

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.

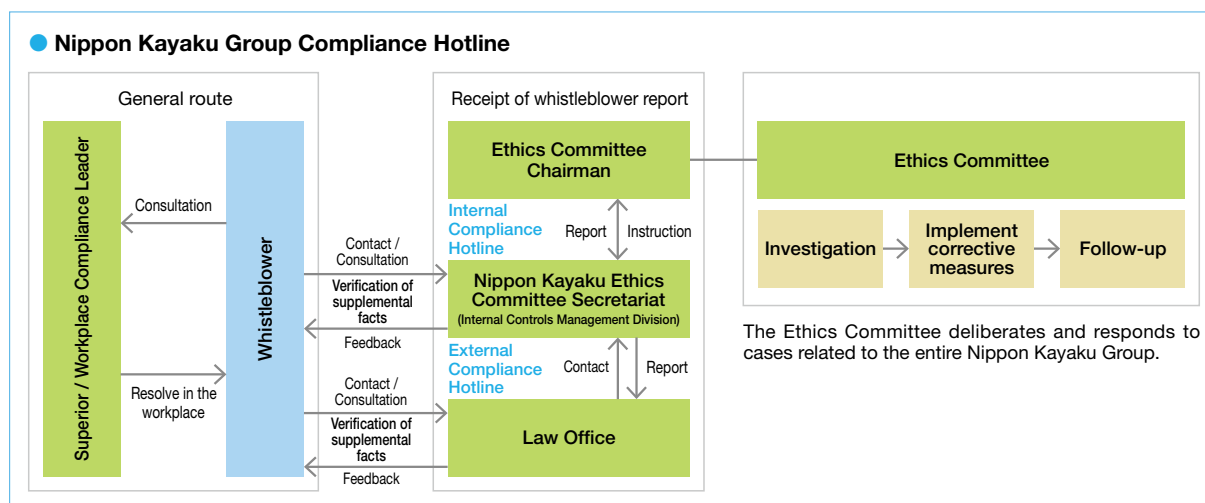
Compliance Management System and its Promotion

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.



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.

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.

We are extremely pleased to have earned this certification and see this as the fruit of the long-term efforts of WAC employees. However, receiving the certification is not the final step in the process, but rather a checkpoint along the way. We will continue to endeavor to work ardently so that we can maintain this certification in the future.

Mei Li, Manager

▼Manager Mei Li, pictured in front row, right side

