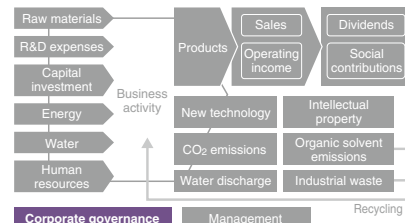


Aiming to realize sound and transparent management



Basic Policy

The Nitto Group believes in the importance of profit for all of its stakeholders. In order to maximize shareholder value on a continuous long-term basis, it is very important to uphold corporate governance.

General policies for all employees to follow in order to function effectively as members of a business enterprise and society are outlined in our “Corporate Philosophy” and *Business Conduct Guidelines*. In our Corporate Philosophy, “The Nitto Way” is described, in which “attitude and mindset,” “values” and “code of conduct” are laid out in statutory form, aiming to put into practice the general policies. In this way, we strive for healthy, transparent governance.

In further efforts to achieve fair and transparent management, basic policies have been designed for each field of specialization of our business, and governance is carried out based on these policies.

Governance System

Directors, Board of Directors, and Corporate Vice Presidents

The Board of Directors makes decisions on important management-related matters and oversees the business affairs of the directors and corporate vice presidents. The directors and corporate vice presidents undertake business affairs according to the basic policies determined by the Board of Directors. In order to strengthen the health and transparency of management, directors and the corporate vice presidents serve a one-year term, with external directors appointed since 2007.

Management and Remuneration Advisory Committee

The Management and Remuneration Advisory Committee was formed as an advisory group to the representative directors, consisting of outside experts offering advice on important management issues and director compensation from a different perspective.

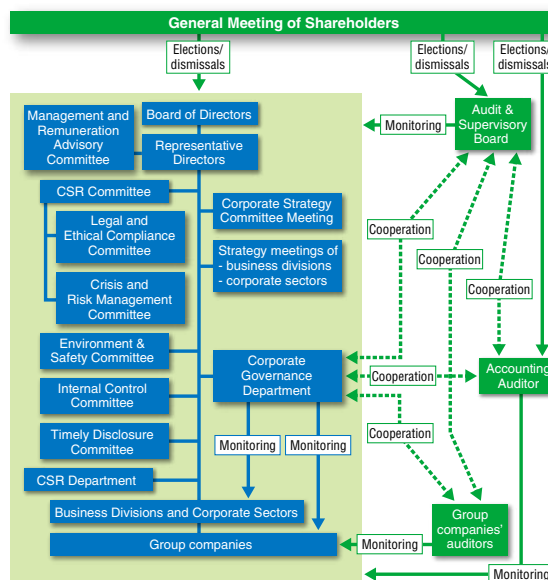
Audit & Supervisory Board Members and Audit & Supervisory Board

Audit & Supervisory Board members attend Board of Directors meetings to audit the business affairs of the directors. In addition, their tasks include: attending other important meetings; listening to the activity status of directors, corporate vice presidents and employees; viewing approval papers and other formal documents; inspecting the main office, technology and business

divisions, plants and subsidiaries in Japan and overseas; and exchanging opinions and sharing reports and hearings with accounting auditors.

Corporate Governance System

<July 2014>



Audits and Internal Controls

In order to meet our social responsibilities as a business, the Nitto Group has independent divisions under a check-and-balance system performing internal audits, which are useful for achieving effective internal controls and management objectives.

Audits (Internal Audits and QES Audits)

Internal audits are conducted to ensure management activities are being performed accurately, legitimately and reasonably, by all of the companies within the Nitto Group, so as to contribute to improvements in business operations and performance.

In addition, QES audits intended for quality, environmental and safety purposes are also conducted in order to ensure the safety of employees, customers and society.

External audits are also conducted periodically.

Internal Controls

Basic policies on internal controls have been created to ensure suitable business practices. Internal controls for financial reporting have also been developed in an effort to ensure the appropriate maintenance and operation of the control environment, risk evaluation and response, control activities, information and transmission, monitoring, and handling of IT.

