

**Seeking “Co-Existence” with all communities based in mutual trust, we are working to build the right business structure for becoming a truly global company.**



## Corporate Governance

It is our corporate mission to strive for “Co-Existence” with society based on mutual trust. We achieve this goal by fulfilling our obligations as a corporate citizen and by conducting fair and just business activities. Efforts to reinforce corporate governance in compliance with laws and accepted social standards are an absolutely essential component of our “Co-Existence” ideology.

### Corporate Governance Structure

Nissha maintains a corporate auditor system. The current system was adopted to enhance management efficiency, strengthen management oversight capabilities, and guarantee thorough compliance with laws and regulations.

### Directors and the Board of Directors

Currently, seven directors, including two outside directors, sit on the Board of Directors. The term of office is one year, which allows for greater flexibility in responding to changes in the business environment and for increasing the transparency of management responsibilities.

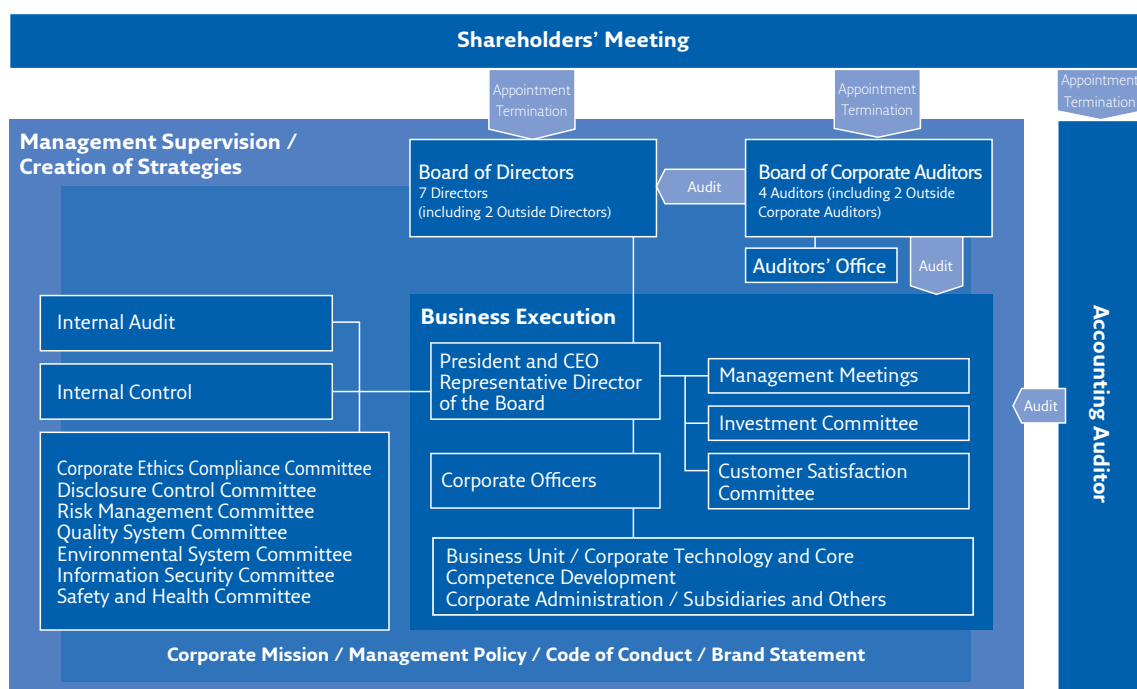
The Board’s regular meeting schedule is monthly, but the directors will convene extraordinary sessions when necessary. The Board receives reports on the execution of business activities and makes important decisions regarding business plans and policies. The president chairs the Board meetings.

### Corporate Officer System

Nissha adopted a corporate officer system to separate the Board of Directors’ strategy-formulating and management oversight functions from its day-to-day business execution function. The Company had 18 corporate officers, two of whom serve concurrently as directors. The term of office is one year.

Corporate officers update the president on the status of business activities at Monthly Business Reviews and ensure that business activities are efficiently carried out.

### Nissha’s Management and Business Execution System



Effective as of June 24, 2011

### Corporate Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors comprises four members, two of whom are outside corporate auditors.

The Board determines auditing policy and the assignment of auditing duties and, based on these, the assigned corporate auditors perform audits on the legality and appropriateness of duties executed by directors. Corporate auditors also monitor and verify that directors are performing the duties of their position in accordance with internal control standards. In addition, corporate auditors obtain from accounting auditors audit plans and the results of such audits, and monitor the accounting auditors to ensure independence and progress in the execution of duties associated with their position.

The Board of Corporate Auditors and representative directors meet on a regular basis to discuss relevant matters. Corporate auditors also hold regular meetings with accounting auditors and internal control-related divisions. These efforts foster closer lines of communication.

