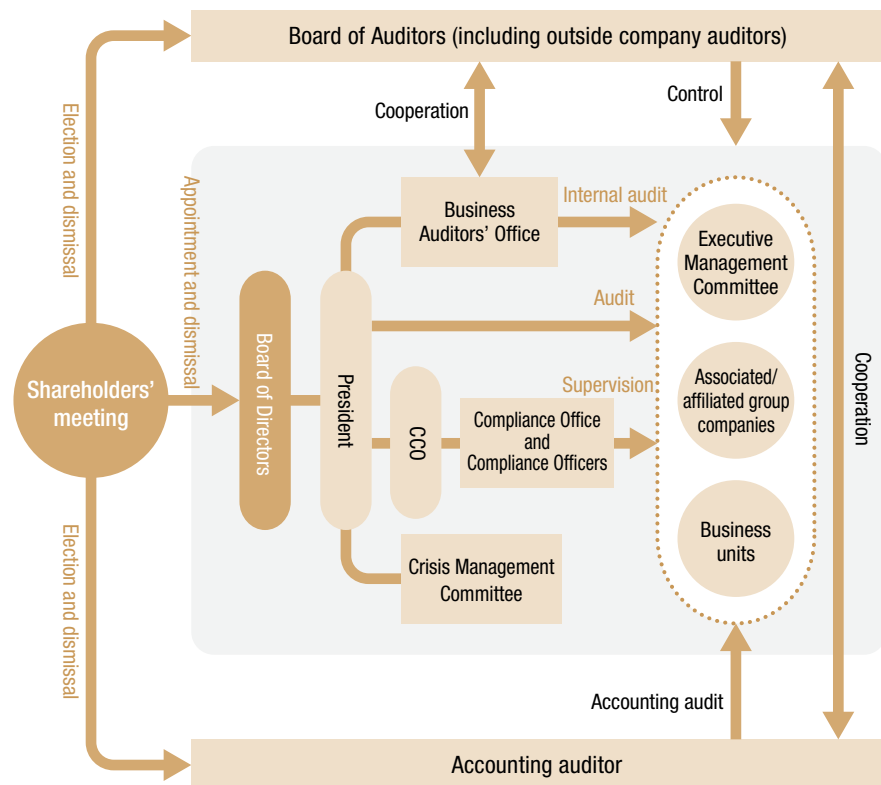


Our basic view on corporate governance

INOAC considers the improvement of corporate governance as an important management task to raise the group's performance, value and social credibility.

■ Corporate governance structure (management structure)



[Corporate governance structure]

Board of Directors

Comprised of 10 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 executions 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 department, group company or major functional organization to speed up decision-making, optimize business operations and handle critical business executions.

Board of Auditors

The Board of Auditors is composed of three company auditors including two outside company auditors. The company auditors attend important meetings, such as board meetings, and audit the execution of duties by the directors by inquiring about the status of their operations on the business.

[Internal Control System]

Various measures are implemented to ensure that business executions comply with applicable laws as well as the company's articles of incorporation.

Compliance

System promoting compliance, and employee education on the Corporate Code of Conduct.

Information management

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

Control structure as a corporate group

Establishment of the Associated Company Document Control Procedure for associated and affiliated companies. Clarification of the execution rules and auditing by the company auditors when necessary.

Risk management

The Executive Management Committee manages each risk and Crisis Management Committee meetings are held when necessary. The Negative Information Hotline is always ready to obtain risk information quickly and establish a response structure.

Basic views on compliance

INOAC believes that the compliance requirement goes beyond simply following the applicable laws and requires each employee to 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 representatives, staff in charge of procurement, new employees and mid-career hires at all INOAC business locations. The educational program looks at examples of compliance issues that occurred in other companies and conducts case studies of how such issues could occur in one's own workplace. The program also spends time discussing any questions that arise during day-to-day work operations. Through these efforts, we are working to raise each individual's awareness of compliance.

Internal reporting system

In order to thoroughly enforce compliance, the company must act immediately if a violation occurs by any chance. To this end, INOAC has established the Help Line through which anybody may consult with both the legal department and the external law firm about his/her concern. Internal Reporting and Whistleblower Protection Regulations are also in place so that whistleblowers are protected from any further retaliation.

Compliance and Ethics Program and Policy

The Compliance and Ethics Program and Policy has been implemented with the Compliance Office established within the Tokyo Headquarters. A Chief Compliance Officer (CCO) to lead the Compliance Office and Compliance Officers for each business location in Japan and overseas and each unit have been appointed. A structure to enhance employee consciousness toward compliance is being established with necessary internal regulations being developed.

Internal audits

Internal audits are conducted at each unit and domestic group company to inspect compliance, risk management and law observance. Areas that are deemed in need of improvement are tracked regularly to raise the governance standards of the whole INOAC Group.

Negative Information Hotline

The Negative Information Hotline (consultation line) has been established so that employees can report not just compliance issues, but also any issues regarding product quality, safety and environment, sales, procurement and more. When such issues arise, the company will be able to respond immediately and take measures to prevent damages from spreading.

