

Relationship with Employees

The Nitto Denko Group believes that employees, or human assets, are the most important for any company. Accordingly, the Group respects each of its employees as individuals and presses forward with measures to build an open and fair corporate climate so that employees can be highly motivated in their work. Also, the Group gives first priority to safety and implements measures that provide employees with a safe workplace.

Employment Policy

Employing Those Who Take on Challenges to Attain Their Goals

As a premise for the Nitto Denko Group to sustain its growth, it is necessary for each of its employees to believe in their own abilities and to take on challenges with curiosity about changes to attain higher levels in their work. It is ideal for employees, or human assets, to work hard together to achieve their goals with an open attitude at their workplace. The Nitto Denko Group employs those who are always in pursuit of their own possibilities.

Educational System

Starting a Short-Term Transfer System for Employees of Overseas Group Companies

The Nitto Denko Group's educational system has two mainstays: the development of employees' abilities based on their voluntary efforts and the training of those who will be core human assets for the Group's global business in the future. In January 2004, we launched an educational program named Nitto University to strategically find and develop human assets. At the end of 2005, the total number of Group employees who participated in the program reached 140. In addition, in fiscal 2004 we introduced a system in which employees are dispatched overseas as trainees and, in fiscal 2005, a short-term transfer system in which overseas Group employees are accepted as trainees in Japan.

In fiscal 2005, a total of 2,300 employees participated in 37 educational courses. After the course was over, each participant was given a task to achieve in his/her workplace using the skills learned in the course. When his/her boss approved of the task he/she had achieved, the person was deemed to have completed the course.



Presentation by employees transferred to Japan on a short-term basis

Personnel System

(Nitto Denko Corporation on a Non-Consolidated Basis)

Introducing a Performance-Based Personnel System, Which Differs from a System Based on Inherent Abilities or Simple Outcomes

Nitto Denko Corporation aims to provide employees with an exciting workplace by introducing a performance-based personnel system in which each employee is treated according to the degree of their contribution to the Company. Instead of treating all employees equally, the Company evaluates individual employees based on their performance and rewards them according to evaluation results, thereby motivating individual employees.

Under the performance-based system, employees are interviewed by their managers at each juncture in the evaluation flow, including an interview to set targets and an interview to be informed of his/her evaluation results. These interviews are held to promote close communication between the employees and their managers as well as to help the employees understand how and why they received a particular evaluation. In addition, the Company conducts an employee survey on the evaluation flow to ensure that the employees are properly interviewed as a form of communication with their managers and are told about the evaluation results.

Dialogue between Labor and Management

(Nitto Denko Group in Japan)

Holding the 500th Monthly Labor-Management Consultative Meeting in July 2006

The Nitto Denko Group promotes communication with employees based on mutual trust, partnership, and prosperous coexistence. In Japan, employees of Nitto Denko Corporation and some consolidated Group companies, such as Nitto Shinko, have labor unions. At other Group companies as well, management and employees are trying to build cooperative relations with a spirit of prosperous coexistence.

A monthly consultative meeting is held between management and the members of the central labor union and its branches. In addition, a monthly labor-management roundtable meeting is held at each workplace. At consultative meetings, directors and employees solve various problems together, and the one held in July 2006 was the 500th since these meetings were initiated more than 40 years ago.

Employment in Fiscal 2005

(Nitto Denko Corporation on a Non-Consolidated Basis)

Number of male employees:	2,896
Number of female employees:	291
Total number of employees:	3,187
Average years of service:	15.3 years
Number of those newly employed:	197

Education Provided in FY 2005 to Develop Global Human Assets

Type of Education	Target	Period	Details	Participants in FY 2005	Participants in FY 2006 (Planned)
Dispatching trainees overseas	Young employees aged around 30	From Sep. to Aug.	Dispatched to overseas Group companies and local language schools for improving communication ability and international business sense	14	10
Short-term transfer	Sales staff of overseas Group companies	From May to March	Take part in actual operations at Nitto Denko's Sales Department to become managers in the future	6	8
	R&D staff of overseas Group companies	From Nov. to March	Take part in actual operations at Nitto Denko's technological departments to play important roles in global R&D	1	Not decided
Global Management School	Leaders working in Asia	July	Educated on the NITTO Way to become aware of their roles as members of the Group	43	Not decided
	Managers working anywhere in the world	October	Educated on the concept of One-NITTO and encouraged to share intangible assets and strengthen mutual relations as members of the Group.		

Welfare of Employees (Nitto Denko Group in Japan)

Formulating a Plan to Support Employees in Balancing Their Work and Private Lives

The Nitto Denko Group's employee welfare system is based on the following three concepts: mutual assistance in preparing for contingencies, support to employees in leading stable lives, and welfare programs necessary to ensure sound business operations.

