

## Corporate Governance

Starting with the fiscal year ended March 2004, our company launched major reforms of corporate governance. By introducing an operating officer system, we have clearly distinguished directors, who are responsible for making important management decisions, from operating officers, who are in charge of overseeing business operations. Another major development in fiscal 2004 was the establishment of a Management Advisory Committee, a consultative group of well-informed individuals outside the company.

It is our desire to create a corporation that provides meaningful value for all of its supporting stakeholders, from society at large to shareholders and employees. In order to achieve that, the proper form of corporate governance is an essential factor.

The model of governance we are aiming for is “wholesome and transparent management.” As one step toward this goal, in April 2003 we established Legal and Ethical Compliance Guidelines that define our corporate ethical standards. At the same time we also opened a Corporate Ethics Help-Line to respond to queries from employees and others regarding actions that could conflict

with legal principles or public welfare.

In addition, in fiscal 2005 we are reducing memberships in the Board of Directors to five and increasing the number of auditors to five. By equalizing the number of directors and auditors, we intend to strengthen our corporate governance. Moreover, we have adopted a policy that three of the five auditors will be from outside the company.

After reviewing the compensation system for directors, we have decided to eliminate the director retirement bonus system and instead introduce a new share-paying stock option plan. The purpose is to increase the transparency of compensation and increase its linkage to business performance.

The Nitto Denko company motto is “Open, Fair and Best.” Our corporate culture is to be open in sharing information, to make fair decisions, and to do our best as a team based on those decisions.

In this spirit, it is the intention of Nitto Denko Corporation, now and in the future, to be a company in harmony with and trusted by society, and to strengthen and broaden our corporate governance.