

# Corporate Governance Guidelines

Approved by the Board of Directors

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## Chapter 1: General Provisions

### Article 1: Purpose

Nitto Denko Corporation (“Nitto”) has set forth policies that Nitto should continuously address and its guidelines on external disclosure (hereinafter, “these Guidelines”), with regard to its corporate governance system, from the perspectives of sustainable growth and medium- to long-term enhancement of corporate value.

### Article 2: Corporate Philosophy

Nitto has established its fundamental values and sense of purpose with respect to performance of business in the form of its Corporate Philosophy, and publicly discloses the same.

### Article 3: Code of Conduct

Nitto has established guidelines for concrete behavior based on its Corporate Philosophy (the “Nitto Group Business Conduct Guidelines,” hereinafter collectively referred to together with the Corporate Philosophy as the “Code of Conduct”) and spares no effort to make them universally known to its executive officers and employees.

### Article 4: Basic Views on Corporate Governance

1. Nitto has set forth its basic views on corporate governance as per Appendix 1, and publicly discloses the same. Depending on to whom and via what media such information is disclosed, Nitto may add to or delete content in the Appendices hereto to the extent that the intent of disclosure is not altered (the same policy applies to disclosures of information concerning corporate governance mentioned hereafter).
2. As a means to ensuring effective corporate governance, Nitto has adopted the Corporate Auditor System, a brief summary of which is disclosed as per Appendix 2.

#### Article 5: Management Concept

Fully aware of its mission as a manufacturer, Nitto prioritizes the areas to which it allocates its management resources in the following order and use such prioritization as criteria for management, so that it may continue to enhance its corporate value amid fast-changing business conditions.

1. Capital expenditures
2. Dividend payments
3. M&As
4. Share buybacks

#### Article 6: Mid-Term Management Plans

Nitto draws up Mid-Term Management Plans to sustain its growth, and publicly discloses brief summaries of the same.

#### Chapter 2: Respect of Human Rights

##### Article 7: Basic Policy on Human Rights

Nitto recognizes that, in order to sustain its growth, respect for human rights assumes top priority, and has established the Nitto Group Basic Policy on Human Rights accordingly.

##### Article 8: Importance of Diversity

Out of its belief that diversity plays a key role in practicing its Corporate Philosophy, Nitto seeks to diversify the attributes of its executive officers and employees and promotes the creation of an organization in which their special qualities and individuality are brought into full play.

#### Chapter 3: Appropriate Disclosure

##### Article 9: Disclosure Efforts

Nitto not only discloses its financial and non-financial information appropriately as required by law, but also voluntarily provides information whose disclosure is not necessarily required by law (including information in English).

##### Article 10: Disclosure Policy

Nitto has established its Disclosure Policy with a view toward continuing to provide important information related to the Nitto Group from the perspectives of timeliness, transparency, and fairness.

#### Article 11: General Rules on Disclosure Places

Nitto, in principle, discloses corporate governance information on its website, in addition to other methods designated by law, in order to ensure that such information can be checked at all times.

### Chapter 4: Ensuring the Rights and Equal Treatment of Shareholders

#### Article 12: Ensuring the Equal Treatment of Shareholders

Nitto discloses its information in a timely and appropriate manner so that every shareholder is treated equally in accordance with his or her equity stake and has equal access to such information.

#### Article 13: Procedures for Convening Notices, Etc.

1. Nitto, in principle, sends convening notices for ordinary general meetings of shareholders approximately three (3) weeks prior to the meeting dates and discloses such notices on its website immediately after sending them out, thus providing shareholders with sufficient time to consider the agenda of such meetings and exercise their voting rights appropriately.
2. Nitto strives to develop an environment that allows all shareholders, including those not attending the general meetings of shareholders, to exercise their voting rights appropriately (including, but not limited to, translating convening notices into English, allowing use of an electronic voting platform, and holding general meetings of shareholders on dates that are different from those of other companies).
3. Nitto sets a policy for the procedure of substantial shareholders' participation in the general meetings of shareholders.

#### Article 14: Matters Concerning Cross-Shareholdings

Nitto has established its basic policy on holding shares of other listed companies as cross-shareholdings and its basic policy on the exercise of voting rights concerning cross-shareholdings, and publicly discloses such policies.

## Chapter 5: Appropriate Cooperation with Stakeholders

### Article 15: Relationships with Stakeholders

Nitto takes into account the great importance of establishing corporate governance in cooperating appropriately with stakeholders and respecting their interests.

## Chapter 6: Roles, Etc. of the Board of Directors (Members)

### Article 16: Roles of the Board of Directors

1. Recognizing its responsibilities to shareholders and all other stakeholders, the Board of Directors is responsible for Nitto's sustainable growth and mid- to long-term enhancement of corporate value by practicing the Corporate Philosophy through efficient and effective corporate governance.
2. In order to fulfill the responsibilities described in the preceding paragraph, the Board of Directors engages in more comprehensive and substantial discussions on subjects that include, but are not limited to, management strategies; mid- to long-term management plans; management issues; suitability of the current governing structure; social, environmental, and other issues concerning sustainability; nomination of management team member candidates; evaluation of the management and determination of their remuneration; and evaluation of critical risks and formulation of their countermeasures. At the same time, the Board strives to ensure fairness and transparency in management by fulfilling oversight functions over management as a whole.

