retirement. The objective of the database is to make a match of the jobs and human resources within the group and to create an environment where employees over sixty are motivated to work.

Employment of handicapped people

(Nitto Denko Group in Japan)

The active recruitment and improvement of working environment is being promoted.

Nitto Denko Himawari (meaning "Sunflower") was founded in May 2000 through joint capital investment with Nitoms, one of the group companies, under the auspices of a government scheme aimed at promoting the employment of handicapped and elderly people. The Nitto Denko Group promotes the recruitment of handicapped people through this company. Twenty-five handicapped people and five elderly people (aged sixty or above) work together at Nitto Denko Himawari as of April 1, 2005.

In fiscal 2004, the rate of the employment of handicapped people by the group turned out to be under the statutory rate of 1.8%. It was mostly because the number of employees dramatically increased by more than 900 compared to the previous year due to the promotion of direct employment of foreign people from the standpoint of CSR, who had been dispatched as temporary workers from an agency. The whole group is committed to further promoting the recruitment of handicapped people and improving the working environment to extend the range of workplaces for such people.

Enlightenment of employees on human rights

(Nitto Denko Group in Japan)

Enlightenment activities are being executed with a focus on general managers and managers.

The Nitto Denko Group clearly declares in its basic policy for human rights that the company will not practice any discrimination based on the race, ideology, sense of values, personality, sex, religion, age, nationality, national origin, or physical handicap and promotes awareness activities.

In fiscal 2004, recruitment interviewers had an opportunity to learn of this matter under the priority subject "ensuring fair selection" in Japan domestic plants and domestic group companies.

In fiscal 2005, practical awareness activities will be promoted especially for general managers and managers, using the case study of a variety of day-to-day problems including sexual harassment.

Educational system

(to the group's employees)

"Nitto University" started to educate the leaders of the next generation.

The educational system of the Nitto Denko Group has two pillars: capacity development based on each employee's voluntary efforts and human resource cultivation for employees who will be the key to global business in the future.

In fiscal 2004, 2,350 employees in total participated in the 30 educational courses. The analysis of participation in the past revealed the fact that employees did not always choose the course that would trigger change in their behavior. In fiscal 2005, the group will provide a strategic educational program, aimed at building a system to solve the above problem, and will enhance the courses that strengthen management ability.

From January 2004, the "Nitto University" (Educational Program) was opened for all group employees for the purpose of strengthening strategic selection and development of human resources. Hideki Yamamoto, Chairman of Nitto Denko, assumed the position of president of the university, giving lectures by himself. A new course named the Challenge Course opened in January 2005 for staff-level employees around thirty. The first 27 participants (22 male and 5 female) have already completed the course and use what they learned in their workplaces.

In addition, a Trainee System was introduced in fiscal 2004 to cultivate human resources who can work in a global environment at an earlier stage in their career. 10 young employees were selected and dispatched to the overseas group companies in China, the U.S.A., and Europe and have on-the-job training there. From fiscal 2005, the group accepts trainees from overseas group companies to accelerate the cultivation of global human resources.



Completion ceremony of the Challenge Course in the Nitto University Program

Personnel system

(Nitto Denko on a non-consolidated basis)

A performance-oriented personnel system is introduced, neither ability-oriented nor result-oriented.

The Nitto Denko Group has a performance-oriented personnel system to create a motivating and vigorous working environment by realizing compensation that meets the level of contribution. This aims to motivate each individual employee by evaluating performance instead of providing the same compensation to all employees at the same level of the ladder.

The system has an evaluation interview and a feedback interview to ensure full satisfaction of the appraisee and as tools of communication between the appraisee and the appraiser. The company also conducts a questionnaire to confirm if discussion and explanation on the evaluation were made in a convincing way. The result is used to improve the satisfaction level of each employee in terms of the evaluation.

Communication with employees

(Nitto Denko Group in Japan)

Monthly labor-management council meetings have been held for more than forty years.

