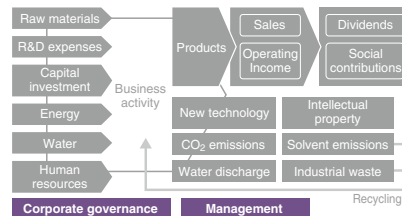


Governance

The Nitto Denko Group aims at sound and transparent management in order to implement long-lasting harmonious activities involving all stakeholders.



Basic Policy

The Nitto Denko 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 Vision,” “Guiding Principles,” and “Business Conduct Guidelines.”

Our Corporate Vision and Guiding Principles are based on the “Open, Fair and Best” concept, in which information is to be shared openly, decisions are to be made fairly, and our best efforts are to be made in every activity. 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 directors and the 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 being appointed since 2007.

Management and Remuneration Advisory Committee

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

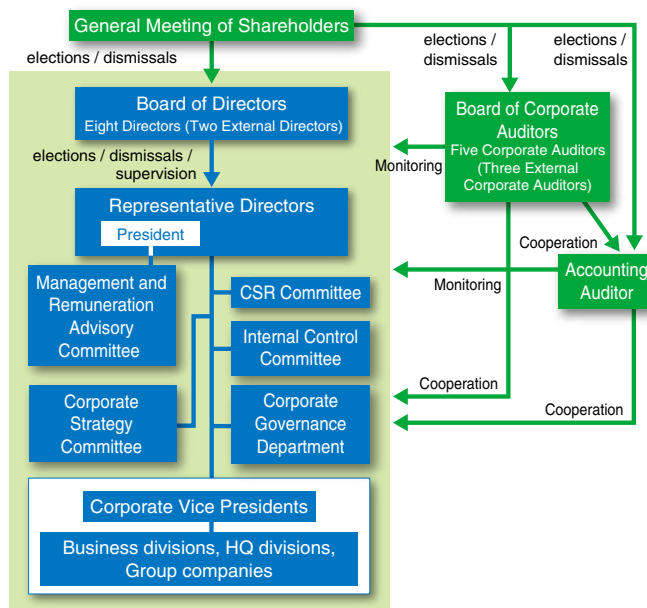
Corporate Auditors and Board of Corporate Auditors

Corporate auditors attend Board of Directors meetings to audit the business affairs of 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 such reports and hearings with accounting auditors.

Corporate Governance System

<July 2013>



Audits and Internal Controls

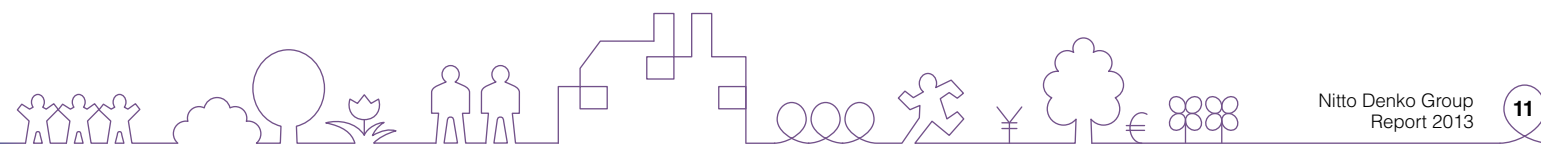
In order to meet our social responsibilities as a business, the Nitto Denko Group has independent divisions under a check-and-balance system performing internal audits, which are useful for achieving effective internal controls and management objectives.

Audits

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



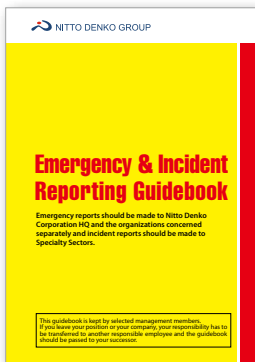
Risk Management

We investigate from a global standpoint any risk areas that may present as serious concerns to management and business activities. Any potential risk areas are prioritized and countermeasures aimed at prevention, avoidance, measurement and transformation are taken. (Refer to Associated Business Risks Listed in the Financial Report on pp.14-15)

Furthermore, we implement the following approaches:

Emergency Reporting System and Supporting System

If a large-scale disaster or serious accident occurs, a system developed by the Nitto Denko Group immediately contacts top management. If necessary, top management will authorize a Disaster Response Headquarters to be established, and all afflicted group companies and bases will receive the support of the entire Nitto Denko Group.



Guidebook with contact information in an emergency

Business Continuity Plan

On the basis of our experience of the Great East Japan Earthquake, the Nitto Denko Group issued a revised edition

of the “Business Continuity Manual (Earthquake Edition)” in September 2011 on four basic policies: Respect for human life; Prevention of secondary disasters; Responsibility for supplying products; and Supporting the local community.

In February 2013, based on this, we conducted an earthquake drill in cooperation with two bases for the first time. The drill was a kind of evaluation of how parties with no prior detailed notice of the drill acted in a real-life simulation of an earthquake and resulting accidents. Through this drill, some issues emerged and the teamwork of the Disaster Response Headquarters was enhanced.

In the future, we will improve the Business Continuity Plan by continuing to conduct disaster training drills and identifying and remedying any problems.



Earthquake drill

Inclusion in Dow Jones Sustainability Asia Pacific Index



Nitto Denko was selected as a component of the Dow Jones Sustainability Asia Pacific Index, an index of the world's leading Socially Responsible Investments, for the first time.

the world in terms of the economy, environment and society, and is one of the most important measures cited by investors concerned with corporate social responsibility (CSR).

The Dow Jones Sustainability Index assesses enterprises around