In fiscal 2005, in compliance with the Law for Measures to Support the Development of the Next Generation enforced on April 1, 2005, the Group formulated a two-year action plan. In fiscal 2006, labor and management will conduct an interim evaluation of achievements made in fiscal 2005 under the action plan and implement measures for the remaining year based on the evaluation results.

Employment after Retirement (Nitto Denko Group in Japan)

Matching the Right Person to the Right Place by Opening a "Human Asset Bank" for the Group

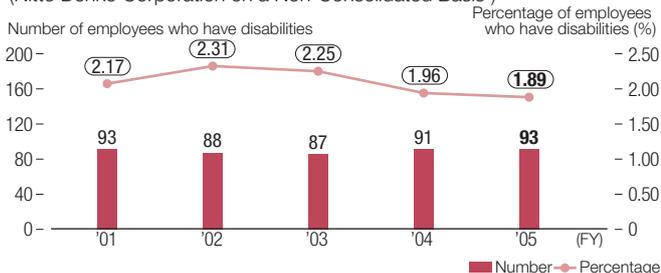
Japanese companies will soon face a serious problem as a result of baby boomers retiring in and after fiscal 2007. With the retirement of these employees, companies will lose their skills as well. Under these circumstances, the revised Law Concerning Stabilization of Employment of Older Persons was enforced on April 1, 2006, which demands that companies implement certain measures for the reemployment of retirees.

Since 1994, the Nitto Denko Group's 28 domestic companies have been sequentially establishing and managing a system that allows those who retired at the age of 60 to continue working at their companies. Under this system, a total of 65 retirees are reemployed as of the end of fiscal 2005. Furthermore, in April 2006, certain criteria for the reemployment of retirees were set in a labor-management agreement, and all those who meet the criteria and wish to work at Group companies are reemployed in principle.

In October 2005, we opened a "human asset bank of the Nitto Denko Group," which is a database of skills held by employees who wish to work at the Group after they retire as well as job offers from various departments of the Group. This database is intended to be used to match the right person to the right place within the Group, going beyond the barriers of companies and departments.

Employment of the Disabled

(Nitto Denko Corporation on a Non-Consolidated Basis¹⁾)



1. Includes a special subsidiary and a few others

In and before fiscal 2003: Nitto Denko Corporation and Nitto Denko Himawari
In and after fiscal 2004: Nitto Denko Corporation, Nitto Denko Himawari, Nitto Business Support, and Nitoms

Note: The figures shown above differ from those announced in *Nitto Denko Group CSR Report 2005* because we have standardized the calculation method.

Employment of the Disabled (Nitto Denko Group in Japan)

Actively Employing Disabled People and Improving Their Working Environment

The Nitto Denko Group established a special subsidiary named Nitto Denko Himawari in May 2000 and has been vigorously promoting the employment of disabled people through this subsidiary. In fiscal 2005, due to a substantial increase in the number of employees following an expansion in business, the percentage of Group employees who have disabilities came to 1.89%, down from that in fiscal 2004.

Nitto Denko Himawari employs the disabled and accepts students from local schools for the deaf and other disabled children as trainees. The Nitto Denko Group will aggressively employ a greater number of disabled people and improve its working environment so that they can display their abilities in a greater number of jobs.

Employee Education on Human Rights

(Nitto Denko Group in Japan)

Aiming to Create a Corporate Culture and Climate that Respect Human Rights

The Nitto Denko Group conducts activities to educate employees on human rights to create a corporate culture and climate that respect such rights. In fiscal 2005, we provided training to all managers and leaders of the Group and distributed a copy of a brochure on human rights to each employee to make them more aware of human right issues.

In fiscal 2005, the Group asked employees to come up with a slogan on human rights for human rights week, and 1,418 slogans were submitted. Of those submitted, one was selected and commended for its excellence in a slogan contest for human rights held by the Industrial Federation for Dow and Human Rights Issues (Osaka). In fiscal 2006, we will provide employees with opportunities to learn about human rights at their workplace, thereby fostering the establishment and expansion of a corporate culture that respects human rights across all Group companies.

comment



Yoshihisa Mori

General Director, Nitto Denko Vietnam Co., Ltd.

I would like to make our company a place where employees can work with pride

Nitto Denko Vietnam is located in an industrial park in the suburbs of Ho Chi Minh and manufactures flexible printed circuits (FPC). After the end of the Vietnam War in 1975, Vietnam was at war with Cambodia and China until 1991. Since then, the country has grown rapidly thanks to the support of investments from overseas. I would like to make Nitto Denko Vietnam a place where employees can work with pride and make it the company of choice among customers. To this end, it is essential to embrace the concept of CSR. First of all, I will make employees understand the importance of fulfilling our social responsibility to promote CSR activities within the company.

