

Compliance

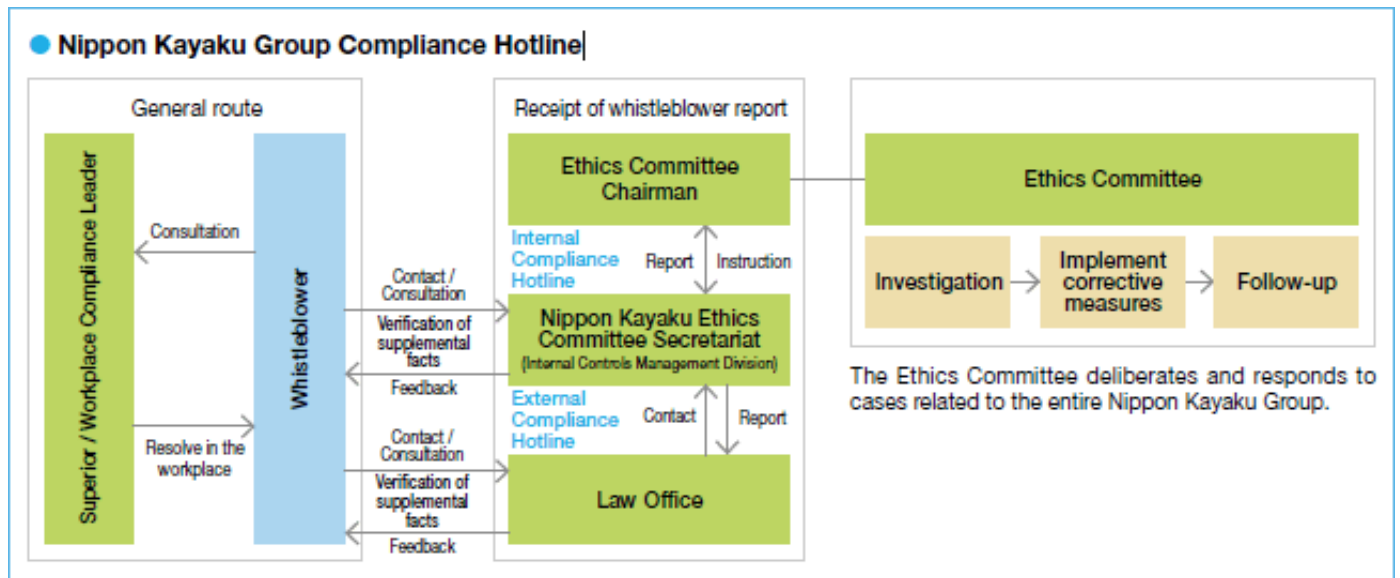
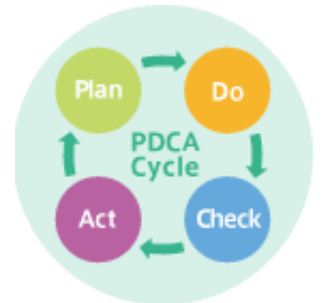
Raising Awareness about Compliance

The Nippon Kayaku Group believes that compliance holds a position of the utmost importance in its business activities. In June 2011, the Nippon Kayaku Group Charter of Conduct and the Nippon Kayaku Group Code of Conduct were drawn up. In order to foster a corporate culture that respects compliance, personnel responsible for and in charge of ethics matters are appointed at each business location of domestic Group companies. These personnel work to promote compliance in close cooperation with the Ethics Committee.

Every year Nippon Kayaku conducts compliance training in order to raise awareness about compliance, and in fiscal 2012, these training sessions were held at 40 of our domestic business sites, including those sessions for new hires and for newly appointed managers.

October has been designated Compliance Promotion Month, during which time training sessions are held for each workplace and all Nippon Kayaku Group employees in Japan are asked to complete a compliance survey. In fiscal 2012, a total of 3,648 responses were received from Nippon Kayaku Group company executives and employees. Survey results are used to monitor compliance and identify challenges pertaining to implementation efforts, based on which the next fiscal year's Compliance Action Plan is drafted. In turn, the PDCA cycle is employed to improve compliance awareness.

An Internal Compliance Hotline and External Compliance Hotline have been set up for employees in order to prevent violations of laws, company rules, or the Charter of Conduct before they happen and to ensure problems are corrected early.

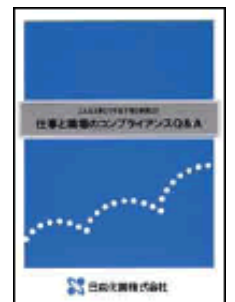


Compliance Promotion Activities

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 that also covers CSR, with company-wide results released in the company newsletter. Results are arranged in graph format to enable better visualization of trends that have taken place. Strengths and weaknesses of these results are also analyzed and provided as feedback. Based on this, the Compliance Action Plan for the following fiscal year is prepared and the PDCA cycle is implemented in order to raise awareness of compliance matters.



Compliance Q&A on Work and the Workplace

2. Compliance Activities during Fiscal 2012

- Each division drafts a Compliance Activity Action Plan and conducts compliance promotion activities independently according to this plan

- Compliance managers conduct continuous education and training for all Nippon Kayaku Group employees in Japan
- “Compliance News” is published periodically to draw attention to corporate wrongdoings and to be used for training sessions held at the department level.
- 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 matters.

The Nippon Kayaku Group has defined the KAYAKU spirit (“continuously providing society with the best products through ceaseless progress and the combined forces of our consciences”) as an unwavering vision defining the company’s approach to business.

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.