



## Corporate Governance

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

#### Fundamental Approach to Corporate Governance

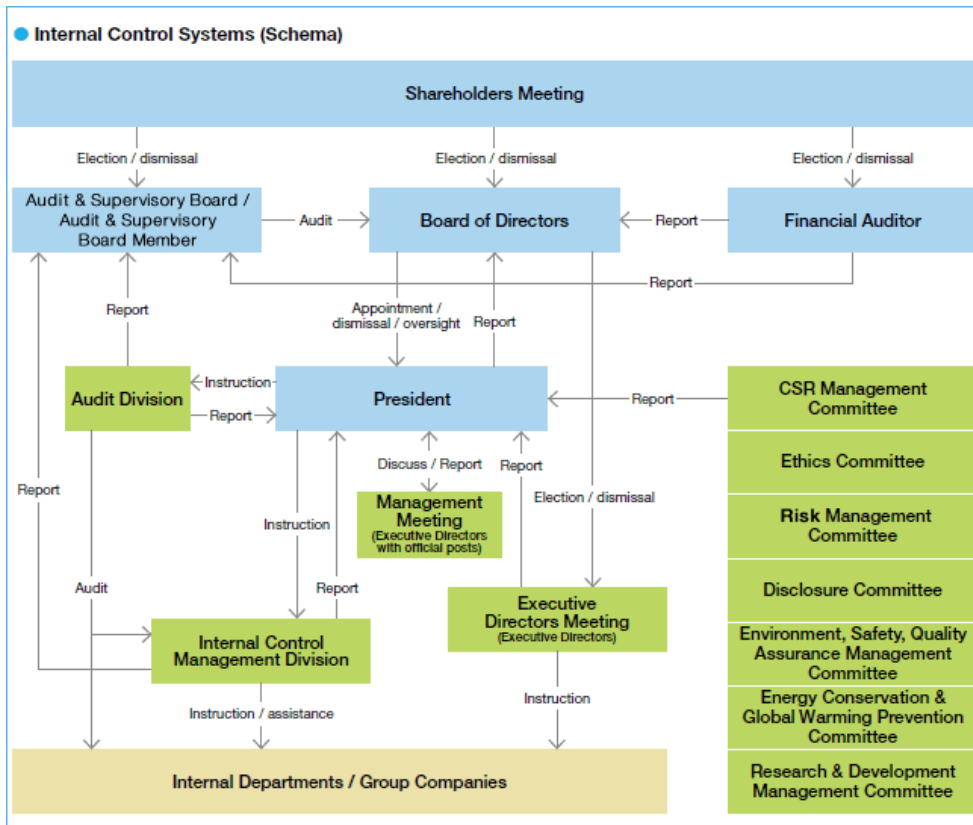
To gain the trust of society, the Nippon Kayaku Group recognizes the vital importance of preserving business transparency through greater checks and balances and of timely, impartial information disclosure to investors and shareholders. To that end, we have put in place an autonomous corporate governance system.

#### Corporate Governance System

Through decision-making by the council system of our Board of Directors and the corporate auditor system, the Nippon Kayaku Group believes that its system of corporate governance effectively supports management functions.

We have introduced the executive director system, which clearly separates management's decision-making and supervisory functions from business execution functions enabling each of these functions to be reinforced, whereby ensuring that appropriate decision making and punctual business execution take place. In addition, we have also elected independent Outside Directors in order to enhance the supervisory functions over those executing daily operations. Audit & Supervisory Board Members attend various important internal meetings including meetings of the Board of Directors, as well as communicate with the Internal Audit Department in monitoring and supervising the execution of duties of the Directors from an independent perspective.

[Summary of Internal Control Systems](#) 



## Internal Control System and Corporate Auditor Audits

The Internal Audit Department has been established separate from the Audit & Supervisory Board and is directly managed by the president in order to perform internal audit that help prevent improprieties and errors before they happen, improve business operations, and protect company assets. This department performs business audit on all Nippon Kayaku Group companies in accordance with the fiscal year plan.

Audit & Supervisory Board Members attend board of director meetings and other important company deliberations and performs business execution audits to oversee and monitor directors' execution of duties from an independent perspective in accordance with the audit policy, audit plan, and assignment of duties decided by the Audit & Supervisory Board.

## Summary of each Meeting

### **Board of Directors Meeting (Held Monthly)**

To ensure prompt decision-making, the Board is limited to 10 members. Decisions related to important business matters are made through the stipulations of the Board of Directors in conformity with relevant laws and our articles of incorporation. Operational oversight functions also are being strengthened.

### **Management Meeting (Held Weekly)**

The Management Meeting deliberates important matters related to management and business affairs and receives reports from business divisions. The President, as the chairman, makes decisions after thorough deliberation among the Management Meeting members.

### **Executive Directors Meeting(Held Quarterly)**

The Executive Directors Meeting is chaired by the President, and attended by all Executive Directors (up to 25) appointed by the Board of Directors. Executive Directors report on the status of the businesses they have been entrusted with from the Board of Directors and the President as well as other necessary matters.

### **Management Strategy Meeting(Held Semi-Annually)**

Important management matters at the Board Meeting such as basic policy of our group and management strategy are distributed to management personnel through the Management Strategy Meeting to ensure thorough understanding and awareness.

### **Board of Auditors Meeting(Held Monthly)**

The Board of Auditors consists of five auditors (three external). The members monitor and oversee the duties of Directors from an independent position based on the stipulations of the Board of Auditors..

In addition, the Company clarifies authority and responsibility by management position, segregation of duties and company organization structure, setting rules that stipulate duties and powers. This promotes organized and efficient operations and establishes a framework of accountability.

## Establishment of Various Committees

### **CSR Management Committee**

Decides CSR action policy and mid-term action plan as well as confirms the validity of the measures based on KAYAKU spirit and CSR philosophy to undertake corporate social responsibility sustainably.

### **Ethics Committee**

Works to formulate policies and measures for compliance and implementation of the Charter of Business Conduct and Code of Business Conduct and to evaluate companywide compliance.

### **Risk Management Committee**

Develops and maintains a risk management structure for risk preventive measure, damage control and damage remediation over the full range of management issues.

### **Disclosure Committee**

Scrutinizing important managerial information of the company and maintains and improves the structure for timely and proper external disclosure.

### **Environment, Safety, and Quality Assurance Management Committee**

Presents its fiscal year policies on environment, safety, and quality assurance matters. Assesses results, and devises plans for improvement.

### **Energy Conservation and Global Warming Prevention Committee**

Makes mid- and long-term plans, confirms each activity and discusses measures to problems based on the policy about energy conservation and global warming prevention.

These results are disclosed to inside and outside the company.

### **Research & Development Management Committee**

Develops company-wide research and development policies and strategies. A forum to report, discuss and make decisions on important research and development matters.