

## Corporate Governance

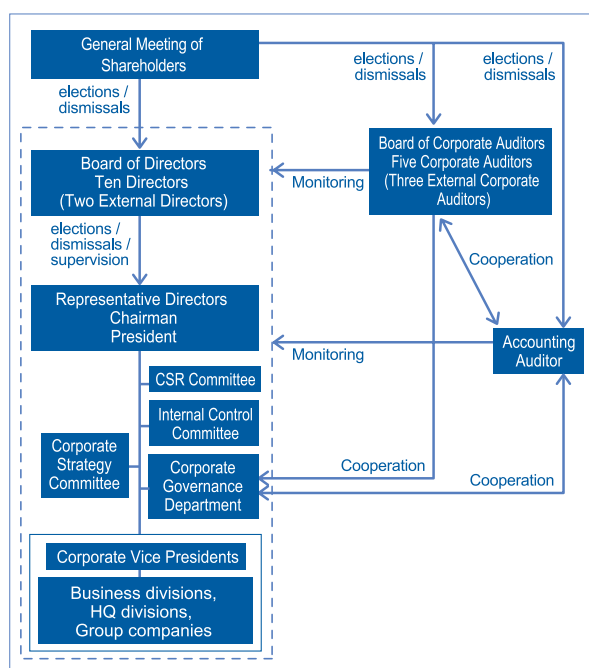
# The Nitto Denko Group Sticking to Sound and Transparent Management

Corporate governance is a never-ending process. By continuously returning to the starting line, refusing to be content with the status quo, and paying keen attention to feedback from the field, the Nitto Denko Group aims to create a corporate system which functions effectively and organically.

## Governance of the Nitto Denko Group

The Nitto Denko Group considers the fulfillment of corporate governance as a crucially important undertaking for honoring the harmonious interests of all stakeholders supporting our business activities as well as in realizing long-term and ongoing maximization of shareholder value. By fulfilling our standard of practice of "Open, Fair and Best;" namely, sharing information openly, judging fairly and doing our best to achieve what was decided, as well as upholding our basic policy of "sound and transparent management", we promote corporate governance.

At the Board of Directors meeting of May 26, 2000, we laid down basic policies relating to the system for ensuring business appropriateness. Details can be seen in the annual security report posted on our web page (<http://www.nitto.co.jp/ir/financial/index.html>). The following diagram illustrates the corporate governance system and lists the names of Directors, Corporate Auditors and Corporate Vice Presidents of Nitto Denko Corporation (as of 1 July, 2009).



## Directors, Corporate Auditors and Corporate Vice Presidents of Nitto Denko Corporation (as of 1 July, 2009)

Chairman	Masamichi Takemoto
President	Yukio Nagira (CEO, COO, CTO)
Senior Executive Corporate Vice President and Director	Yoshiyasu Kamiyama
Executive Corporate Vice President and Director	Yasuo Ninomiya Tatsunosuke Fujiwara (CFO) Kaoru Aizawa
Senior Corporate Vice President and Director	Kenji Matsumoto
Corporate Vice President and Director	Hideo Takasaki
Outside Director	Yoichiro Furuse Kunio Ito
Corporate Auditor	Ryoichi Ota Takashi Awazu
Outside Corporate Auditor	Hisashi Hosokawa Norio Akai Masashi Teranishi
Executive Corporate Vice President	Koichi Nishikawa
Senior Corporate Vice President	Wataru Kitao Yoshihiko Chikuma Hongin Kim Yoji Munakata Minoru Sano Hiroshi Ito
Corporate Vice President	Tomio Sakka Yoichiro Sakuma Takeshi Nasu Toshihiko Omote Masami Kanzaki Masahiko Arimoto Kenji Ueki

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

## Internal Control Relating to Financial Reporting

From this fiscal year, based on the conditions of the Financial Instruments and Exchange Act, we are implementing documentation and self-evaluation of internal control at designated centers of operations for evaluation in our Group in conformity with generally accepted accounting standards of evaluation of internal control relating to financial reporting. At the same time our Corporate Governance Department is monitoring these self-evaluation results from an independent standpoint. Furthermore, we have established an Internal Control Committee (composed of President, CFO\* and responsible persons from each executive body) as a body for discussing the effectiveness of internal control of the whole Group. Based on the contents of these discussions, executives (President and CFO) who are to sign on internal control reports make final evaluations.