### Article 17: Roles of Outside Directors

1. Outside Directors are expected to play the following roles.
  - Provision of opinions on management policies and management improvement based on their ample knowledge and experience in management and other areas of expertise that have been built up throughout their professional and business careers, from the broad perspective of promoting sustainable corporate growth and increasing corporate value over the medium- to long-term
  - Oversight of management through important decision-making by the Board of Directors
  - Oversight of conflicts of interest between the company and parties concerned, including, but not limited to, the management and major shareholders
  - Fulfillment of oversight functions from a standpoint that is independent of management to determine, for instance, whether or not it is possible to fulfill

accountability for shareholders and other stakeholders

2. Outside Directors are expected to communicate/coordinate with the management and cooperate with Corporate Auditors or the Board of Corporate Auditors.
3. In order to ensure the independence of Outside Directors, Nitto has established "Criteria for election of Independent Outside Directors and Outside Corporate Auditors", and publicly discloses the same.

#### Article 18: Composition, Qualifications, and Nomination Procedure for the Board of Directors (Members)

1. In order to promote substantial discussions by the Board of Directors, Nitto believes that the appropriate number of Board of Directors members should be not more than ten (10), of whom two (2) or more should be Independent Directors.
2. If any of the Outside Directors hold concurrent positions as officers at other companies, etc., Nitto pays due attention to the statuses of such concurrent positions to determine whether the time and labor required to properly fulfill their roles and responsibilities as Directors at Nitto are set aside, and discloses the statuses of such concurrent positions every year.
3. In order to ensure the effectiveness of the Board of Directors, Nitto has established the Officer Appointment Standards for appointment of Directors.

#### Article 19: Disclosure of Composition, Qualifications, and Nomination Procedure of the Board of Directors (Members)

1. Nitto has set the composition, qualifications, and nomination procedure of the Board of Directors (members) stipulated in the preceding article as per Appendix 3, and publicly discloses the same.
2. Nitto publicly discloses the fact that Director candidates satisfy the Officer Appointment Standards.

#### Article 20: Succession Plan

1. The Board of Directors draws up a succession plan for the president (Chief Executive Officer) as needed and reviews the same periodically. Such a succession plan determines the qualifications required of the president (Chief Executive Officer) based on Nitto's management strategies.
2. The Board of Directors decides candidates who would succeed the incumbent president (Chief Executive Officer) in accordance with the succession plan described in the preceding paragraph when the president (Chief Executive Officer) is to step

down from his or her office.

#### Article 21: Decision-Making Standards

1. In order to ensure that the Board of Directors plays its roles effectively as stipulated in these Guidelines, Nitto has established "Nitto Denko Group Regulation for Decision-making Rules", which determine matters to be delegated to organizations that perform business operations.
2. Nitto reviews "Nitto Denko Group Regulation for Decision-making Rules" as appropriate in order to ensure the effectiveness of the Board of Directors.
3. Nitto publicly discloses a brief summary of this Article as per Appendix 4.

#### Article 22: Individual Agenda Items for Board of Directors Meetings

1. Every year, the Board of Directors shall be briefed on the results of voting for items proposed by the company and approved at the general meetings of shareholders of the current fiscal year. The Board of Directors shall also analyze the voting results and, when they deem it necessary, consider engaging in dialogue with shareholders or taking other measures.
2. When proposing to shareholders that authority be delegated to the Board of Directors for certain items to be resolved at the general meetings of shareholders, the Board of Directors shall consider whether it is adequately organized to fulfill its corporate governance roles and responsibilities.
3. In order to verify whether cross-shareholdings are performed in accordance with the basic policy on holding shares of other listed companies as cross-shareholdings and the basic policy on exercising voting rights with respect to cross-shareholdings, which are established in accordance with these Guidelines, the Board of Directors shall be briefed every year on the status of such cross-shareholdings in order to make decisions on selling shares that are not in line with the policies.
4. When adopting or implementing so-called anti-takeover measures, the Board of Directors shall provide sufficient explanation to shareholders with a view to fulfilling its fiduciary responsibility to them.
5. When implementing a capital policy that could harm its shareholders' interests (including, but not limited to, measures such as increasing capital, engaging in management buyouts [MBOs], and making tender offers), the Board of Directors shall provide sufficient explanation of its rationale to the shareholders.
6. When Nitto engages in transactions with such parties as its management or major shareholders (i.e., related party transactions), the Board of Directors shall resolve

such transactions. In order to ensure that such transactions do not harm the interests of the company or the common interests of its shareholders and to prevent any such concerns from being raised, the Board of Directors has established a brief summary of such procedures as per Appendix 5, and publicly discloses the same.

