

Compliance

A Common Requirement of All Business Enterprises

Compliance has been a major CSR of the Nitto Denko Group. We consider that business activities are not only about producing legal profits but also about returning benefits to stakeholders and society in a myriad of ways. Compliance is viewed as a matter of necessity if we are to achieve this and maintain our reputation as being a dependable business enterprise.

Thoroughness of Compliance

The Nitto Denko Group has established guiding principles which are promoted as basic compliance standards and behaviors that all employees are required to be fully aware of. The CSR Committee, chaired by the CSR executive uses the committee meetings as a means of enhancing the compliance system.

Employees are assigned to join the Corporate Governance Department to assist mainly the Corporate Auditors with their work. They have initiated this process as a means of obtaining information relating to the appropriateness and efficiency of our business process throughout Group companies. In addition we have set up special divisions relating to environmental management, safety, quality and export control, each of which works in cooperation with auditing departments.

Utilization of *Nitto Denko Group Business Conduct Guidelines*

In 2006 we distributed *Nitto Denko Group Business Conduct Guidelines* manuals to all employees of the Nitto Denko Group. These manuals outlined five integral principles. These being, "Working Environment," "Protecting Assets," "Conducting Business," "Legal Compliancy" and "On Your Own Time." Each principle is explained and demonstrated within the manual using case studies. Examples of possible business situations where employees may find it difficult to make decisions were outlined with useful information provided and reference being made to the



Nitto Denko Group Business Conduct Guidelines training

relevant principle/s for each case. Coinciding with the distribution of these manuals were briefing and training sessions provided to the Nitto Denko Group employees all over the world. The guidelines have also been posted on the Nitto Denko website. (http://www.nitto.com/company/environment/env_04.html)

As the importance of compliance becomes gradually recognized, understood, appreciated and practiced among all employees throughout the Nitto Denko Group, it will serve as a common tool allowing all employees to comply with ethical standards, regulations and laws with respect to business operations within their local areas and may develop as is the case in China, activities involving cooperation between the government and local areas. (More detail can be found on page 38.)

Implementation of Human Rights Training Sessions (Targeting Domestic Group Companies in Japan)

In fiscal 2006, as a means of broadening employees understanding of human rights issues, human rights training sessions were implemented and targeted towards employees of our Japanese domestic Group companies. Examples of potential problems that may be faced when conducting business were explored. Training sessions relating to compliance have been continuously conducted, as mentioned above, and the emphasis has always been placed on the integral importance of cultivating our human resources in accordance with our core values of Integrity, Excellence and Accountability.

Report System in Japan

The Nitto Denko Group has set up a report system to assist in uncovering systematic cover-ups relating to legal and ethical misconduct. In addition, in order for whistleblowers not to be identified we have established a system by which internal group employees are able to report directly to outside experts. We also provide an in-house consultation service. If we receive reports, we inform the Corporate Ethics Committee which consists of the CSR executive and Corporate Auditors at which time preventive steps are taken.