

Compliance

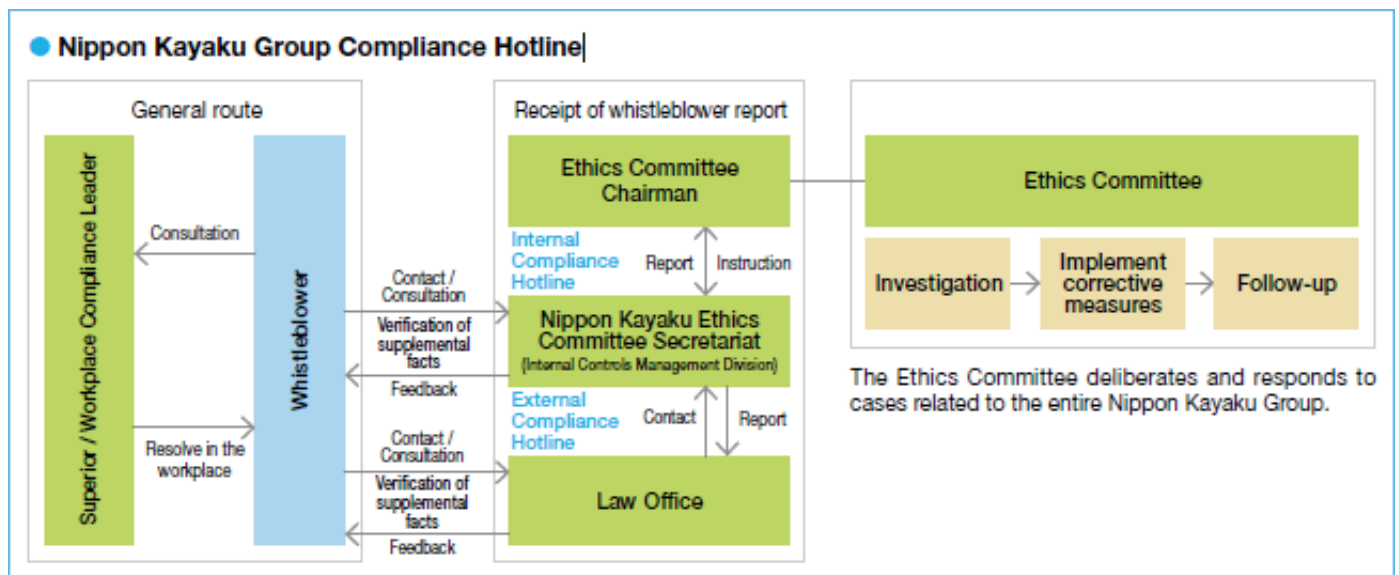
The Nippon Kayaku Group believes that compliance (the strict observation of laws, internal regulations, and also corporate ethics) holds a position of the utmost importance in our business activities. The diagram on this page details our compliance management implementation.

Compliance Management System and its Promotion

In June 2011 the Nippon Kayaku Group Charter of Conduct and the Nippon Kayaku Group Code of Conduct were put in place.

These two policies are steadfastly advanced by the personnel responsible for and in charge of ethics matters at each business location of domestic Group companies. These personnel work to promote compliance in close cooperation with an Ethics Committee. October has been designated Compliance Promotion Month to raise awareness of compliance issues among all executives and employees. In conjunction with Compliance Promotion Month, all Nippon Kayaku Group employees in Japan are asked to complete a compliance survey (which includes questions on CSR). Overall results of this survey are published in the internal company magazine. The results are also aggregated for the entire Group, emerging trends are highlighted prominently, and feedback is given on analysis of Group strengths and weaknesses evidenced by each trend. This analysis is used as a reference when drafting the next fiscal year's Compliance Action Plan, and the PDCA cycle is employed to improve compliance awareness.

An Internal Compliance Hotline and External Compliance Hotline have been set up to respond to compliance issues occurring in the course of our business activities and as a means to prevent violations as well as ensure compliance best practices.



Compliance Promotion Activities

The Nippon Kayaku Group implements compliance promotion activities based on the annual Compliance Action Plan drafted by the Ethics Committee Secretariat and approved by the Ethics Committee.

1. Compliance Promotion Month

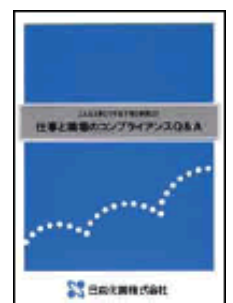
October has been designated Compliance Promotion Month to raise awareness of compliance issues among all executives and employees.

In conjunction with Compliance Promotion Month, all Nippon Kayaku Group employees in Japan are asked to complete a compliance survey to confirm their awareness of compliance issues.

Also, in fiscal 2010, revision of the survey contents was carried out to better reflect the voices of those in the workplace

2. Activities in Fiscal 2010

- Each division drafts a Compliance Activity Action Plan and conducts compliance promotion activities independently according to this plan
- Continuous education and training for all members of management and employees
- Periodic publication of "Compliance News"
- Job and Workplace Compliance Q&A is a booklet highlighting specific case studies both internally and externally that is utilized in department-level training sessions in order to raise awareness of compliance



Compliance Q&A on Work and the Workplace

matters.

Moving forward, we will engage in compliance promotion activities so that all executives and employees of the Nippon Kayaku Group (including temporary and part-time workers) share an awareness of compliance and help to achieve our goal of earning the trust of all of our stakeholders.

Certified as a 'type 1 business entity' by Jiangsu Province – Wuxi Advanced Kayaku Chemical Co., Ltd.

In August 2011, Wuxi Advanced Kayaku Chemical Co., Ltd.(WAC) was assessed by the Jiangsu Import/Export Inspection and Quarantine Branch Office as performing appropriate business operations and earned the designation of a 'type 1 import/export business entity.' As of May 2012, 40 businesses have earned this designation within Wuxi city and WAC is the first chemical manufacturer to do so. With this certification, WAC is no longer subject to on-site inspections before a shipment for export leaves its facilities. The process has been expedited through inspection of shipping/application documents only and the time required has been reduced from seven days to just two.



Manager Mei Li, pictured in front row, right side

WAC also received, in 2010, an evaluation from the customs authority that named it a 'type A firm.' With this and the above designation, the inspection process at the Customs Office can now be expedited and logistics costs reduced during import and export, enabling more systemic shipping practices. Going forward, the goal is to further emphasize compliance and to ensure that this mindset is reflected in each and every employee's actions.