7. The Board of Directors shall be responsible for formulating and revising the Code of Conduct and shall resolve such procedures. In order to see if the Code of Conduct is disseminated and practiced broadly across the organization, including the front line of domestic and global operations, the Board of Directors shall be briefed on the results of the Code of Conduct dissemination survey.
8. The Board of Directors shall be responsible for establishing and improving a system for whistleblowing, and shall be briefed on the results of whistleblowing in order to oversee its implementation.
9. Recognizing that Mid-Term Management Plans are commitments to shareholders, the Board of Directors shall do its best to achieve such plans. The Board of Directors shall also investigate the achievement levels of Mid-Term Management Plans, fully analyze the company's actions, and reflect such analytical findings in plans for the ensuing years.

#### Article 23: Roles of the Secretariat of the Board

1. The Secretariat of the Board of Directors shall, prior to each Board of Directors meeting, closely examine whether items to be presented at the meetings fall under the category of items to be resolved at such meetings or related party transactions pursuant to "Nitto Denko Group Regulation for Decision-making Rules".
2. The Secretariat of the Board of Directors shall ensure that materials for items and proposals on the agendas of Board of Directors meetings are distributed sufficiently far in advance of the meeting dates (except for emergent and confidential items) to all of the Directors, including Outside Directors, in order for substantial discussions to be made at all Board of Directors meetings.

#### Article 24: Responsibilities of Directors

1. As members of the Board of Directors, Directors participate in the company's decision-making process and oversee the performance of duties by other Directors.
2. In order to live up to shareholders' confidence in them, Directors demonstrate the competence expected of them and fulfill their duties as such by spending a sufficient amount of time devoted to Nitto by, for example, collecting sufficient information to prepare for Board of Directors meetings under a full awareness of their

responsibilities to make bold decisions at such meetings that could potentially result in losses for the company, proactively expressing their opinions, and holding sufficient discussions.

3. When assuming their positions, Directors must fully understand their responsibilities by comprehending all applicable laws and regulations, Nitto's Articles of Incorporation, Board of Directors rules, and other internal rules of Nitto.

#### Article 25: Self-Training and Training of Directors

1. New Inside Directors shall undergo officer training programs upon assumption of their positions.
2. New Outside Directors shall undergo training on Nitto's business lines, financial position, and other matters upon assumption of their positions.
3. In order to fulfill their roles, Directors shall constantly and proactively collect information on Nitto's financial conditions, compliance, corporate governance, and other matters.
4. In addition to matters concerning the three preceding paragraphs, Nitto has set forth a brief summary of training for Directors as per Appendix 6, and publicly discloses the same.

#### Article 26: Internal Investigations by Outside Directors

1. Outside Inside Directors may, when necessary, request Directors, Vice Presidents, and employees of Nitto to provide them with explanations or reports, or to submit internal materials.
2. Outside Directors may, when necessary, consult with external specialists at Nitto's expense.

#### Article 27: Self-Evaluations

Each year the Board of Directors analyzes and evaluates its effectiveness as a whole by inviting each Director to provide his or her opinions on the Board of Directors and other matters. A summary of such analysis/evaluation findings shall be externally disclosed and utilized for improvement of the operations of the Board of Directors and other purposes.

#### Article 28: Remuneration of Directors

1. The remuneration of Inside Directors must be linked to the medium- to long-term interests of shareholders and must be appropriate, fair, and balanced, so that Directors may be better motivated to maximize Nitto's corporate value.



2. Nitto has set its policy for remuneration of Directors as per Appendix 7, and publicly discloses the same.
3. The remuneration of Outside Directors shall reflect their responsibilities of being involved in Nitto's business operations, but shall not contain any elements of performance-based remuneration such as equity-related remuneration schemes.
4. The Board of Directors determines the details of agenda items concerning the remuneration of Directors to be submitted to the general meetings of shareholders with advice from the Management and Remuneration Advisory Committee.

#### Chapter 7: Roles, Etc. of the Board of Corporate Auditors (Members)

##### Article 29: Roles of the Board of Corporate Auditors (Members)

The Board of Corporate Auditors (Members) shall bear in mind their fiduciary responsibilities to shareholders and make appropriate decisions from an independent and objective standpoint when executing their roles and responsibilities, including auditing of the performance of duties by Directors, and the exercise of their powers concerning appointment and dismissal of external accounting auditors, and their audit fees.

##### Article 30: Roles of Outside Corporate Auditors

1. In light of the fact that their appointment is required by law in order to further enhance the independence of the audit system, as well as the reasons for their appointment, etc., Outside Corporate Auditors shall offer candid opinions on the results of their audit under the recognition that they are, above all else, expected to objectively express audit opinions from an independent and neutral standpoint.
2. Nitto has established "Criteria for election of Independent Outside Directors and Outside Corporate Auditors", and publicly discloses the same in order to ensure the independence of Outside Corporate Auditors.