The auditing work of corporate auditors is supported by the Auditors' Office, which is under the authority of the Board of Corporate Auditors and functions independently of the Board of Directors.



### Role of Outside Directors and Outside Corporate Auditors

Nissha has submitted notification to Tokyo Stock Exchange, Inc., and Osaka Securities Exchange Co., Ltd., that all outside directors and outside corporate auditors are independent directors/auditors of the Company.

Outside corporate auditors are not involved in the day-to-day execution of business activities. They are selected from a candidate pool of individuals having considerable knowledge of finance and accounting or legal matters. The role of outside directors is to strengthen management's ability to supervise the actions of directors in regard to appropriate execution of business activities, while the role of outside corporate auditors is to verify the objectivity and effectiveness of audits.

Outside officers' role is to reinforce the corporate governance structure by attending Board of Directors' meetings and offering opinions based on their experience and expertise.

In fiscal 2011, the Board of Directors met 18 times. Outside directors Tamio Kubota attended all 18 meetings and Kenji Kojima attended 17 meetings. Yoshio Nakano, one of the Company's outside auditors, also attended all 18 meetings of the Board of Directors as well as 12 of the 13 meetings of the Board of Corporate Auditors. Shigeaki Momo-o, the Company's other outside corporate auditor, attended 16 of the 18 meetings held by the Board of Directors and 12 of the 13 meetings held by the Board of Corporate Auditors.

### Executive Remuneration

Remuneration for directors and corporate auditors is set within the upper limit of total remuneration approved through resolution at the general meeting of shareholders. The policy for setting director remuneration, comprising basic compensation and bonuses, is established by the Board of Directors.

Basic compensation reflects status and the size of the role each director is assigned within the organization, with final say given to the president based on corporate performance and an evaluation of the individual's contribution to these results. Bonuses are determined by the president and correspond to the degree of success in achieving performance targets based on business results.

For outside directors, compensation is set at a specific amount, in consideration of such factors as business experience.

Remuneration for corporate auditors is negotiated with the corporate auditors.

Officer Category	Total Remuneration in Fiscal 2011	Total Remuneration in Fiscal 2011 by Component		Number of Officers
		Basic Compensation	Bonus	
Directors (excluding outside directors)	¥232 million	¥174 million	¥57 million	7
Corporate auditors (excluding outside auditors)	¥26 million	¥26 million	—	2
Outside officers	¥25 million	¥25 million	—	4

### Accounting Audits

The Company engages the services of Deloitte Touche Tohmatsu LLC to perform accounting audits, based on the Companies Act and on the Financial Instruments and Exchange Law.

Category	Fiscal 2010		Fiscal 2011	
	Amount Paid for Auditing Services	Amount Paid for Non-Auditing Services	Amount Paid for Auditing Services	Amount Paid for Non-Auditing Services
Nissha	¥51 million	—	¥50 million	—
Consolidated subsidiaries	—	—	—	—
Total	¥51 million	—	¥50 million	—

### Status of Internal Control and Risk Management Systems

Nissha has systems in place to ensure the appropriateness of its business activities, based on an established Internal Control Policy.

#### Internal Control

Nissha has internal control-related divisions to ensure that business activities are conducted in an appropriate manner. The Company has also built an internal control structure to prevent willful misconduct in the process of executing business activities.

The Internal Audit Office, under the direct authority of the president, complements this structure with a staff of five who undertake regular audits emphasizing the accuracy of business processes in operating divisions.

Nissha discloses important information about the Nissha Group in a timely manner through the Disclosure Control Committee, which is responsible for gauging the best time to release corporate information and the content to be disclosed.

#### Compliance

Nissha prepared a manual, Corporate Ethics and Code of Conduct, based on the Corporate Ethics and Compliance Declaration which serves as a guide for proper behavior, promoting respect for laws and regulations, the Articles of Incorporation, and accepted social standards. The manual has been translated into several major languages so that employees throughout the Group can readily understand and put the content into practice.

To properly address possible illegal or unethical behavior by individuals or organizations within the Group, the Company operates an in-house reporting system—the Nissha Hotline—that functions as a direct access point for employees with pertinent information to disclose.

#### Risk Management

Nissha has a risk management policy and maintains a clear position on measures to implement and enhance risk management practices. In addition, the Company's Risk Management Committee performs risk analysis and monitors risk status across the organization, and reports to the Board of Directors and the Board of Corporate Auditors on a regular basis.

The Company has formed specific departments and a horizontal corporate structure to deal with risks related to such events as insider trading, product quality, the environment, information security, and health and safety. Each unit is responsible for initiating appropriate steps to prevent risk and manage risk in the event it does materialize.