Via this process the executives have arrived at the conclusion that our internal control as to financial reporting as of 31 March 2009 is valid. Accordingly, our accounting auditors have conducted internal control audit in conformity with generally accepted accounting standards of internal control audit relating to financial reporting, and have composed an audit opinion expressing assent to the Company's evaluation.

Note: The audit opinion addresses internal control related to financial reporting for the Annual Securities Report, while internal control referred to in the compilation of this Report lies outside of the audit opinion's scope.

\*CFO : Chief Financial Officer of the group

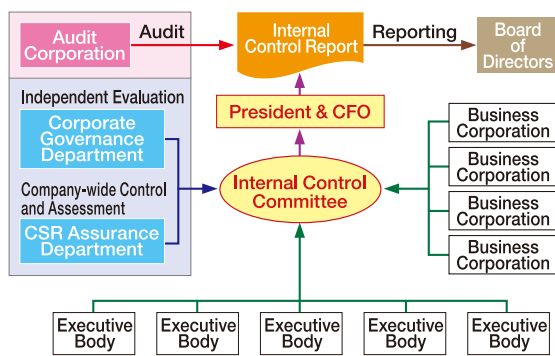
## Risk Management at the Nitto Denko Group

We recognize business risks listed in this report (P.49) as serious possibilities. Risks are unpredictable, but it is important to plan for crises in case they occur. As measures against unpredictable risks we have distributed the "Emergency & Incident Reporting Guidebook" to approximately 300 designated employees throughout the world (of course to heads of each company of the Group but also to responsible employees in sparsely-staffed branch offices) as well as thoroughly prepared them to deal with crises in a state of emergency.

We have established an E-mail address and telephone number for exclusive use in the Nitto Denko Group emergency reporting system. In the event that a report arises, E-mails or cellular phone text messages are transmitted to the E-mail address, or a voice message is left to the telephone number, and the system automatically sends notification of receipt to every employee in charge of crisis management. These employees then take measures appropriate to the situation while making efforts to maintain the uninterrupted performance of the whole Group.

Additionally, each company and manufacturing base in Japan thinks out potential risks for their location and makes progress assessments, which we gather regularly, report to the top management, and provide as collective information for each domestic Group.

### Management System and Persons in Charge of Internal Control as to Financial Reporting



Emergency & Incident Reporting Guidebook

The following describes measures taken against varied risks.

#### <Measures against Possible Influenza Pandemics>

The Nitto Denko Group has consistently made efforts to get the most up-to-date information in preparation for a possible influenza pandemic. We have regularly transmitted relevant information to all companies throughout the Group in order to ensure collective understanding. We have also provided appropriate information by publishing articles regarding "cough etiquette" and the like in our company magazine in order to encourage employees' self-help efforts.

Until recently, we had established a global countermeasure headquarters and had drawn up action plans appropriate to various scenarios. However, influenza type A virus (H1N1) which occurred in April 2009 differed from what we had supposed and we have been called upon to adopt a flexible and adaptive manner. As the nature of the virus has become clear measures in various quarters have quieted down, but in consideration of the possibility of a second or third wave, or a mutant of this virus, the Nitto Denko Group is reviewing existing action plans. It is difficult to forecast how unknown viruses might affect mankind, but the Group intends to prioritize "protecting employees' lives" and the maintenance of initiatives necessary for the continuance of societal functions. Furthermore, the Group will treat measures requested of corporations by society to prevent infection spread as social responsibilities, responding without delay.

#### <Measures against Earthquakes>

As a measure against earthquakes, we have installed an early-warning system which displays earthquake

announcements broadcasted by the Japan Meteorological Agency in real time to our manufacturing bases in Japan. At the time of the Iwate-Miyagi Nairiku Earthquake which occurred on June 14, 2008 the Earthquake Early Warning and safety confirmation systems successfully activated and were of use during the rapid recovery at our Tohoku Plant.

#### · Earthquake BCPs (Business Continuity Plans)

As BCPs had been drawn up at the Tohoku Plant, business at the plant could be smoothly restored without a state of confusion.