##### Article 31: Composition, Qualifications, and Nomination Procedure of the Board of Corporate Auditors (Members)

1. In order to promote substantial discussions by the Board of Corporate Auditors, Nitto believes that the appropriate number of Board of Corporate Auditors members should be not more than five (5), half or more of whom should be Independent Corporate Auditors. Also, at least one (1) of the Corporate Auditors should possess appropriate finance and accounting expertise.
2. If any of the Outside Corporate Auditors hold concurrent positions as officers at other

companies, etc., Nitto pays due attention to the statuses of such concurrent positions to determine whether the time and labor required to properly fulfill their roles and responsibilities as Outside Corporate Auditors at Nitto are set aside, and discloses the statuses of such concurrent positions every year.

3. In order to ensure the effectiveness of the Board of Corporate Auditors, Nitto has established the Officer Appointment Standards for appointment of Corporate Auditors.

#### Article 32: Disclosure of Composition, Qualifications, and Nomination Procedure of the Board of Corporate Auditors (Members)

1. Nitto has set the composition, qualifications, and nomination procedure of the Board of Corporate Auditors (members) stipulated in the preceding article as per Appendix 3, and publicly discloses the same.
2. Nitto publicly discloses the fact that Corporate Auditor candidates satisfy the Officer Appointment Standards.

#### Article 33: Roles of the Secretariat of the Board of Corporate Auditors

The Secretariat of the Board of Corporate Auditors shall ensure that materials for items and proposals on the agendas of Board of Corporate Auditors meetings are distributed sufficiently far in advance of the meeting dates (except for emergent and confidential items) to all of the Corporate Auditors, including Outside Corporate Auditors, in order for substantial discussions to be made at all Board of Corporate Auditors meetings.

#### Article 34: Responsibilities of Corporate Auditors

1. Corporate Auditors appoint individuals to assist them in performing their duties and, as members of the Board of Corporate Auditors, audit the performance of duties by Directors and prepare audit reports.
2. In order to live up to shareholders' confidence in them, Corporate Auditors demonstrate the competence expected of them and fulfill their duties as such by spending a sufficient amount of time devoted to Nitto by, for example, collecting sufficient information to prepare for Board of Directors meetings under an awareness of their responsibilities to express their opinions appropriately at Board of Directors meetings or to the management.
3. When assuming their positions, Corporate Auditors must fully understand their responsibilities by comprehending all applicable laws and regulations, Nitto's Articles of Incorporation, the Board of Corporate Auditors rules, and other internal rules of

Nitto.

#### Article 35: Self-Training and Training of Corporate Auditors

1. New Inside Corporate Auditors shall undergo officer training programs upon assumption of their positions.
2. New Outside Corporate Auditors shall undergo training on Nitto's business lines, financial position, and other matters upon assumption of their positions.
3. In order to fulfill their roles, Corporate Auditors shall constantly and proactively collect information on Nitto's financial conditions, compliance, corporate governance, and other matters.
4. In addition to matters concerning the three preceding paragraphs, Nitto has set forth a brief summary of training for Corporate Auditors as per Appendix 6, and publicly discloses the same.

#### Article 36: Internal Investigations by Outside Corporate Auditors

1. Outside Corporate Auditors may, when necessary, request Directors, Vice Presidents, and employees of Nitto to provide them with explanations or reports, or to submit internal materials.
2. Outside Corporate Auditors may, when necessary, consult with external specialists at Nitto's expense.

#### Article 37: Remuneration of Corporate Auditors

1. The remuneration of Corporate Auditors shall be determined by deliberation among Corporate Auditors in accordance with the respective duties and responsibilities of individual Corporate Auditors within the limit of the total amount of remuneration resolved at the general meetings of shareholders, provided, however, that their remuneration shall not contain any elements of performance-based remuneration such as equity-related remuneration schemes in light of the fact that they assume such duties as auditing the performance of duties by Directors.
2. Nitto has set its policy for the remuneration of Corporate Auditors as per Appendix 8, and publicly discloses the same.

#### Chapter 8: Matters Concerning External Accounting Auditors

#### Article 38: Matters Concerning External Accounting Auditors

1. In order to ensure the proper execution of audits by External Accounting Auditors, the

Board of Corporate Auditors (members) establishes standards for appointment of External Accounting Auditors and verifies their independence and expertise in accordance with such standards.

2. The Board of Corporate Auditors (members) exchanges information with Directors, relevant internal departments, and External Accounting Auditors on the reappointment and appointment of External Accounting Auditors and examines the same every fiscal year (for reappointment, such information includes the performance of duties by External Accounting Auditors and other considerations).
3. The Board of Directors and Board of Corporate Auditors give due consideration to the following in order to ensure the proper execution of audits by External Accounting Auditors.
  - Securing adequate time to ensure high-quality audits
  - Ensuring that External Accounting Auditors have access to the senior management, including the CEO and the CFO, by way of interviews, etc.
  - Ensuring adequate coordination between External Accounting Auditors on the one hand and Corporate Auditors (including attendance at the Board of Corporate Auditors meetings) and the internal audit department on the other.
  - Establishing a system for the company to respond when External Accounting Auditors discover any misconduct and seek an appropriate response or when they identify any inadequacies or problems.