The Nitto Denko Group endeavors to communicate with its employees based on the basic principles of "mutual trust", "partnership", and "coexistence and co-prosperity" between workers and management.

In Japan, Nitto Denko and Nitto Shinko have labor unions. As the means of communication with management, the companies hold monthly labor-management council meetings at headquarters and at the branches as well as monthly labor-management meetings at each workplace. The council meeting has a history of more than forty years and has proved the importance both for labor and management as an opportunity to resolve a variety of problems in a cooperative way.

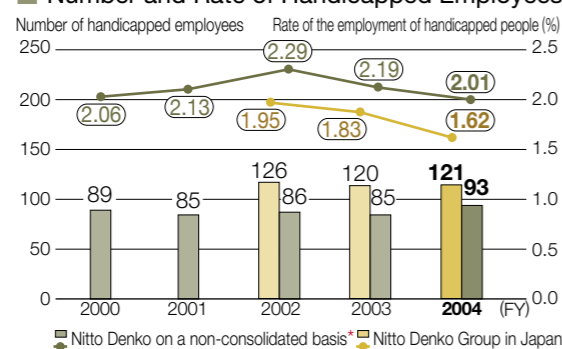
The group aims at establishing cooperative relationship between workers and management under the philosophy of coexistence and co-prosperity in other group companies as well. Various functions are operated according to the conditions of each company.

Number of Employees

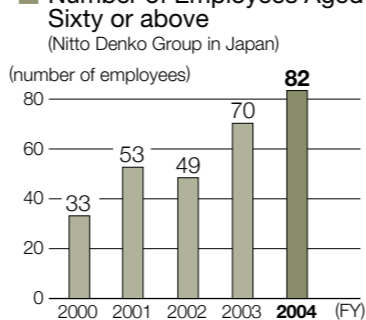
(fiscal 2004)
(Nitto Denko on a non-consolidated basis)

Male	2,692
Female	266
Total	2,958
New recruitment	135
Average years of service	15.11 years

Number and Rate of Handicapped Employees



Number of Employees Aged Sixty or above



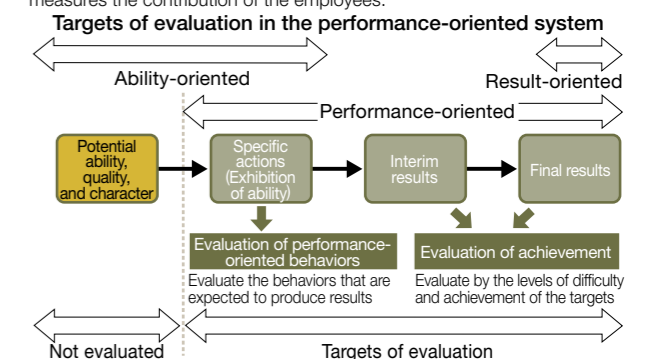
*Nitto Denko on a non-consolidated basis: subsidiaries under the auspices of a government scheme including: Nitto Denko and Nitto Denko Himawari before fiscal 2003 Nitto Denko, Nitto Denko Himawari and Nitto Business Support in fiscal 2004

Nitto University Program

Program name	Objective	Targeted at	Term	Contents	Number of participants (FY 2004)	Expected number of participants (FY 2005)
Corporate management	To cultivate and improve the mind-set and skills required of leaders, through process learning based on the actual managerial issues.	Manager level around 42 (basically) <recommendation needed>	7 months	Mostly by action learning (project-based activities on the actual issues)	20	20 (May to Nov)
Basic corporate management	To ensure acquisition of knowledge, skills and mind-set required of the leaders of the Nitto Denko Group	Assistant manager level around 35 (basically) <voluntarily or recommended>	7 months	•Financial accounting •Strategy building •English capability	24	25 (Jan to Jul)
Challenge Course	To familiarize and propagate the Nitto Group's DNA (tradition) and to cultivate the corporate culture that facilitates challenge and study for the employees at the earliest stage of the career	Staff level (with one full year of service (basically)) <voluntarily>	4 months	•Financial accounting •Problem solving (basically) •English capability	-	50 (Jan to Apr) (Jul to Oct)

Definition of Performance-Oriented System

The performance-oriented system is clearly defined as a criterion that measures the contribution of the employees.



