

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)

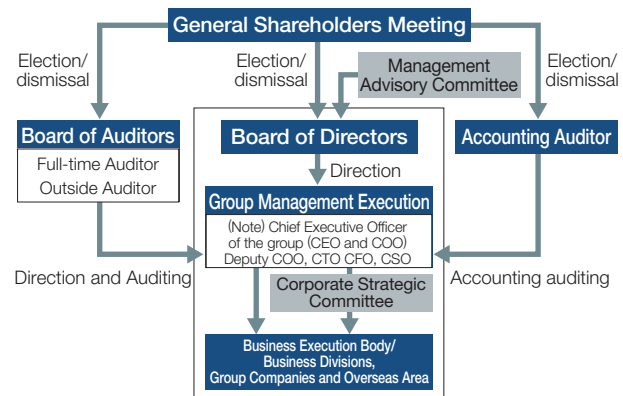
*1 SRI: Socially Responsible Investment. Investment that evaluates efforts to fulfill corporate social responsibility like environmental conservation and compliance, in addition to financial status and growth potential
 *2 Throughput: Value added through the activities of the company (e.g., sales cost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

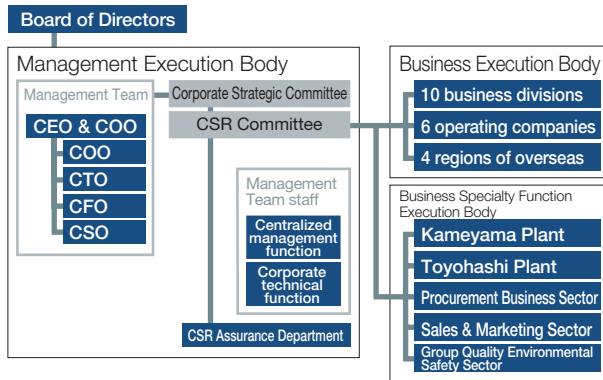


Note CEO: Chief Executive Officer of the group
 COO: Chief Operating Officer of the group
 CTO: Chief Technology Officer of the group
 CFO: Chief Financial Officer of the group
 CSO: Chief Strategy Officer of the group

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

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|-------------------------------|---------------------------------------|
| 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.