## Chapter 9: Matters Concerning the Management and Remuneration Advisory Committee

### Article 39: Establishment of the Management and Remuneration Advisory Committee

1. Nitto has established the Management and Remuneration Advisory Committee as an advisory committee to the Representative Director(s), and convenes its meetings at least three (3) times a year.
2. The majority of the members of the Management and Remuneration Advisory Committee shall be Independent Officers.

### Article 40: Roles of the Management and Remuneration Advisory Committee

The Management and Remuneration Advisory Committee examines policies for the remuneration of Directors and other matters and details of remunerations for individual Directors, and offers advice and expresses opinions to the Representative Director(s).

## Chapter 10: Dialogue with Shareholders

### Article 41: Dialogue with Shareholders

Nitto has established its basic policies concerning measures and development/improvement of organizational structures aimed at promoting constructive dialogue with shareholders as per Appendix 9, and publicly discloses the same.

## Chapter 11: Operational Policies

### Article 42: Revision and Abolition of the Guidelines

These Guidelines may be revised or abolished by a resolution of the Board of Directors, provided, however, that minor changes, such as amendments to provisions as a result of organizational and other changes, shall be made by approval of the executive officer in charge of legal affairs.

### Article 43: Review of the Guidelines

1. These Guidelines shall be reviewed every year.
2. These Guidelines shall be reviewed according to the following steps.
  - Separately designate a department responsible for each provision.
  - Have the responsible departments consider the need for amendment of the provisions that they are responsible for each year, and draft amendments to relevant provisions when they deem it necessary.
  - Seek opinions from the Management and Remuneration Advisory Committee as necessary on issues concerning the review of these Guidelines, etc.
  - Have the department in charge of legal affairs serve as Secretariat for the control of these Guidelines.

Functions of the Secretariat: To compile amendment drafts by responsible departments and present the same to the Board of Directors

To manage the budget for the review of these Guidelines

To consider the need for addition of new provisions to these Guidelines and coordinate responsible departments

[Appendix 1]

#### Our Basic Views on Corporate Governance (Principle 3.1, ii)

We at the Nitto Group make clear our fundamental values and sense of purpose with respect to business performance in the form of our Corporate Philosophy. We have also established guidelines for concrete behavior based on this business principle, and spare no effort to make them universally known to our executives and employees.

In order to maximize our corporate value and achieve continuous growth under this Corporate Philosophy, we believe that prompt and transparent decision-making, as well as bold managerial decisions, are necessary. Being fully aware of the importance of establishing corporate governance to achieve such decision-making, we will not only ensure the effectiveness of our corporate governance system, but also further improve the system by establishing these “Corporate Governance Guidelines” in accordance with the following basic principles.

1. We ensure the rights and equality of our shareholders.
2. We collaborate with our stakeholders appropriately.
3. We disclose information appropriately to ensure transparency.
4. We aim to realize the management functions expected of us by our stakeholders.
5. We engage in constructive dialogue with our shareholders.

[Appendix 2]

## Brief Summary of Our Corporate Governance System

### <Overview>

We have adopted a corporate auditor system. The following is a brief summary of our corporate governance system.

### <Policies Related to Corporate Governance>

As part of our efforts to achieve fair and transparent management, the Nitto Group has formulated basic policies for each field of specialization, and governance is carried out on the basis of these policies.

- Basic Policy on Human Rights
- Basic Policies on Internal Controls
- Internal Controls Over Financial Reporting
- Disclosure Policy
- Environmental Policy
- Chemical Substance Management Policy
- Quality Policy
- Occupational Safety and Health Policy
- Basic Information Security Policy
- Tax Compliance Policy

### [Directors, Board of Directors, and Vice Presidents]

The Board of Directors makes decisions concerning important management-related matters and oversees the business affairs of Directors and Vice Presidents. Directors and Vice Presidents undertake business affairs in accordance with the basic policies determined by

the Board of Directors. In order to ensure the health and transparency of management, Directors and Vice Presidents serve one-year terms, and multiple outside directors have been appointed since fiscal 2007.