#### · Earthquake Early Warning

Due to the close proximity of the epicenter from the plant, the warning alarm sounded simultaneously to the shock of the earthquake. The system functioned normally and we could confirm its usefulness in the case of an anticipated Miyagi Offshore Earthquake which is predicted to occur within 30 years with a probability of 90%.

#### · Safety Confirmation System

Thanks to the safety confirmation system we could confirm the safety of approximately 100 employees out of some 200, but ultimately it was necessary to respond to some employees separately in person. As a result of this earthquake we could verify the importance of the safety confirmation system, as well as recognize new priorities for its use such as the necessity of awareness campaigns and the need for registration of each and every employee.

#### <Asbestos Problem— Follow-up>

As mentioned in our 2006 CSR Report, our company had incorporated asbestos in our operations before its use became prohibited. The Nitto Denko Group has provided regular medical examinations to employees

### Promotion of NITTO DENKO Brand at Local Universities (Malaysia)

In our efforts to attract the best students from the local universities, Nitto Denko Electronics (Malaysia) Sdn. Bhd. (NIDEM) and Nitto Denko Materials Malaysia Sdn. Bhd. (NMM) have embarked on promoting Nitto Denko to three local universities.

We were invited to give a career or a motivational talk to the universities' current undergraduates. Mr. Kazuhiko Yamamoto of NMM R&D and Ms. Teo Shu Yin of NIDEM R&D gave a lecture to the students particularly on the career of R&D in Nitto Denko Malaysia and also on the requirements to be a successful R&D engineer. With such talks, we believe the undergraduates will have a better understanding of what to expect when they work for multinational companies such as Nitto Denko.

Many students were not aware of the existence of Nitto Denko, but after our briefing we received many queries for a potential career in Nitto Denko.

We also took the opportunity to promote Nitto Denko at the universities career fair to attract potential excellent candidates.



(including retired employees) who worked with asbestos at that time.

#### <Compliance Training Sessions>

In fiscal 2008 the Nitto Denko Group conducted our fourth Compliance Training Sessions. These gatherings are held every year based on our strong belief in the need to enlighten every employee so as to maintain high standards of compliance. 75 mandatory training sessions were held this year throughout Japan. Management level employees who attend the training sessions subsequently provide training to their employees, and in this manner we aim to make every employee fully aware of compliance. Also, each department gathers opinions for case studies from their employees and submits these to the secretariat. We are making efforts to ensure that this education reaches all our employees.

#### <“Nitto Denko Group Cultivation System” Expanded to Overseas Groups>

Starting in 2008 in overseas group companies, we implemented our new educational system which had been in effect since July 2007. We provide elementary knowledge as a manufacturing business as well as Compliance Education based on our “Business Conduct Guidelines\*” which have been distributed to all employees.

\* Please refer to the Nitto Denko website.  
([http://www.nitto.com/company/environment/env\\_04.html](http://www.nitto.com/company/environment/env_04.html))

## Issues of CSR

The Nitto Denko Group has focused strong efforts on compliance with laws and business ethics, risk management and information disclosure as significant priorities of our CSR. In 2008 various issues arose as we continued previous efforts as well as promoted new initiatives.

#### <Implementation of Survey as to Satisfaction Level of Employees>

From December 2008 to January 2009, in order to gain a clear grasp of employees’ perception of measures implemented in accord with our slogans “Improve Quality” and “Grow People”, and to link this to better management, we conducted a “Survey as to Satisfaction Level of Employees” amongst all domestic employees including junior employees, contract

employees and part-time employees. Issues of CSR which arose from the survey are as follows:

- “Compliance with law and business ethics” has been understood but approaches to the individual issues of sexual harassment, power harassment (bullying) and human rights violations are as yet insufficient.
- Awareness levels regarding the global environment and environmental conservation are high, but the concrete contents of measures which companies are implementing are not fully known.

#### <Overseas Development of Compliance Training Sessions>

At present, the system in domestic companies is such that Compliance Training Sessions are held once a year for organization ladder managers, who then subsequently discuss the case studies in separate sessions with their subordinates. But the issue remains of how to organize these sessions in overseas companies.