Responsibility to Employees

Occupational safety and health promotion system (Nitto Denko Group)

Safety measures with the slogan "eliminating fatal accidents" are being taken.

The Nitto Denko Group takes a variety of measures for occupational safety and health with the slogan "eliminating fatal accidents."*

At the Japan domestic sites of the group, the Total Safety Committee (equivalent to the Safety and Health Committee stipulated by the Occupational Health and Safety Law in Japan) is held once a month to resolve problems and exchange information. To share information with domestic and overseas group companies, the Environment and Safety Sector Global Meeting and the Group Environment and Safety Committee are regularly held in the field of occupational safety and health promotion as well as the environmental activity promotion.

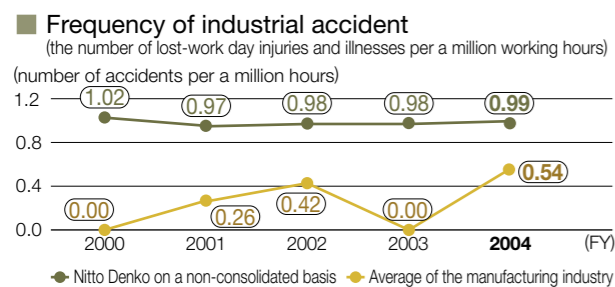
* Fatal accidents: An accident that causes death, a disability or aftereffect.

Occupational safety and health management system (Nitto Denko Group)

Risk assessment in domestic and overseas group companies is implemented.

To implement activities for occupational safety and health properly, nine sites of the Nitto Denko Group (six Japan domestic plants, two domestic group companies and one overseas group company), accounting for 35% of the group's major manufacturing sites as of the end of fiscal 2004, acquired the certifications of the occupational health and management system.

The group will carry out a risk assessment, the key of the occupational safety and health management system, at domestic and overseas group companies.



Occupational Safety and Health Promotion System



Measures against industrial accidents (Nitto Denko Group)

Virtual experience facilities will open in fiscal 2005 to enhance awareness of safety.

An analysis of industrial accidents at the Nitto Denko Group indicated that injuries from being rolled into rotating parts of the equipment and cuts by edge tools were two-thirds of the total accidents.

To reduce these accidents, we have brought about such improvements as all exposed edge tools are covered in all equipment, and machines will automatically stop if the covers are opened. For rotating parts, an emergency stop foot switch is introduced to stop the machine immediately, if operators' hands or arms are entangled. As measures to prevent recurrence of accidents, the section/department that has had an accident is placed under the priority safety control.

Progress of the recurrence prevention measures is confirmed, and improvement is checked by regular patrols. In addition, the Environment and Safety Page was established both in Japanese and English on the company's intranet in November 2003. If any industrial accident should occur, its accident prompt report is communicated via the intranet to all sites not only of Japan domestic plants but also of domestic and overseas group companies to prevent a reoccurrence.

To prevent accidents caused by inexperienced operators, virtual experience facilities will open at the Toyohashi Plant and the Kameyama Plant in fiscal 2005 as educational tools to raise the awareness of safety. The facilities will be equipped with a machine where people can experience how fast and forcefully they are rolled into rotating parts and equipment to experience fire from static electricity.



Stickers to call for attention at the manufacturing premises. Available in three languages.



Environmental and safety information is provided both in Japanese and English on the Environment & Safety Page on the group's intranet.

Fire prevention (Nitto Denko Group)

Fire prevention team reinforces patrols and checks for firing risks.

As the Nitto Denko Group uses large amounts of organic solvents in the adhesive coating process, it pays extraordinary, special attention to fire prevention. Once a fire breaks out, it may expand into a large-scale fire. The group duly regards it as a risk, so that the static electricity fire prevention team tackles the prevention, and each workplace is prepared for extinction at the earliest stage, if it should occur.

