

Corporate Governance

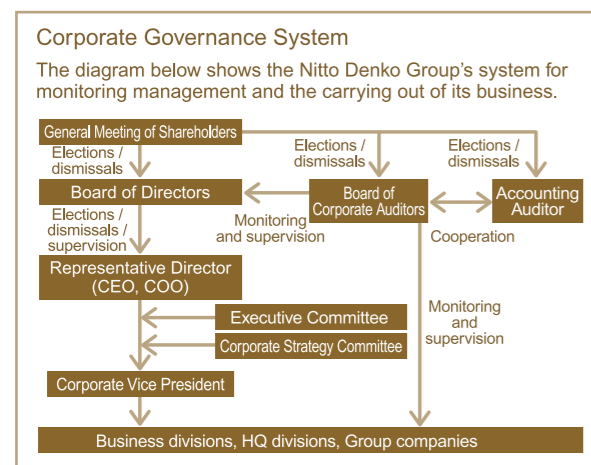
We Prioritize Being a Socially Credible and Responsible Corporation

Window dressing or misconduct by corporations is not peculiar to this century's business as it has occurred throughout the ages. In recent years, however, the occurrence of such behaviors and practices has increased. Every time a company or corporation is disclosed as having been involved in such a scandal whether in Japan or overseas society's confidence is shaken. With the new Company Law enforced in 2006 and J-SOX coming into force in 2008, we will be expected to arrange an internal control system and to look at ways of further enhancing our financial reporting. The Nitto Denko Group has already committed to establishing internal control systems as required under the new Company Law.

"Open, Fair and Best" Standard of Practice

According to the definition of the new Company Law, internal control requires that corporations themselves, including subsidiaries are responsible for the creation and implementation of policies which lay down the rules or procedures by which the company will perform business efficiently in accordance with the law, regulations and articles of incorporation.

The "Open, Fair and Best" spirit has taken root within Nitto Denko's corporate culture. Our Corporate Governance System has been integral in creating this spirit. In conforming to the new Company Law, we have established a new Corporate Governance System outlined below.



CEO: Chief Executive Officer COO: Chief Operating Officer

Compliance System and Risk Management

In order to assist us with complying with laws and business ethics we have established "Business Conduct Guidelines." These guidelines reflect our guiding principles and clearly outline our expectations with regard to employee behavior. All employees have been

made fully aware of their importance and relevance. Furthermore, we have established a reporting system within each company which allows employees to make notifications of any legal violations or any cases of noncompliance where the corporate code of ethical conduct has not been adhered to. Alongside the setting up of an in-house help line service, we have made it possible for staff to directly contact external experts via an external help line service as a means of ensuring greater transparency and anonymity for staff reporting noncompliance.

The Board of Directors, Corporate Strategy Committee and business execution bodies constantly oversee and manage our business with the aim of minimizing business risk. Careful consideration is paid to the company's business constitution and overseas business operations when assessing risk. External factors such as exchange fluctuations, the political stability of the countries that the Nitto Denko Group has dealings with, advances in technology and the competitive power of such technology, alongside the intellectual property rights that may be associated with such technology are all risk factors that are carefully considered by the management team when making decisions.

The Emergency Headquarters, headed by the executive in charge of CSR is to be established as a further strategic means of preparing for unforeseeable circumstances. Its aim is to minimize risk and damage caused by unforeseeable incidences. In the case of an unforeseeable incident, immediate reports are required to be made to the president, the executive in charge of CSR and the corporate auditors.

Approach to Compliance in Japan

We have made strong efforts to ensure that all group employees are fully aware of our corporate compliance policy and that investigations attempting to discover any potential risk factors are conducted. Training sessions were conducted with management level employees

from our domestic group companies. These managers were then encouraged to disseminate what they had learned by educating their subordinates in their respected divisions. Approximately 1,100 management level employees, nearly everyone, participated in the training sessions. We also offered some tailored training sessions to some managers depending on their particular assignments and monitored the extent that the important principles of such training had been disseminated to other staff.

We have and continue to examine potential and/or new risks closely, always considering what measures can be taken to minimize damage. The Nitto Denko Group attempts to manage risk responsibly and to reduce risk factors wherever possible.

Global Approach to Compliance

Ensuring that all employees are fully aware of our corporate compliance policy is an integral issue needing to be tackled by the whole company. We consider that every employee has a role to play by modeling behaviors in accordance with *Nitto Denko Group Business Conduct Guidelines*.

Nitto Denko Group Business Conduct Guidelines were first laid out in our *CSR Report 2006*, which was distributed to about 30,000 of our group company employees, extending over 20 countries in the world. Since non-Japanese employees now account for 70% of the total employee population, targeting only Japanese employees is not adequate if we hope to ensure that all staff are aware of the Nitto Denko Group's compliance expectations.

To ensure that this takes place the *Nitto Denko Group Business Conduct Guidelines* manual has been translated into 12 languages. At present almost all 30,000 employees have been trained and have received relevant reading material. Activities relating to this have already started. (More detail can be found on page 40.)

Executives and Corporate Auditors of Nitto Denko Corporation (as of July 1, 2007)

President	Masamichi Takemoto (CEO, COO)
Senior Executive Corporate Vice President and Director	Yukio Nagira Yoshiyasu Kamiyama
Executive Corporate Vice President and Director	Yasuo Ninomiya (CTO) Tatsunosuke Fujiwara (CFO) Tetsuo Horiuchi Kaoru Aizawa
Outside Director	Yoichiro Furuse Kunio Ito
Corporate Auditor	Nobuyuki Tanioka Shigeru Hozan
Outside Corporate Auditor	Hisashi Hosokawa Kazuo Kumagai Kosuke Kimura
Executive Corporate Vice President	Katsuhiko Akamatsu
Senior Corporate Vice President	Ryoichi Ota Wataru Kitao Setsuo Watanabe Yoshihiko Chikuma Koichi Nishikawa Yasuo Yoneda
Corporate Vice President	Tomio Sakka Kenji Matsumoto Hongin Kim Yoichiro Sakuma Yoji Munakata Takeshi Nasu Hideo Takasaki Toshihiko Omote Tagayasu Ishida Masashi Iida

CEO: Chief Executive Officer
COO: Chief Operating Officer
CTO: Chief Technology Officer
CFO: Chief Financial Officer