Relationship with Employees

Industrial Safety and Hygiene

Establishing “Shut-off-Culture” and Promoting the Introduction of Automatically-Stoppable Equipment

To reduce the number of serious industrial accidents¹ to zero, the Nitto Denko Group has set a fiscal 2007 medium-term safety target of decreasing the frequency rate of serious industrial accidents by 30% from the fiscal 2005 rate.

The following types of accidents account for two-thirds of the industrial accidents that occurred: hands or legs of workers get caught in manufacturing equipment while in operation and are cut or hurt by tools used in cutting tapes and films. In order to prevent these accidents, we began implementing safety measures concerning equipment, teaching employees about industrial safety, and sharing industrial safety-related information Groupwide.

In fiscal 2005, the Group as a whole had 37 serious industrial accidents. Unfortunately, this number is greater than that in fiscal 2004. Of the 37 accidents, 19 were caused by workers touching machines while in operation. This shows that employees are not sufficiently aware of the importance of suspending the operation of machines when the machines are not running properly. We make it a rule to identify the cause of every accident that took place, regardless of its seriousness, thereby preventing the occurrence of similar accidents.

In fiscal 2006, we will further educate employees on the importance of suspending the operation of a machine if it is not running properly before touching the machine to deal with the problem (“shut-off-culture”) and introduce more machines that stop automatically if there is the risk of someone getting injured and will not restart unless the safety is confirmed (“automatically-stoppable equipment”). To this end, we will revise our safety education system and add seminars on the environment, safety, and quality to the Nitto University program. (See page 37.) As for equipment, we will form a technical safety assurance team to promote a shift from machines that detect risks to those that stop automatically to ensure safety and establish safety standards for such equipment.



Safety operation guidelines translated into English and Chinese

1. Serious industrial accidents: Accidents that have a possibility to leave a disability

Information Sharing across the Group

Promoting the Sharing of Information on Industrial Accidents to Prevent the Occurrence of Similar Accidents as a Group

The Nitto Denko Group believes it important for both domestic and overseas Group companies to share information on industrial accidents to prevent the occurrence of similar accidents. Accordingly, to provide opportunities to share such information, we hold an Environment and Safety Sector Global Meeting for all Group companies every year and Group Environment and Safety Committee meetings four times a year for domestic Group companies. In fiscal 2005, we started holding safety promotion meetings for the top managers of Group companies because these managers need to be fully aware of the importance of safety as a premise to promoting safety-related activities throughout the Group. We held this meeting only once in fiscal 2005 but plan to hold it twice a year in and after fiscal 2006. For the sharing of information on a daily basis, we utilize the environment and safety Web page (in both Japanese and English) on our intranet, which was established in fiscal 2003, to share information on labor, fire accidents and so on.

In fiscal 2006, we will launch a new Web-based database to facilitate the prompt sharing of information on industrial accidents, implement more substantial and careful measures that prevent such accidents and the reoccurrence of similar accidents.

Fire Prevention

Implementing Fire-Prevention Diagnosis and Study Seminars at Nitto Denko Group in Japan

The Nitto Denko Group uses organic solvents to manufacture adhesives, and because organic solvent vapors can be ignited by electrostatic discharge, the Group takes strict fire prevention measures. In fiscal 2005, the Static Electricity Fire Prevention Team was renamed the Fire Prevention Team to expand its fire prevention target. We made a “fire prevention diagnosis” at four sites and proposed appropriate fire prevention measures. Furthermore, we held three seminars to study cases of



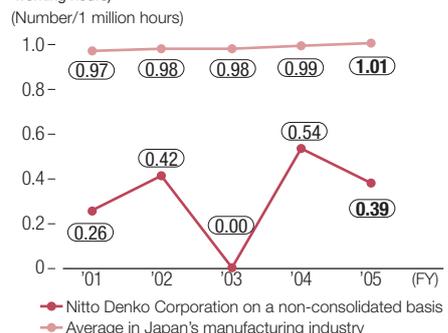
The Fire Prevention Team on patrol

Targets for and Results of Industrial Safety Activities

Major Targets for FY 2005		Results	Targets for FY 2006 (Planned)	
Raise awareness of safety	Introduction of facilities for experiencing pseudo-accidents	○	Introduce automatically-stoppable equipment	Maintenance of the safety features of existing equipment
	Educational activities to raise employees' safety awareness	×		Establishment of safety standards based on a safety confirmation system
Equalize safety level	Support to Group companies	○	Establish “shut-off-culture”	Risk assessments and preliminary examinations of equipment safety
Synchronize safety activities	More information sharing on industrial accidents	○		Acquisition of OHSAS certification (continued)
	Establishment of a system for small-group activities	△	Introduction of facilities for experiencing pseudo-accidents (continued)	
Support and verify site measures	Group activities for higher safety and verification of the measures implemented by sites	○	Equalize safety level	Use and prompt dispatch of safety information (continued)
	Revision of corporate guidelines on the creation of a comfortable workplace	△		Routine safety and compliance activities by Group companies (continued)
				Comprehensive education on quality, the environment, and safety