In fiscal 2004, the number of fire accidents was seven in Nitto Denko on a non-consolidated basis, and it would be eleven including all group companies, which shows a reduction of nine compared to the previous year. The tendency of static electricity being the major cause of fire is the same as in fiscal 2003. Most of them were extinguished at the earliest stage (with fire extinguishers and automatic fire extinction systems), causing no serious problems.

In fiscal 2004, study meetings on static electricity were held at each site by members of each plant or the Environment and Safety Sector.

In fiscal 2005, the static electricity fire prevention team will be renamed the fire prevention team. The scope of its preventive activities is expanded, and the group is currently preparing for the inauguration. The fire prevention team will be participated by the staff in charge of Production Engineering at the Japan domestic group sites, where fire may likely cause a fatal accident, and ensure to communicate the knowledge about fire as well as fire prevention thoroughly. The team and other related sections conduct fire preventive activities, focusing on the reinforcement of patrols and the checking of fire risks at manufacturing premises of each site to further reduce the number of fire accidents.



In the group environment and safety committee, members of domestic group companies in charge of safety get together quarterly to share information.



Study meetings on static electricity were held at each site.

Health care (Nitto Denko Group in Japan)

Guidelines are drawn up to work on mental health care.

The Nitto Denko Group conducts programs and takes other measures supporting the improvement of lifestyles to promote the health care of employees. Employees over forty are obligated to go in for a complete medical checkup every three years, and this helps the physical health check.

As measures for mental health, guidelines are drawn up for each of four "Cares" according to the guidelines by the Ministry of Health, Labour and Welfare. The stipulated guidelines are incorporated into the program of the occupational safety and health management system at each site and used for mental health care of employees.

Welfare program (Nitto Denko Group in Japan)

Support for employees to enable balancing work and family is being planned.

The Nitto Denko Group's welfare program consists of three basic concepts such as preparation for emergency (mutual relief), realization of stable life (support for self-help efforts), and welfare necessary for business operation.

In fiscal 2005, the group stipulates action plans to support employees to balance work and family based on the Next Generation Education and Support Promotion Act enforced on April 1.

Action plans to support employees based on the Next Generation Education and Support Promotion Act

- Enhancing the child-care/family-care leave programs
- Reviewing the existing working conditions and welfare programs from the viewpoint of child care and family care
- Improving use rate of annual leaves (setting promotional days and providing education)
- Ensuring employees know the existing systems and promoting their use.

Measures for Mental Health Care

- Self care Providing educational information useful for self care to employees
- Care by the line Providing education for members of the management
- Care by the in company health-care staff Establishing in company consultation service for employees
- Care by external specialist organizations Establishing external consultation service for employees
Liaising between in company staff and the external specialist organizations

Responsibility to Suppliers (Nitro Denko on a non-consolidated basis)

Nitro Denko respects the supplier's legitimate rights and endeavors to conduct a fair and transparent trade. Nitro Denko and suppliers exchange opinions with each other and have continuous and close communication at suppliers meetings and other occasions for growth at both ends.

Communication with suppliers

Suppliers meetings are held to facilitate communication with suppliers.

Nitro Denko attaches importance to continuous communication with suppliers (partners).

Above all, the Kameyama Plant and the Toyohashi Plant have more than one business division and produce a wide variety of products, resulting in a large number of suppliers they deal with. This is the reason why they have an annual suppliers meeting with major suppliers. At the meeting, the company explains the business trend, quality requirements for raw materials and its quality assurance system, exchanges opinions with suppliers, and asks for cooperation in improving product quality. It is also an opportunity to recognize the contribution of suppliers in terms of technology, delivery time and quality improvement. Exhibition of posters of Nitro Denko products also deepens the exchange.

The annual meeting has been held at the Kameyama Plant since 1998 and at the Toyohashi Plant since 2001 with approximately 100 manufacturers and trading companies every year.