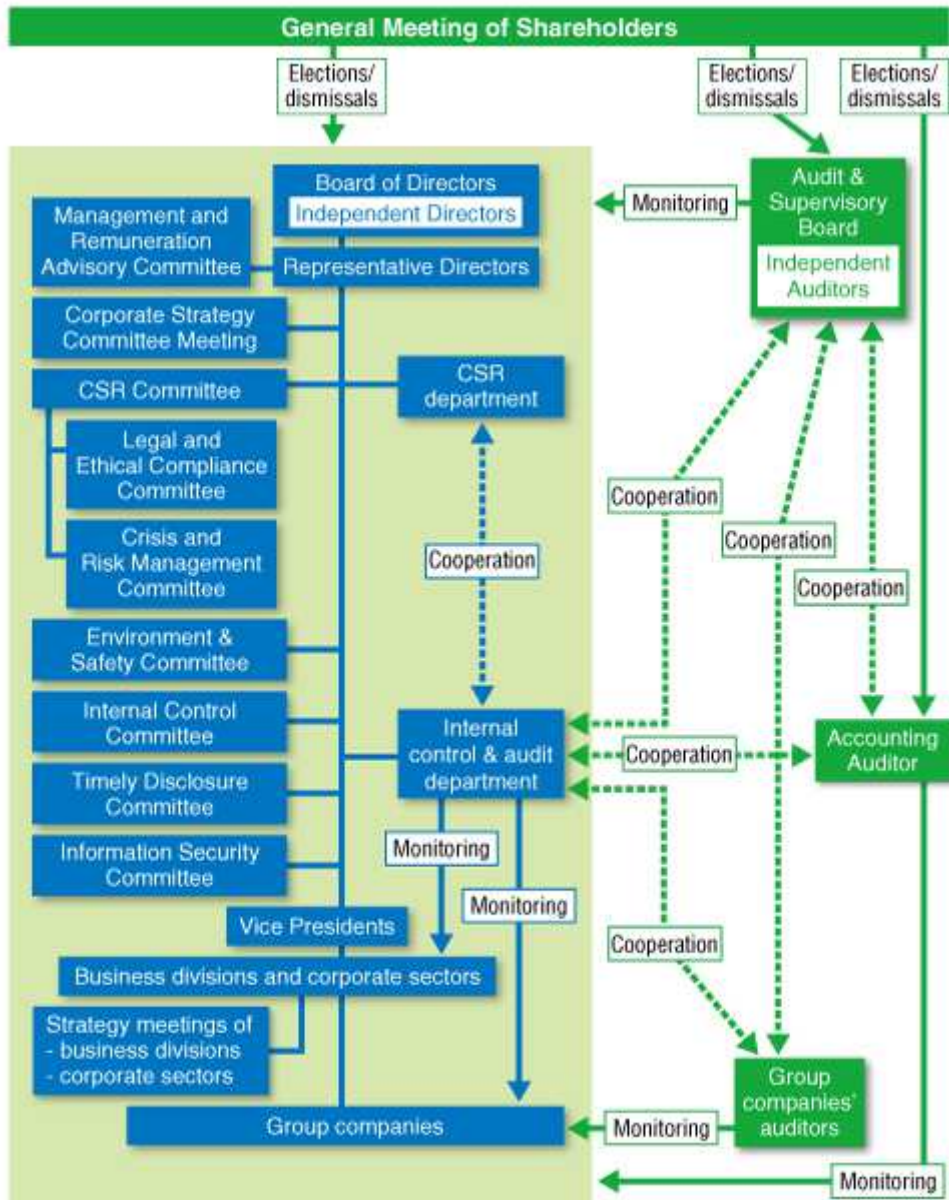
[Management and Remuneration Advisory Committee]

The Management and Remuneration Advisory Committee was formed as an advisory group to the Representative Director(s), and consists of outside directors and auditors who offer advice from a different perspective on important management issues and the director compensation system.

[Corporate Auditors and Board of Corporate Auditors]

Corporate Auditors attend Board of Director meetings to audit the business affairs of Directors. Additionally, their tasks include attending other important meetings; listening to the activity statuses of Directors and employees; viewing approval papers and other important documents; inspecting the main office, technology/business divisions, plants, and subsidiaries in Japan and overseas; and receiving audit reports from and exchanging opinions with accounting auditors.





[Audits and Internal Controls]

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

## Audits

In an effort to contribute to improvements in business operations and performance, internal audits are performed to ensure that management activities are being performed accurately, legitimately, and reasonably by all of the companies within the Nitto Group. External audits are also conducted periodically.

## Internal Controls

Basic Policies Related to Internal Controls have been created to ensure suitable business practices. “Internal Controls Over 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 information technology.

### [Basic Policies Related to Internal Controls]

In accordance with Article 362 of the Companies Act and Article 100 of the Ordinance for Enforcement of the Companies Act, we have established the Basic Policies Related to Internal Controls as follows.