Frequency of Industrial Accidents

(Number of accidents causing absence from work per 1 million working hours)



fires as well as the ignition mechanism. Also in fiscal 2006, we will continue to educate employees on fire prevention so that they will be more knowledgeable about the subject and possess the skills to put that knowledge to practical use. In fiscal 2005, as in fiscal 2004, we had no serious fire accidents.

Employee Healthcare (Nitto Denko Group in Japan)

Managing the Health of Employees through General and Special Health Checkups

The Nitto Denko Group uses such chemical substances as organic solvents in its manufacturing process, and to ensure the health of employees, particularly those who work in the manufacturing process, the Group created the Rule for Prevention against Health Disorder based on the Group Fundamental Health and Safety Rule and on appropriate laws and regulations. Under these rules, the Group is to implement health and safety measures that are appropriate for the working environment as required.

As for employee healthcare, the Group implements such measures as helping employees improve their lifestyles. Employees aged 40 or older take health checkups every three years, which contributes to the management of their physical health. Nitto Denko Corporation regularly invites doctors and nutritionists to its sites to give lectures on eating habits and lifestyles. In fiscal 2005, the Company held lectures on lifestyle-related diseases and breaking the smoking habit as well as seminars, including a seminar on dumbbell exercises.

Countermeasures against Damage Caused by Asbestos

(Nitto Denko Group in Japan)

Implementing Health Checkups Targeting Employees Engaged in the Manufacture of Products Using Asbestos

The Nitto Denko Group (in Japan) manufactured some products using asbestos in and before 1995. We therefore conducted a survey on those engaged directly or indirectly in the manufacture of these products, including those who had already retired, and asked them to take a health checkup during the period from December 2005 to January 2006. As a result, 125 people went through a medical checkup, and three retirees were diagnosed with a possibility of an asbestos-related disease.

At present, the three retirees have not developed asbestosis, lung cancer, or mesotheliomas, but we will continue to ask them and others who were diagnosed as being healthy in the last medical checkup to keep going for a physical checkup. Moreover, we will conduct a follow-up survey on their health in cooperation with the administration (relevant labor bureaus, labor standards inspection offices, and health centers).

TOPICS

Opening Facilities Where Employees Can Experience Pseudo-Accidents at the Kameyama and Toyohashi Plants

To eliminate industrial accidents, we opened facilities at the Kameyama Plant in April 2005 and Toyohashi Plant in November 2005 where employees can learn about accident risks by experiencing pseudo-accidents.

In recent years, the number of industrial accidents involving employees who have fewer years of service has been on the rise. This is because these employees are inexperienced and lack the ability to predict risks. Additionally, they have fewer opportunities to learn safety skills from experienced employees as a result of the retirement of baby boomers. To train these inexperienced employees so that they may eventually acquire the ability to predict risks and to eliminate industrial accidents, we determined that it was necessary to provide them with the opportunity to virtually experience risks associated with the use of equipment in addition to classroom training.

As part of their educational curriculum, mid-career workers at the Toyohashi Plant take part in virtually experiencing risks at the facilities. In fiscal 2006, other plants will also implement a system in which all employees, both new and experienced, can receive an education on safety. In addition to its own employees, the Toyohashi plant accepts employees from other plants of Nitto Denko Corporation and other Group companies so that they, too, can experience pseudo-accidents. This is one example of the safety promotion measures that the Nitto Denko Group is implementing to prevent industrial accidents.

In fiscal 2006, other plants of Nitto Denko Corporation, including the

Tohoku and Onomichi Plants, will introduce similar facilities where employees will have the chance to virtually experience risks. We are examining the possibility of using a "virtual risk experience wagon" that would visit plants where it would be difficult to establish one of these facilities.

Virtual Experience at the Toyohashi Plant Facilities

Caught in or between objects (involving a V-belt, sheet-like component, and roller of a machine; a pressing machine; a chucking machine and drilling machine); cuts (by a round blade), explosions (caused by solvents and particulates); and experiencing the use of a flame arrester; safety door, Van de Graaff electrostatic generator, and a device that checks antistatic shoes



Virtual experience at the Toyohashi Plant facilities