#### <Disabled Persons’ Employment>

Opportunities to work together in cooperation between disabled persons and the non-disabled are a step toward the realization of a sound society. The Nitto Denko Group is making efforts domestically to promote disabled persons’ employment at our company and to eventually raise employment rates to over 2%, although at this point in time we still have yet to reach 2%. In addition, having launched a new enterprise to provide numerous work opportunities for disabled persons at our Group Company, the Nitto Denko Himawari Co., Ltd., we aim to promote disabled persons’ employment in the Group as a whole. Our goal is the creation of a work environment that will be comfortable for both the disabled and the non-disabled.

#### <Acceptance into Practical Workplace Training of People Having Difficulty in Finding Employment>

Nitto Business Support Corporation, a member of the Nitto Denko Group, is lending a hand to the “establishment of human rights through employment” initiative at the Career Support & Talent Enhancement Plaza, a program which consists of human resources development and employment matching services for people having difficulty in finding employment\*. As we did in fiscal 2005 and fiscal 2007 we have accepted one intern from February 9 to 20 of fiscal 2008.

\* Refers to those people who have difficulty in finding employment for reasons prescribed by the Ordinance of the Ministry of Health, Labor & Welfare

### <Securing Business Performance and Responsibility for Employment>

As described in the Highlights and Business Results sections of this CSR & Annual Report, business performance ending in March 2009 has drastically fallen short of the previous fiscal year. Facing the global financial crisis evolved from the subprime shock, leading companies have been forced to make all-around downward revisions since the second half of fiscal 2008. Amidst such a situation, numerous media have run articles on the stabilizing of employment as well as on unemployment throughout the world. Reflecting on this situation, we have reconfirmed that we can execute responsibility for employment only after having secured business performance.

The Nitto Denko Group is responsible for employing many employees in various employment patterns for its business operations. As countermeasures against worsening business performance we have implemented reduction of fixed cost through changes in method of cost depreciation, as well as through partial reduction of managerial position salaries, reduced benefits, temporary layoffs, and so on. We have also conducted review of product lines and consolidation of business operation bases. As a consequence of personnel relocation the number of employees has decreased from 33,600 at the end of March 2008 to 28,640 at the end of March 2009.

Maintaining stable employment is one of our fundamental corporate social responsibilities toward employees and their families, and in fiscal 2009 we will pull our business together and protect employment to the greatest degree possible.

### QES Audit

#### <Promotion of Risk Minimization in 'Quality, Environment and Safety'>

In order to enhance risk minimization the QES Audit Department selected 69 manufacturing bases out of the 111\* Group companies to audit from two standpoints, "Quality from the customers' point of view," and, "Environment and safety from employees' and their families' point of view." Negative influences on management which stem from neglect of problems related to quality, environment and safety are a not infrequent occurrence. The Nitto Denko Group will have completed the auditing of every manufacturing base by fiscal 2010.

In 2008 we audited a total of 21 bases, 8 domestic and 13 overseas. Audits for these purposes measure thoroughness of implementation of the Nitto Denko Group policy and notifications systems along with legality and effectiveness of business management. Audit results are reported to the management team in addition to the persons in charge at each base, and responsible employees in each base accordingly draw up programs for areas of improvement. Progress is validated six months later through a follow-up audit by the QES Audit Department. 90% of improvements requested in 2008 have been completed. Common issues of the Nitto Denko Group related to quality, environment and safety are then derived from the results of analysis for each fiscal year. In this way, the Nitto Denko Group aims to promote governance and total optimization by achieving improvement in each department as well as making reports and recommendations to the management team.

\* as of 2008

### Nitto Denko Receives Award for Having Formed Good Labor-Management Relations

Nitto Denko (Shanghai Pu Dong New Area) Co., Ltd. received an award from the Waigaoqiao Free Trade Zone Trade Union Committee for having formed a good partnership with labor unions. The awards are presented to five selected corporations operating within the Waigaoqiao Free Trade Zone. At the January 9th award ceremony in the presence of 200 top officials from the Trade Union Committee, Shanghai City Government, Pu Dong New Area Government and Waigaoqiao Free Trade Zone Administration, the president received a commemorative gift as a representative of the corporation. The Trade Union Committee bestowed the award in recognition of Nitto Denko labor and management's collaboration in adhering to legal regulations and in appreciation of Nitto Denko's fund-raising campaign for the 2008 Sichuan earthquake.