The Toyohashi Plant is now preparing for the meeting for fiscal 2005 to be held in June. Seventy manufacturers and eighteen trading companies will be participating in this meeting.



Suppliers meeting



Poster exhibition

Fair trade

Study meeting was held on the revision of Subcontract Laws.

No problem occurred concerning Nitro Denko's payment to suppliers in fiscal 2004.

The Law on the Promotion of Subcontracting Small and Medium Enterprises and the Law on the Prevention of Delay in the Payment of Subcontracting Charges and Related Matters were revised in June 2004. Following the revision, Nitro Denko notified all employees of the standards for selecting the targets and prevention of noncompliance, according to the guidance of Small and Medium Enterprise Agency and the Fair Trade Commission, as well as study meetings on the Subcontract Laws at all domestic plants.

In total, 237 people, not only staff in charge of procurement, but also staff at all sections who virtually place orders, participated in the meeting. The procurement department of each plant had an internal audit by the procurement sector. Procurement operations as a whole were checked, and the staff there received directions.

Hereafter, the scope of study meetings about the rules of placing/receiving orders complying with the revised Subcontract Laws as well as the target of audits will be expanded to all group companies in addition to Nitro Denko. It will be the group's principle that persons in charge of estimates, ordering, and receiving inspections should be different for the purpose of preventing illegal practices.

Procurement policy based on CSR

The procurement policy and procurement action guidelines will be stipulated in fiscal 2005.

Nitro Denko has not mapped out a concrete management policy about the elimination of inappropriate labor (child labor, forced labor, etc.) and respect for human rights within the supply chain, including sales agents. It will complete and publish the procurement policy and procurement action guidelines based on CSR in the first half period (KAMI) of fiscal 2005. As a part of the supplier evaluation, the company is also considering the implementation of questionnaires about CSR including the status of compliance and labor conditions at the supplier end.

Responsibility to Local Community (examples of each nation and region)

The Nitro Denko Group promotes contribution to local communities including clean-up initiatives and participation in the eco festival. It also provides social support. In fiscal 2004, it contributed to the relief efforts for the Niigata Chuetsu earthquake and the victims of the Sumatra earthquake.

Local clean-up initiatives

Nitro Denko Group

The Nitro Denko Group actively participates in local clean-up initiatives.

The Toyohashi Plant and Nitoms are located near the Umeda River and have been participating in the Umeda River clean-up initiative hosted by Toyohashi City since 1997, when the first initiative was held.

The headquarters of Kyoshin (Osaka) takes part in the Esaka Enterprise Council clean-up initiative, which is regularly held at the beginning of a month, once every three months. Sixteen staff members are divided into eight teams, and each team cleans the streets near the Subway Esaka Station and around the company site. In fiscal 2004, the company participated in the initiative in October and December 2004 and March 2005.



Umeda River clean-up initiative

Participated in the Eco Festival commemorating the 50th anniversary of Kameyama City

Kameyama Plant

On October 31, 2004, the Kameyama Plant participated in the Eco Festival commemorating the 50th anniversary of Kameyama City. It introduced the plant's environmental activities through exhibiting panels and using the Environmental and Social Activity Report. It also presented flower seedlings to the guests at the booth. The plant and the Nitro Denko labor union jointly opened a charity bazaar, and the proceeds were donated to the disaster victims of the Niigata Chuetsu earthquake and the 21st typhoon in 2004 (Miyagawa village) and to the Kameyama City Social Welfare Council.



Kameyama Eco Festival

Contribution of foods

Nitro Denko America

Employees at Nitro Denko America bring preservative food to the company in June and November every year. It is donated to the Food Bank* in Alameda County, California. The donated food is distributed to people who suffer from shortages of food, churches, and senior citizens centers and thus fully utilized.

* Food Bank: NPO that calls for provision of food leftovers from the production, distribution, sales and consumption processes and presents them to people in need.

