

Globalization Bears Fruit.
Our goal is to achieve a 100,000 million yen operating income through not just relying on the holding of secure shares but through enhancing our actual profits through refining our manufacturing technologies.

What is a corporation? For what purpose do corporations exist? The Nitto Denko Group hopes to present the answers to these questions. Enterprises exist to bring happiness and satisfaction to stakeholders including employees and to create public good through their business activities and commercial gain. As a means of gaining greater clarity about the significance of enterprises and other questions relating to the new development and direction of the Nitto Denko Group, a number of questions were asked to the Chairman and the President. They offered comments relating to the Nitto Denko Group in light of the following themes; “Growing business”, “Improving quality”, “Growing People”, and the Nitto Denko Group’s focus on being “an enterprise that employees feel is worth mentioning”.

New Administration Management Model Implemented- CEO in Charge of Future Direction and Staffing Development- COO in Charge of Operational Management

Up until now Takemoto-san has had dual responsibility as CEO and COO. Recently with the beginning of our new administration our new Chairman, Takemoto-san operates as CEO and our new President, Nagira-san as COO.

Takemoto:
In short both Nagira-san and I will work together, but the business will be administered by the COO. My aim is to meet our business challenges one of which is the cultivation of human resources. In our mid-term management plan which came into effect from April, 2008 we defined “Growing business”, “Improving quality” and “Growing people” as our major objectives. Both myself (CEO) and the COO will closely work together, sharing our responsibilities.

What do you think of management transparency?

Nagira:
Nitto Denko Corporation convenes shareholders meeting earlier than when many other enterprises simultaneously

convene their meetings. We have also introduced an external director system and external corporate auditor system. We have aimed to ensure that we have a highly transparent management system for some time. We consider it important to continue our business activities ensuring that they are in accordance with our business of being “Open, Fair and Best.”

Placing Resources Intensively into Core Competence

When you aimed at establishing a global and excellent company in the last mid-term management plan, in fiscal 2007, an operating income of more than 100,000 million yen, an operating income ratio of 17% and an ROA (return on asset=profit÷gross asset, or =profit ratio of salesXsales to total assets ratio) of 12% existed as the index. What do you think when you look back over the past three years?

Takemoto:
I regret to say that our fiscal 2007 target as set out in our 2005 mid-term management plan has not been achieved. However in relation to our implemented “globalization” policy, which was conceived as a strategy to assist us meet our targets, we have achieved some positive results. Increases in the non-Japanese employee ratio and overseas sales amounts are tribute to this. We have also experienced an increase in the number of foreign shareholders. I believe that we have the base in place which will enable us to develop ourselves into a global and excellent company.

Nagira:
Our new mid-term management plan “G’NET-2010”, is centered around our goal of “Growing business”, “Improving quality” and “Growing people”, as a means of meeting the fiscal 2010 hurdle of having an operating income of over 100,000 million yen. We will take on this challenge again. We expect that our tape business, electronics related business, membrane business and medical related business markets will improve and change. In such markets, the Nitto Denko Group will invest in areas where we feel we can capitalize on our strengths.

What do you think of the growth experienced in both the optical and tape businesses which account for a high percentage of overall sales?

Takemoto:
As far as the optical business is concerned, compared to the peak experienced in 2005, we have seen a sharp decline in profitability from 2006 through to early 2007. But we have seen encouraging signs of improvement resulting from the development of various devices. We are positive that the market will increase in the future.

Nagira:
At some future time, this market will grow and mature. The market volume is very large, so we have to develop our business into one which is profitable. To ensure this occurs we plan to take various measures.

How about the Nitto Denko Group's tape business?

Takemoto:

Our current share of the overseas tape market is not so high. Fortunately in the electronics market, optical and semiconductor-related products are manufactured to a world standard making it easier to conduct business due to such uniform specifications. On the other hand, in the tape business, a diversity of business models exists which has proven to influence the way tapes are utilized in other countries. It is necessary for us to view market demands through broader lenses and not through a Japanese standard perspective. We need to consider the standards and potential applications of our products in terms of how they may perform on the global market.

Nagira:

The real value of our “globalization” strategic goal, developed in the last mid-term management plan has been put to the test. In order for us to maintain a sound business reputation for quality and a strong corporate culture accepted and valued throughout the world, we will implement further globalization strategies relating to our “marketing”, “manufacturing” and “management infrastructure.” We would like you to have positive expectations concerning the growth and expansion of our future tape business also.

