

Fiscal 2009 a Year in Which “to Endure” and “to Prepare New Products”

In fiscal 2008 we faced an unprecedented world economic recession, against which business recovery is projected to take several years. Amidst such adverse conditions we will create a comprehensive strategic environment by focusing on new-product development, regathering our energies and making ready for the times to come.



Business Summary for Fiscal 2008

Business environment for fiscal 2008 worsened rapidly in the face of a drastic decline in corporate profits and sluggish individual spending accompanying the worldwide recession which occurred in the second half of the fiscal year. In order to respond to a sharp downturn in orders the Group has sought to raise profits by constricting manufacturing outlay and through other thorough cost reductions. Despite steady

performance, however, from the water treatment and medical businesses we have not been able to head off overall worsening business performance due to unforecasted decreasing demands in almost all business fields including electronics, automobiles and building and housing. Ultimately, sales decreased 22.5% (changes in percentage hereafter are in relation to the previous year) to 577.9 billion yen and operating income fell 82.2% to 13.8 billion yen.

Earnings Forecast for Fiscal 2009

Global economic stagnation is projected to continue despite worldwide gains in inventory adjustment and opinions that production curtailments will finally level out. Among customers of the Group, large progress has been made in inventory adjustment, but rebound in demands for flat-screen TV, home electric appliances and electronics devices by end users in Europe and the U.S. remains uncertain. Earnings forecasts for fiscal 2009 project sales to fall 6.6% to 540 billion yen and operating income to grow 66.2% to 23 billion yen in comparison to the same period of fiscal 2008.

Profit Allotment Policy

At the Nitto Denko Group we consider the stable return of profits to our shareholders to be the foundation

of our dividend policy. Simultaneously, however, it is similarly indispensable to make positive prior investments into research and development and production fields in order to keep pace with rapid technical innovation as well as to meet the needs of our customers. Consequently, when determining cash allotments we comprehensively assess account financial standing, profit levels and dividend payout. Dividends for the current period were ¥40 per share, the same amount as the interim dividend, and annual dividends per share were ¥80, the same as the preceding year. Forthcoming annual dividends are projected to be ¥40, a reduction of ¥40 per share, in line with comprehensive calculations regarding future profits and business investments.

Mid- and Long-term Management Strategy

Due to the unprecedented worldwide recession we have frozen numeric targets of the “G” NET-2010 mid-term management plan, which was drawn up in fiscal 2008 and extends to fiscal 2010. However, we are continuing to implement the basic concept of “Aiming for Sustainable Growth Accompanied by Qualitative Improvement”. This fiscal year, we will focus on the two measures of “fundamental reform in cost calculation” and “creation of new growth fields.”

Fundamental Reform in Cost Calculation

By setting “*Mu Gen Dai*” as a keyword, the Nitto Denko Group will pursue thorough streamlining and rationalization of every business process as well as improvement of productivity according to three new criteria of: “Removing (*Mu*)”, “Reducing (*Gen*)” and “Replacing (*Dai*)”. We will invest the human resources, financial resources, credit and so on gained through this process in growth fields in order to promptly create new foundations for operations.

Creation of New Growth Fields

In order to actualize sustainable growth, the Nitto Denko Group will actively create newly growing fields which will form the nuclei of future business. Basing ourselves on the slogan “Green Clean Fine” as a value which we can offer to our customers and markets, we will pour our efforts into the creation of environmental solutions such as reverse osmosis membranes for seawater desalination (“Green”), new energy materials such as photovoltaic generation and fuel cells (“Clean”), life sciences advancements which support peoples’ health such as transdermal drug delivery patches and DDS (Drug Delivery System) therapeutic agents (“Fine”), as well as focusing our energies on “enhancing increasing use and globalization of tapes”.

Corporate Social Responsibility

The Nitto Denko Group recognizes “corporate social responsibility” as a task of paramount importance. Accordingly, we have set “quality”, “compliance”, “environment”, “safety”, “contribution to society” and “cultivation of human resources” as priority themes in our operations. “Environment” priorities, for example, involve the manufacture of products which will contribute to the global environment as well as reduce the environmental loads of our manufacturing processes. Similarly, in order for the Nitto Denko Group to be meritorious of the name “global citizens” we have established standard worldwide compliance guidelines as basic rules for our employees, through the thorough inculcation of which we intend to be a corporation in which each employee acts not only with a law-abiding spirit but also a high sense of ethics.

Meanwhile, the environment continues to generate new and unknown risks, such as pandemic influenzas, having the potential of exercising great influence on human lives and business activities. Against such risks we are reviewing existing action plans in order to be able to respond in cooperation with society by prioritizing both respect for human life and maintenance of social functions.