

Environmental Accounting

The Nitto Denko Group has introduced environmental accounting as a tool to reduce its environmental impact and cost and conducts such accounting in a unique manner. By effectively controlling environmental conservation cost and reducing environmental impact cost, we are trying to improve our resource productivity and achieve a low overall cost.

Environmental Accounting

Reducing Environmental Impact and Relevant Cost through Unique Environmental Accounting

In the Nitto Denko Group, Nitto Denko Corporation introduced environmental accounting in fiscal 2000, followed by other major domestic manufacturing companies in fiscal 2001 and overseas major manufacturing companies in fiscal 2002. These companies conduct environmental accounting in a unique way as a tool to reduce their environmental impact and the relevant cost in reference to the guidelines announced by the Ministry of the Environment and the Ministry of Economy, Trade and Industry of Japan.

The Group's environmental accounting is characterized by the following two points. The first is that each business division and Group company sets an environmental budget and clarifies its environmental tasks and responsibilities. The second is that in addition to the environmental conservation cost listed in the Ministry of the Environment's guidelines, the Nitto Denko Group shows its environmental impact cost (the cost of materials that have an environmental impact). Environmental impact cost includes industrial waste value (the material cost and processing cost of industrial waste—more specifically, the purchasing and processing cost of materials not used in products and that have become industrial waste) and the cost of energy used in the manufacturing process, solvents purchased, and water used.

At present, we are not fully utilizing environmental accounting in our business management but will continue to study and develop it into one that is truly useful for our business.

Achievements in Environmental Accounting in Fiscal 2005

Achieving More-than-Expected Results as an Unified Group

In fiscal 2005, the percentage of the Group's environmental impact cost that is directly related to sales came to 12.2%, which is below the budgeted percentage of 13.5%. Specifically, Nitto Denko Corporation's percentage was 13.7% against the budgeted percentage of 15.3%. Thus, the Company achieved the budgeted percentage.

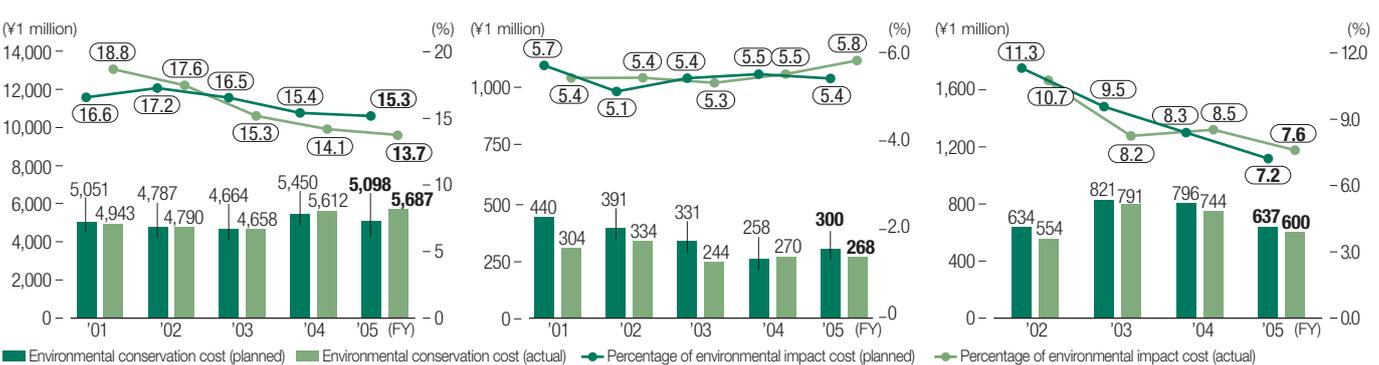
As for domestic Group companies, their percentage was 5.8% as compared to the budgeted percentage of 5.4%. Therefore, the budgeted percentage was not achieved.

As for overseas Group companies, their percentage was 7.6% against the budgeted percentage of 7.2%; thus, the budgeted percentage for overseas Group companies was not reached either.

Companies covered by environmental accounting:

- Non-consolidated:
Nitto Denko Corporation (including Aichi Nitto Denko and Saitama Nitto Denko)
- Consolidated domestic Group companies (four):
Nitto Shinko, Nitoms, Mie Nitto Denko, and Nitto Life-Tech
- Consolidated overseas Group companies (seven):
Permacel (United States), Hydranautics (United States), Nitto Europe, Nitto Denko (Shanghai Song Jiang), Nitto Denko (Taiwan), Nitto Denko Electronics (Malaysia), and Nitto Denko Material (Thailand)

Percentage of Environmental Conservation Cost and Percentage of Environmental Impact Cost



Environmental Accounting

Target period:
Fiscal year of the Nitto Denko Group (from April 1 to March 31)

- Definition:**
- Evaluate environmental activities and environmental impact in terms of monetary value (accounting information) or quantity (quantity information).
 - Environmental cost comprises environmental conservation cost and environmental impact cost.

Percentage of environmental impact cost (%)

$$= \text{Environmental impact cost} / \text{sales} \times 100$$

Percentage of industrial waste value (%)

$$= \text{Industrial waste value} / \text{sales value of own products} \times 100$$

Cost of Environmental Conservation	
General expenses	Costs of maintenance and repair for exhaust gas/wastewater treatment equipment; acquiring ISO 14001 certification; reducing industrial waste and saving energy; environmental information disclosure and advertisement; and donations, excluding costs of industrial waste treatment, outsourcing, personnel, capital investment (depreciation), and R&D
Industrial waste treatment cost	Cost of externally treating and recycling industrial waste
Outsourcing cost	Outsourcing cost of environmental conservation activities to be conducted by Group or external companies
Personnel cost	Expenses for personnel engaged in environmental conservation
Depreciation cost	Total depreciation cost of environmental conservation equipment during the target period (FY)
R&D cost	General expenses and costs of industrial waste treatment, outsourcing, personnel, and capital investment (depreciation) for the development of environmental technologies

Environmental Impact Cost	
Industrial waste value	Material cost and processing cost of industrial waste
Energy cost	Total cost of electricity, fuel, heavy oil, LPG, natural gas, etc., purchased by manufacturing plants from outside
Cost of purchasing solvents	Total amount of solvents purchased from outside
Water charges	Total charges of water, including industrial water and drinking water