More recently many businesses involved in the production of medical and membrane products have been featured in the media.

Nagira:

The Nitto Denko Group places high importance on these businesses given their relevance to our environment, health and overall wellbeing. When considering global warming, environmental concern arising from rapid economic development throughout developing countries and the aging societies that are occurring throughout many developed countries, the Nitto Denko Group aims to contribute greatly in developing products that will assist in better managing such concerns.

Developing Business for Positive Environmental Effects that Reduce our Environmental Load

What is the Nitto Denko Group's position on current global environmental concerns?

Takemoto:

Manufacturing businesses use significant amounts of resources and energy and do pose a burden on our environment. For some time now we have attempted to reduce the environmental impact of our business



Yukio Nagira, President

through more efficient use of resources, recycling of resources, more efficient use of energy sources and in attempting to increase our usage of sustainable sources of energy such as solar energy. We aim to continue supporting a strong environmental agenda that positively contributes to our global environmental wellbeing. Along with the continuance of the Voluntary Environmental Plan which was established in 1993, we set a new target aiming to double our environmental efficiency by 2015 compared to the previous 2005 rate.

We will change our usage of TV sets from CRT-based televisions to LCD televisions which use Nitto Denko film based products in their making. We will contribute to environmental conservation activities such as energy saving through the minimizing of vehicles used. We will contribute to the effective production of pure water through the use of desalination processes that make use of our reverse osmosis membrane. We believe that our products will make a worthwhile contribution and have a direct impact on future environmental conservation. I would encourage you to refer to the way of thinking of CLUB ECOFACTURE® and EEBE® (External Economic Benefit Evaluation) which we support.

Nagira:

It is very important that we reduce our negative impacts on the environment. It is arguably as important to work towards making positive innovations and changes wherever possible as well. We have taken the initiative



Masamichi Takemoto, Chairman

in many areas, with our focus on environmental preservation being one of them.

Negative indicators such as carbon emissions and solvents being released into the atmosphere are commonly used as a measure. It is my belief that if equal focus was placed on also measuring environmental concern through the quality of products being produced that exhibit a positive environmental concern, future production of such products would increase. We believe it would no doubt seem for some that enterprise business activities and environmental conservation activities are incompatible but ultimately they should have the same purpose.

Becoming a Company Playing a Role in Society and an Enterprise Employees Feel Is Worth Mentioning

Finally, what do you think of the Nitto Denko Group's relationship within society?

Takemoto:

We believe that companies where employees are able to work with pride and responsibility are needed. We aim to be an enterprise that employees feel is worth mentioning. We aspire to being an enterprise that customers, shareholders, investors, business partners,

members of local communities and families of employees are content with.

We believe that improving the satisfaction level of our employees, our vital human resource is an essential and very important task.

Nagira:

Within the Nitto Denko Group we refer to each other by name, not by position. We believe in paying respect to the “person” not the “position” and as such we call to each other using prefix “○○- san.”

As for “safety” not only have we tried to decrease industrial accidents to zero, but we have also embarked on a mission to prevent traffic accidents wherever possible. We prioritize the manufacturing of safe products and the safe usage of such products. As seen in REACH or RoHS, the management of chemical substances has been tightened throughout Europe. We established a Chemical Substance Management Center in fiscal 2007 as a means of improving safety for both employees and our consumers.

Are you going to make a strong effort to develop human resources to support these matters?

Nagira:

We believe that without improving individually we will not build good relationships within society. We encourage employees to pay serious attention to “what and who they want to become”, and how they may be able to grow to meet their goals independently and voluntarily. We give employees opportunities to put into practice the goals that they may have set. It is through the journey and through making mistakes that so much learning takes place.

Takemoto:

The slogan for fiscal 2008 is “Changing the Company with My ‘One Step Forward!’.” If Nitto Denko Group employees all over the world take a step forward, that would add up to 30,000 steps forward. For an individual it may be a small step. However, if everybody steps forward, it will be very big steps forward for the whole Nitto Denko Group. For this to be achieved, basic education and training are necessary.

In fiscal 2007, we established a new global education system (Nitto Denko Group Cultivation System), where all employees participate in essential training sessions that relate to the Nitto Denko Group's core business, strategic framework and other relevant areas. The first step of our education system was to provide training to employees relating to what is expected when we refer to “quality”, “security”, “environment” and “CSR”. We hope that employees when talking about their own companies will pass on such necessary information to other stakeholders.