

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.

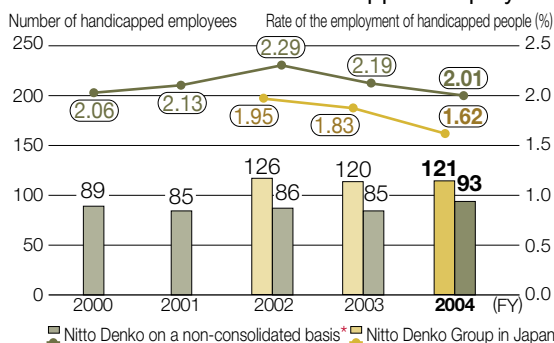
In fiscal 2005, practical awareness activities will be promoted especially for general managers and managers, using the case study of a variety of day-to-day problems including sexual harassment.

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

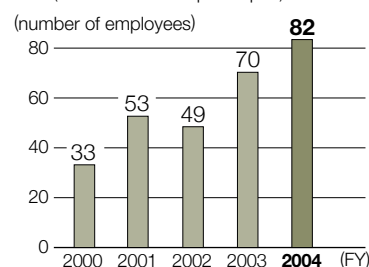
Number and Rate of Handicapped Employees



*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

Number of Employees Aged Sixty or above

(Nitto Denko Group in Japan)



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

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	<ul style="list-style-type: none"> 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	<ul style="list-style-type: none"> Financial accounting Problem solving English capability 	—	50 (Jan to Apr) (Jul to Oct)

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.

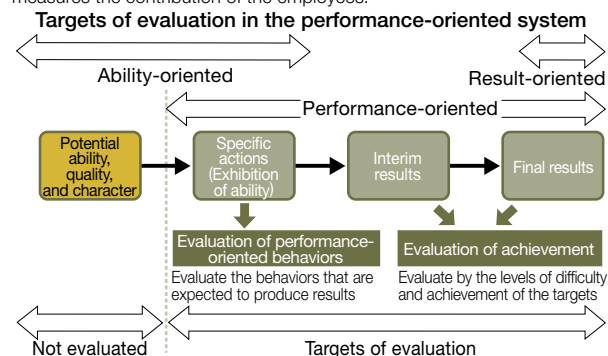
The Nitto Denko Group endeavors to communicate with its employees based on the basic principles of “mutual trust”, “partnership”, and “coexistence and co-prosperity” between workers and management.

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.

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.

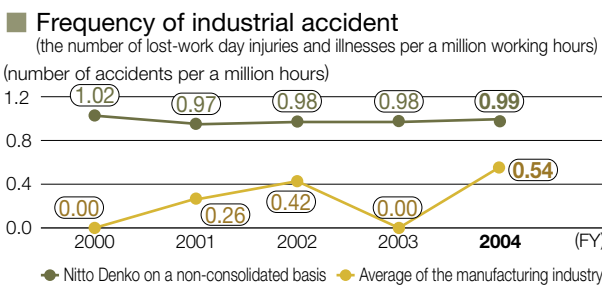
* Fatal accidents: An accident that causes death, a disability or aftereffect.

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.



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.

Occupational Safety and Health Promotion System



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