Donation to the earthquake victims

Nitro Denko Group

The Nitro Denko Group collected donations for disaster victims in fiscal 2004. For the Niigata Chuetsu earthquake, employees donated approximately four million yen and the company donated the same amount. A total of eight million yen was contributed to Niigata Prefecture. For the Sumatra earthquake, the employees and the company donated approximately five million yen in total. Hydranautics and Nitro Denko Material (Thailand) also collected donations.

Awarded for its contribution to the local job opportunity in Taiwan

Taiwan Nitro Optical

Taiwan Nitro Optical is in Taichung, located in the center of Taiwan, producing liquid crystal-related products. The company participated in recruitment activities hosted by Taichung Employment Service Center and increased job opportunities for Taichung citizens. This contribution was evaluated and awarded by the Council of Labor Affairs, Executive Yuan Taiwan on March 10, 2004. The company is committed to contributing to the employment of Taichung citizens.



Received the award



Responsibility to Local Community (examples of each nation and region)

Cosponsored 'Ekiden' road relay

Onomichi Plant

The Onomichi Plant cosponsored the Ekiden road relay hosted by the Onomichi Children's Association on March 6, 2005. It donated a finishing tape at the goal, crossed belts, and prizes for the participation to all participants.



Ekiden road relay

Participation in Aoba Festival, Sendai

Tohoku Plant

The Tohoku Plant takes part in the warrior parade at Aoba Festival in Sendai every year. In fiscal 2004 as well, ten staff wearing armor and helmets acted and paraded as a military unit of Iwadeyama Town to warm up the festival.



Aoba Festival, Sendai

Supporting the research of university students

Nitto Denko Electronics (Malaysia)

Nitto Denko Electronics (Malaysia) accepts to support students from Mara University of Technology (Universiti Teknologi MARA) in January and July every year. In fiscal 2004, it supported seven students in total about their research under the subjects of environmental management and safety.

Inviting students to a company tour

Nitto Denko Group

The Nitto Denko Group accepts students to a company tour. Two teachers and nine students in third grade from Hozumi Elementary School nearby visited the headquarters of Nitto Denko as a part of their field trip in November 2004. We introduced the group's products and efforts for environmental conservation. The Tohoku Plant, producing medical-related products, welcomed a factory tour by fifteen students in their first year at Tohoku Pharmaceutical University on June 23.



Company tour by elementary school students (at headquarters)

Contribution to Kaohsiung City Library

Nitto Denko (Taiwan)

Kaohsiung City, Taiwan, runs the "a book for a person for happiness" campaign. This is designed to increase the number of books stocked at libraries for the population of Kaohsiung so that one book can be allocated to one citizen, resulting in a happy life in the city. Nitto Denko (Taiwan) approved of this campaign and contributed 10,000 NT dollars to the city, as its way of thanking them for the 35 years of cooperation from the city. The company was offered a letter of appreciation by the Mayor of Kaohsiung.



Letter of appreciation from Kaohsiung City

Nitto Denko Group cosponsors sports events and supports challengers.

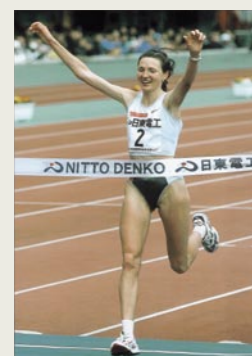


Photo by Sankei Shimbun (newspaper)

Cosponsored Osaka International Ladies Marathon

The Nitto Denko Group cosponsored the Osaka International Ladies Marathon in fiscal 2004. The group supported the 24th Marathon held January 30, 2005, which was the first experience as a cosponsor. Many group employees participated in the event as volunteer staff to support athletes, direct spectators in the stadium and clean up the venue and the surrounding areas.

Cosponsored Special Olympics

The group cosponsored the 2005 Special Olympics* World Winter Games in Nagano held from February 26 to March 5, 2005.

* Special Olympics: an international sport organization providing individuals with intellectual disabilities with year-round daily training and competition, which is an opportunity to exhibit the results of their efforts and dedicated to empowering such people to become a respected member of society.

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