1. Internal controls to ensure that the execution of duties by Directors and employees of the Nitto Group complies with legal provisions and the Articles of Incorporation, and other internal controls to ensure suitable business practices within this business group
2. Internal controls concerning retention and management of information associated with the execution of duties by Nitto's Directors
3. Rules and other systems concerning the management of loss risks at the Nitto Group
4. Internal controls to ensure efficient execution of duties by Nitto's Directors
5. Internal controls concerning the reporting of matters to Nitto concerning the execution of duties by Directors and other members of the Nitto Group
6. Internal controls to ensure efficient execution of duties by Directors and other members of the Nitto Group

7. Matters concerning employees whose appointments have been requested by Nitto's Corporate Auditors for assisting them in their duties, matters concerning independence of such employees from Directors, and matters concerning assurance of the effectiveness of instructions issued to such employees by Corporate Auditors
8. Internal controls for Directors and employees of Nitto and Directors and other members of the Nitto Group to report to Nitto's Board of Corporate Auditors (members) and internal controls to ensure that such reporters will not be treated unfavorably on the grounds of such reports
9. Matters related to policies on procedures for prepayment or reimbursement of expenses incurred in the execution of duties by Nitto's Corporate Auditors or concerning accounting of other expenses or debts incurred in the execution of the aforementioned duties
10. Other internal controls to ensure execution of effective audits by Corporate Auditors

[Internal Controls Over Financial Reporting]

Nitto complies with the generally accepted evaluation standards of internal controls over financial reporting based on the requirements of the Financial Instruments and Exchange Act. Documentation and self-evaluation of internal controls are performed at bases targeted for evaluation within the Nitto Group, while an internal controls & audit department monitors self-evaluation results from an independent perspective.

In addition, the Internal Control Committee (consisting of the President, Chief Financial Officer [CFO], heads of each operating entity, etc.) has been established as an organization to deliberate on the effectiveness of internal controls throughout the entire Group. Final evaluation is performed by managers (President and CFO) who take those deliberation results into account and sign the internal controls report.

[Appendix 3]

Policies and Procedures for Electing Directors and Corporate Auditors (Principle 3.1, iv, Supplementary Principle 4.11.1)

[Appropriate structure of the Board of Directors and Board of Corporate Auditors]

Given the current scale of business, the need to facilitate substantial discussions at Board of Directors meetings and Board of Corporate Auditors meetings and to ensure an appropriate number of outside directors, etc., we believe that the appropriate size of the Board of Directors is not more than ten Directors (two or more of whom are independent directors). Likewise, the Articles of Incorporation set an upper limit of ten. We also believe that the appropriate size of the Board of Corporate Auditors is not more than five members (half or more of whom are independent auditors), with at least one of them having appropriate finance and accounting expertise. Likewise, the Articles of Incorporation set an upper limit of five.

[Nomination of Directors and Corporate Auditors]

When nominating Director and Corporate Auditor candidates, individuals are chosen that meet the relevant Officer Appointment Standards described below.

<Officer Appointment Standards>

In addition to the basic requirement of having profound insights and high levels of expertise acquired from past experience, successful candidates should comprehend and live up to our Corporate Philosophy, deliver results, and continue to take on new challenges.

(At Nitto, those meeting such requirements are called "Nitto Persons.")

[Profiles of Director and Corporate Auditor Candidates]

For profiles of individual candidates for Directors and Corporate Auditors, please see the Reference Materials for the General Meeting of Shareholders of the "Notice of the Ordinary General Meeting of Shareholders." The notice can be found on the Nitto website (<http://www.nitto.com/jp/en/ir/>).

[Nomination of Outside Directors and Outside Corporate Auditors]

When nominating Outside Director and Outside Corporate Auditor candidates, individuals who are considered appropriate for such positions must meet the Independent Officer Appointment Standards and the Officer Appointment Standards. Furthermore, in order for Outside Directors and Corporate Auditors to set aside the time and labor necessary to properly fulfill their roles and responsibilities at Nitto, due attention is paid to the statuses of concurrent positions (officers, etc.) that they might hold at other companies to ensure that such statuses are appropriate.

<Criteria for election of Independent Outside Directors and Outside Corporate Auditors>

1. The Outside Director/Outside Corporate Auditor is not, nor has been, an executing person (Director, Corporate Auditor, Vice President, or any other employee) of the Company or the Group.
2. The Outside Director/Outside Corporate Auditor is not an important executing person (director, corporate auditor, accounting advisor, executive officer or executive director, or any other important employee) of a major shareholder of the Company (a shareholder holding 10% or more of the voting rights of the Company).
3. The Outside Director/Outside Corporate Auditor is not an important executing person of a company of which the Company is a major shareholder.
4. The Outside Director/Outside Corporate Auditor is not an important executing person of a major counterparty of the Company (a counterparty for which the amount of payment or receipt for transactions with the Company for the latest fiscal year exceeds 2% of consolidated gross sales).
5. The Outside Director/Outside Corporate Auditor is not an important executing person of a major financial institution of the Company (a financial institution to which the Group's aggregate amount of loans payable for the latest fiscal year exceeds 2% of consolidated total assets).
6. The Outside Director/Outside Corporate Auditor is not a legal professional, accounting and tax professional, consultant, or research and education specialist who receives a large amount of compensation or donations (for the latest fiscal year, 10 million yen or more in the case of an individual and more than 2% of consolidated gross sales in the case of a corporation or an organization) from the Company.

