

## Corporate Governance

As a company entrusted with the support and high expectations of society, the Nippon Kayaku Group has put in place an autonomous corporate governance system that recognizes the vital importance of preserving business transparency and of timely, impartial information disclosure to our investors and shareholders.

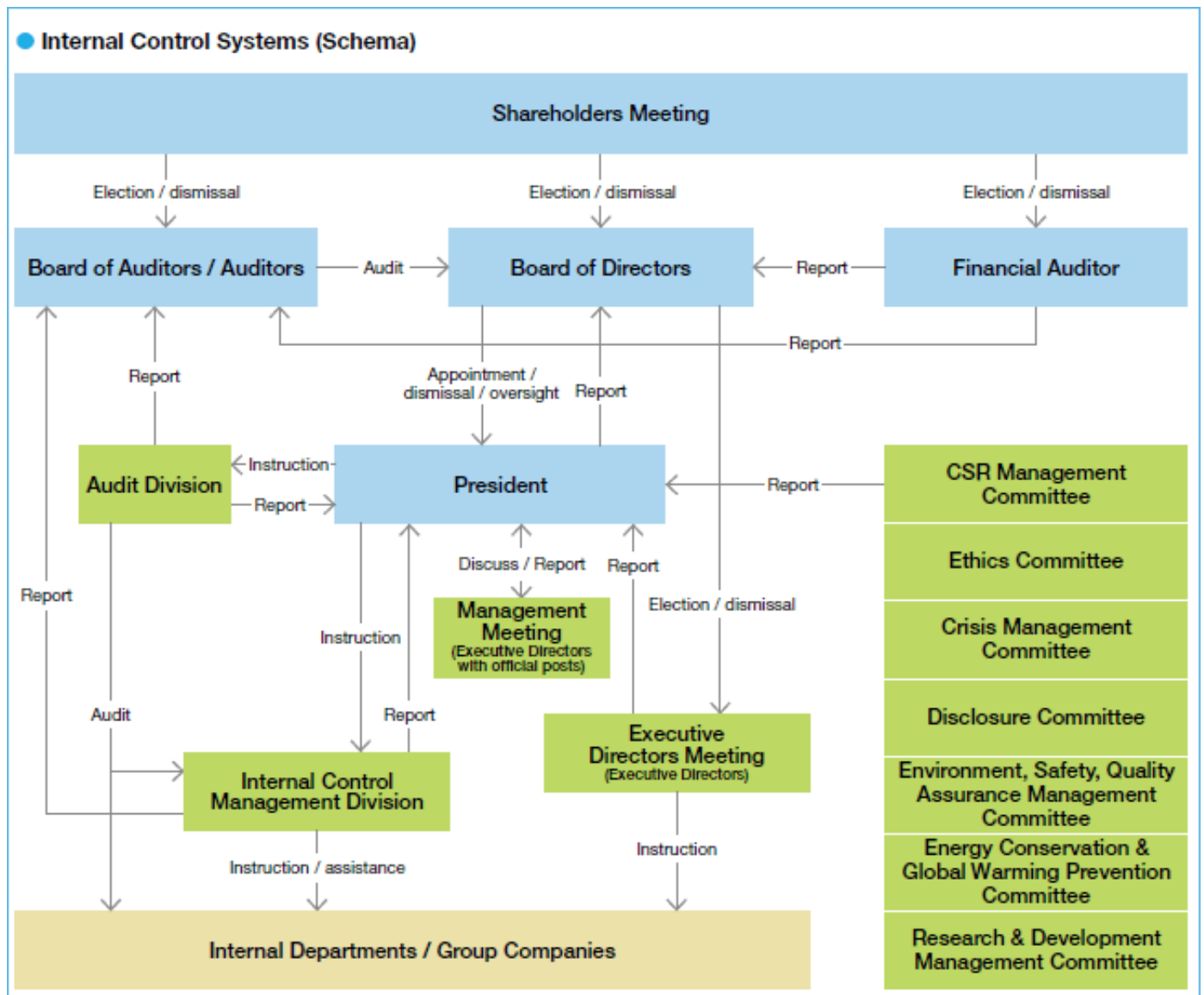
### The Nippon Kayaku Group Corporate Governance and Internal Control System

Through group decision-making and auditor oversight measures effected by the council system of our Board of Directors, the Nippon Kayaku Group believes that its system of corporate governance effectively supports management functions. Moreover, the Group has introduced an Executive Directors System for prompt responses to changes in the business and for flexible execution of operations. This approach distinctly separates the functions of business execution from oversight and decision making, strengthening both and enabling each function to ensure effective decision-making and agile operations.

The Internal Control Management Division, consisting of the Compliance Department, the Risk Management Department, and the J-SOX Department, is in charge of overseeing the internal controls of the entire Nippon Kayaku Group, including financial affairs, and maintaining and improving our internal control system.

The Compliance Department formulates a compliance action plan for each business location and implements that plan in step with Group companies. The Risk Management Department is tasked with assessing departments responsible for developing a specific action plan for each risk factor. Whenever new risk factors are identified, a relevant department will be promptly assigned to address such factors. The J-SOX Department works to ensure that a structure is in place to facilitate reliable financial reporting and assesses the design and application of this structure, reporting findings to the President.

- [Summary of Internal Control Systems](#) [PDF](#)



# Internal Control System and Risk Management System

The Internal Control Management Division, consisting of the Compliance Department, the Risk Management Department, and the J-SOX Department, is in charge of overseeing the internal controls of the entire Nippon Kayaku Group, including financial affairs, and maintaining and improving our internal control system.

The Compliance Department formulates and implements a compliance action plan. The Risk Management Department is tasked with assessing risks for the entire company and designating a department responsible for developing a specific action plan for each risk factor. Whenever new risk factors are identified, a relevant department will be promptly assigned to address such factors. The J-SOX Department works to ensure that a structure is in place to facilitate reliable financial reporting and assesses the design and application of this structure, reporting findings to President.

## Risk Management System

The Nippon Kayaku Group performs comprehensive risk management activities in order to prevent the occurrence of risk and minimize losses if risk does occur.

We have built up our risk management system around the Risk Management Manual compiled in the year 2000 and the Crisis Management Committee Rules and Regulations formulated in 2004.

In addition to our system that notifies senior management promptly about the occurrence of risks, we have also designated a department to be in charge of each factor requiring risk management as part of our efforts to avoid and prevent individual risk factors as well as take remedial measures.

Individual risk factors being addressed on the department-level include natural disaster risk such as earthquakes, environmental destruction risk, environmental pollution risk, accident (production / logistics)-related risk, product-related risk, loss of credibility risk, risk of crimes against the company and senior management, risk of crimes against employees and their families, risk related to expatriate workers and foreign business travel, litigation risk, personnel and labor-related risk, patent litigation risk, and infectious disease risk, among others.

## Activities Promoting Risk Management

The Nippon Kayaku Group has a designated department in charge of risk management that each year develops a Risk Management Action Plan, which in turn is approved by the Crisis Management Committee, as part of the company's efforts to raise risk awareness, promptly report risk to senior management and engage in risk reduction activities. In fiscal 2010, we launched a company-wide business continuity plan (BCP) project following the Great East Japan Earthquake and began a full-scale review of our company-wide BCP used to respond to emergencies.