

# 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.

