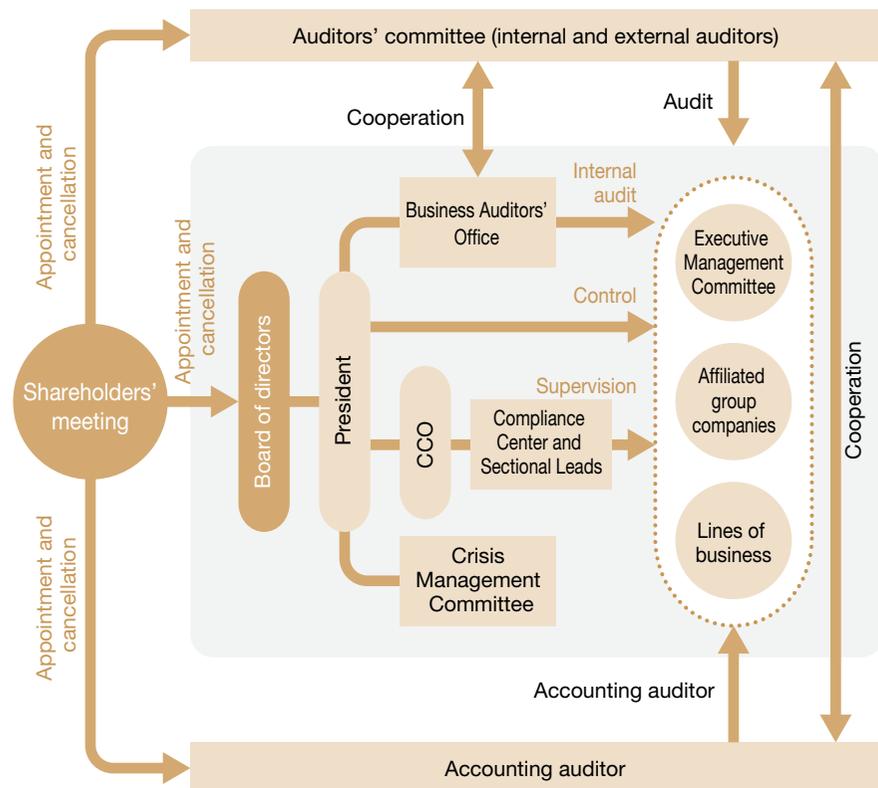


Our basic view on corporate governance

INOAC considers enhancing corporate governance as an important management issue to raise the Group's performance, value and trust from society.

■ Corporate governance structure (management structure)



[Corporate governance structure]

Board of Directors

Comprised of seven members, the Board of Directors decides important issues in INOAC's business. Each board member reports the execution, financial and performance statuses of his/her division, based on which the Board supervises and controls the business execution of the Company.

Executive Officer System

In order to separate supervisory and executional responsibilities, INOAC has introduced its Executive Officer System. Each Executive Officer endowed with his/her own authority from the Board acts as the head of the business unit, group company or major functional organization while he/she represents facilitating decision making and business execution.

Board of Auditors

The Board of Auditors is composed of three auditors including two external auditors. Each Auditor attends important meetings including the board meetings and supervises the business execution of Directors by inquiring about their business execution.

[Internal Control System]

Measures are implemented to ensure the execution of the business complies with applicable laws as well as the Company's articles of incorporation.

Compliance

Compliance promotion structure and employee education on the Corporate Code of Conduct.

Information management

Control of documents with the Document Control Procedure that defines the responsible division and storage period for each document.

Control structure as the corporate group

For affiliated companies, the Affiliated Company Document Control Procedure is developed. Clarification of the execution rules and auditing by the Auditors as necessary.

Risk management

The Executive Management Committee manages each risk with the Crisis Management Committee being held as necessary. Quickly obtain risk information and establish the response structure through the permanent Negative Information Hotline.

Basic views on compliance

INOAC believes the compliance requirement goes beyond following the applicable laws to require each employee act with a high level of ethics. In order for INOAC to satisfy its corporate responsibilities and expectations from customers, only following the applicable laws is insufficient; employees must also recognize their social responsibilities as part of the corporation.

Compliance education

In addition to the development of the internal regulations, an educational program aimed to raise awareness of the compliance requirements is provided to sales reps, people in charge of procurement, new recruits and other new hires in all business locations. The educational program includes case studies assuming issues in the actual work environments, taking hints from compliance issues of other companies and discussions on questions raised in the daily work, working to raise the awareness of the people being trained.

Consultation support

In case of any compliance violation, the Company must immediately respond to the situation. For this purpose, INOAC has established the Help Line through which anybody may consult with both the Legal Group and the external law office about his/her concern. Internal Reporting and Whistleblower Protection Regulations are also in place so that whistleblowers are not subjected to any adverse treatments because of their actions.

Compliance and Ethics Program

The Compliance and Ethics Program has been implemented with the Compliance Center established within the Tokyo Headquarters.

A Chief Compliance Officer (CCO), to lead the Compliance Center, a Compliance Officer for each of the domestic and overseas areas and business locations and a Compliance Leader for each division have been appointed.

A structure to enhance employee consciousness toward the compliance is being established with necessary internal regulations being developed.

Internal audit

Internal audits are conducted on lines of businesses as well as domestic group companies for the purposes of compliance, risk management and law observance. Items found during the audit to need improvement are tracked regularly to raise the governance standards of the whole INOAC Group.

Box for Issues to be Addressed

The Box for Issues to be Addressed (consultation contact) has been established so that the Company may immediately respond and take measures to prevent any further damage, going beyond compliance issues alone to also address issues on product quality, safety and environment, sales, procurement and more.