7. The Outside Director/Outside Corporate Auditor does not have any status of kinship (being a relative within the third degree of kinship or a relative living together) with an executing person of the Company or the Group.
8. In addition to the above, the Outside Director/Outside Corporate Auditor does not have any interest that is reasonably considered to give rise to doubts about his or her independence as an independent outside director or independent outside corporate auditor, or to give rise to a conflict of interest with shareholders of the Company.

[Appendix 4]

Brief Summary of the Scope and Nature of Matters Delegated to the Board of Directors  
(Supplementary Principle 4.1.1)

At Nitto, decisions are made at different levels: the Board of Directors serves as an organization for making management decisions and conducting oversight; the Corporate Strategy Committee undertakes business affairs based on decisions made by the Board of Directors; each business division (including corporate departments) has its own meeting structure(s); and heads of each department make decisions (see Nitto's website for information on the Corporate Governance System).

The scope and content of decisions to be made at each level are regulated through the Group's decision-making regulations and standards that are specifically segmented based on the nature of such decisions, amounts to be approved, and other factors. Management decision-making at the Board of Directors meetings and execution of operations are thus separated from each other, and the effectiveness of discussions at the Board of Directors meetings is ensured.

[Appendix 5]

#### Related Party Transactions (Principle 1.7)

At Nitto, related party transactions conducted by our Directors or major shareholders and other parties are resolved at Board of Directors meetings in order to verify the rationality (business necessity) of such transactions and the validity of their terms and conditions.

Whether or not any items to be presented at Board of Directors meetings and other important meetings fall under the definition of related party transactions is examined by the Secretariat beforehand in conjunction with the legal department.

The soundness and appropriateness of such transactions are ensured through ex-post-facto checking of their nature, etc. by the internal audit department and through audits by the Board of Corporate Auditors (members).



[Appendix 6]

#### Training for Directors and Corporate Auditors (Supplementary Principle 4.14.2)

When nominating Directors and Corporate Auditors, Nitto makes it a policy to nominate candidates appropriate for such positions who, in light of the Officer Appointment Standards, can fulfill the duties and responsibilities of Directors and Corporate Auditors.

Additionally, Nitto periodically provides training on practicing the Corporate Philosophy and compliance, which are attended by not only employees, but also all of the officers, who thereby set an example for others to follow. Nitto's internal officers are obliged to constantly gather information and train themselves proactively in order to fulfill their roles.

Newly appointed outside officers undertake training on Nitto's business lines, financial position, and other topics immediately after taking office.

[Appendix 7]

Policy related to remuneration of Directors (Principle 3.1, iii)

At Nitto, Directors receive three kinds of remuneration:

Compensation in cash (fixed);

Bonus to Directors (based on short-term performance); and

Warrants (medium- and long-term incentives).

Each type of remuneration is determined within the range of the total amount approved at general meetings of shareholders.

In order to enhance the subjectivity and transparency of such remuneration, the Representative Director(s) determine the remuneration of each Director in accordance with his or her duties, responsibilities, and performance, and after hearing the views of Management and Remuneration Advisory Committee.

[Appendix 8]

#### Policy related to remuneration of Corporate Auditors

In light of their duties, such as auditing the execution of duties by Directors, Nitto's Corporate Auditors receive compensation in cash (fixed) only, without any elements of equity-related or other performance-based remuneration. Such remuneration is determined within the range of the total amount approved at general meetings of shareholders.

Remuneration of individual Corporate Auditors is determined through consultation among themselves in accordance with the duties and responsibilities of each Corporate Auditor.

[Appendix 9]

#### Policies Related to Constructive Dialogue with Shareholders (Principle 5.1)

In order to achieve sustainable growth and increase our medium- and long-term corporate value, we provide clear explanations of our business to our shareholders and promote constructive dialogue with them in order to gain their understanding. To this end, we have established the following policies.

1. We at Nitto position IR activities as one of our key business issues, and senior management members personally promote dialogue with shareholders, with the CEO in charge and the CFO serving as a competent director.
2. In order to ensure the effectiveness of dialogue, a dedicated IR department has been established, and a cross-sectional structure for sharing and disclosure of IR information has been constructed through positive cooperation with the Legal, Corporate Planning, Corporate Accounting & Finance, General Affairs, Public Relations, Management of Group Companies, CSR, and other departments. In addition, an information-handling officer has been appointed to strive to ensure disclosure of information in a timely and appropriate manner.
3. As measures to promote opportunities for dialogue aside from individual meetings, information meetings are held every quarter, with the CEO or CFO providing explanations. Additionally, overseas IR roadshows in the United States, Europe, and Asia are conducted at least once a year.
4. Information on views and business issues uncovered through dialogue with shareholders are periodically relayed to senior management and relevant departments to communicate, share, and feed the same back to management.
5. In order to control insider information, the “Nitto Denko Group Regulations to Prevent Insider Dealings” have been established to ensure infallible information control. Meetings with shareholders and investors to be interviewed are limited during the “quiet periods” immediately prior to the announcement of financial results.