## Quality and Safety in the Nitto Denko Group

### <Quality Assurance of the Nitto Denko Group>

The Nitto Denko Group's Quality Management Department, with collaboration from all departments, continues its activities for "proactive prevention activities against quality defects" under the motto of "pursuit of quality which makes customers content." Via this approach of reviewing the entire process from design to delivery of products and extending this examination to the very source of operations, we aim to achieve systematic and reliable quality assurance.

One achievement of this tenacious effort has been the improvement of the rejection rate, resulting in a decrease in industrial waste. The Group assesses and reviews such activities in each company at our Global Quality Sector Conference, and presents case studies of improvement activities and encourages their adoption where relevant at each base in the Group in "Global Quality Presentation Sessions".

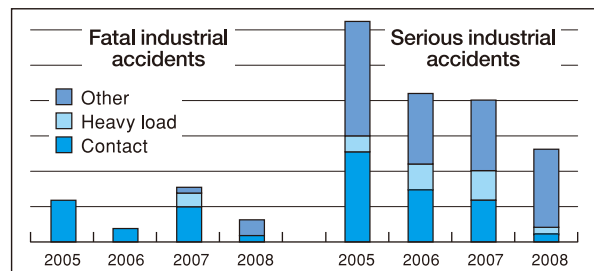
Furthermore, every year we conduct a survey for customers in the form of a questionnaire as to Customer Satisfaction Assessment. We aim to enhance customers' satisfaction through comprehensive improvement in line with its findings as to quality, technologies, responses, deliveries, services and environments.

A system of small group activity which the Nitto Denko Group has continued with the objective of strengthening operating effectiveness of the manufacturing and office departments has presently expanded into a large and lively initiative being conducted and enhanced at each manufacturing base around the world. Achievements of this initiative are presented at gatherings of top-level teams to be distributed worldwide throughout the Group. Recently, along with concerns about regulation of chemical substances such as REACH, RoHS and GHS, more customers have been making requests for the issue of relevant documents. In order to be able to meet these requests without delay we have created the system of a full-time "Chemical Substance Management Center". Additionally, in order for our sales department to be able to respond promptly we have created databases of

analysis results frequently requested by customers.

### <Safety Measures of the Nitto Denko Group>

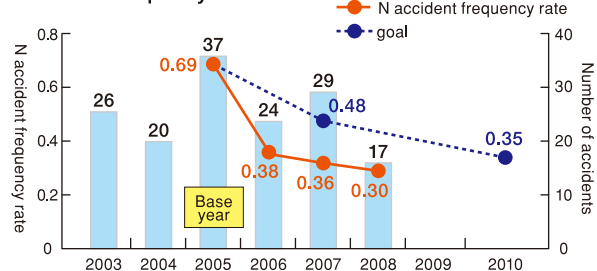
The Nitto Denko Group has laid it down as our safety policy to "construct safe and secure workplaces where each employee is able to realize his affluence." The Nitto Denko Group upholds an objective of "Zero Fatal or Serious Industrial Accidents." The definition of industrial accident differs among countries, so setting common goals is difficult, but we are taking action by defining accidents which we want to eliminate from the Group as "Fatal or Serious Accidents" and by setting "Eradication of Fatal Accidents" as a Group-wide collective reduction goal.



Contact accidents occurred in cases where machines were not shut-off. The number of such accidents in which employees touched moving equipment has dropped and the frequency rate declined. We take this to mean that the introduction and expansion of the "Prior Examination System for Equipment" has produced concrete results and that we have succeeded in the establishment of a "Shut-off-Culture."

### Transitions in

#### N accident frequency rate



[Fatal industrial accidents] Industrial accidents resulting in long-term injuries (disabilities)

[Serious industrial accidents] Industrial accidents with the potential for long-term injuries (disabilities)

N frequency rate=Number of fatal or serious industrial accidents per total 100 million labor hours



### Selected as a "Corporation Paying Regard to Employees' Families"

KyungBuk Province selected Korea Optical Hightech Co., Ltd. as a "Corporation Paying Regard to Employees' Families", in its annual tribute to corporations within KyungBuk Province. In the KyungBuk system honorable recognition is made to corporations in which female employees are able to work comfortably. Korea Optical Hightech Co., Ltd. received high accolade for its system of maternity leave.