

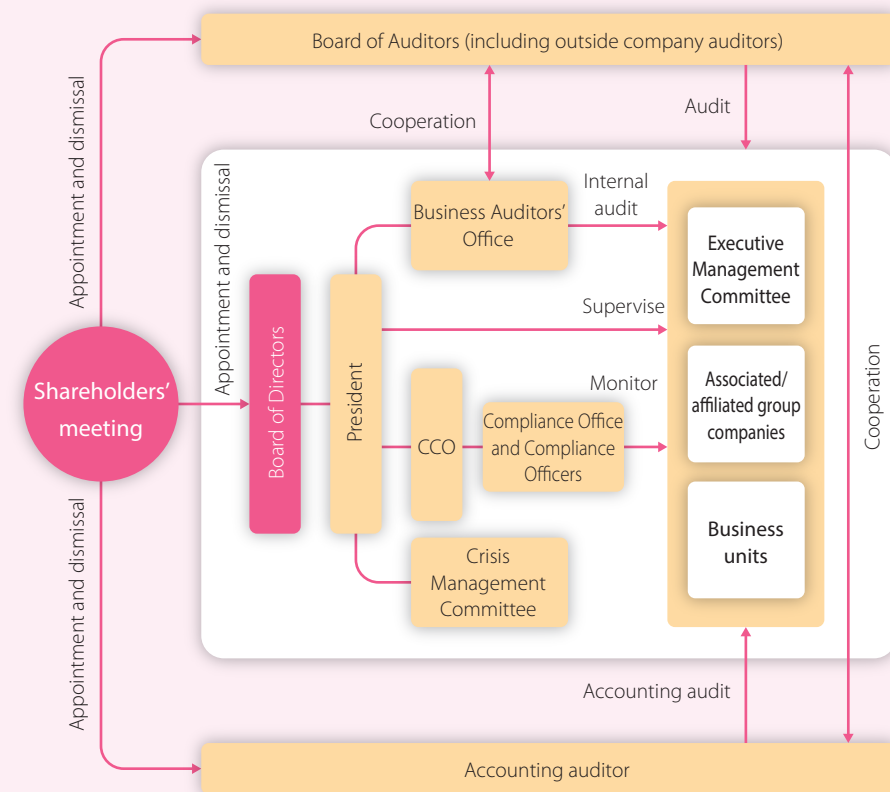
## Governance & compliance



## Our basic view on corporate governance

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

### Corporate governance structure (organizational 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 execution of the company.

### Executive officer system

In order to separate supervisory and executional responsibilities, INOAC has introduced an 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 execution.

### Board of Auditors

The Board of Auditors is composed of three company auditors including two external 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 business operations.

## Internal control system

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

### Compliance

All employees are educated on our system for promoting compliance and our Corporate Code of Conduct.

### Information management

Documents are managed by the Document Control Procedure that defines the responsible department/section and storage period for each document.

### Control structure as a corporate group

Governance rules for associated companies are established for associated and affiliated companies. Rules for business operations are also clarified along with audits conducted by 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 quickly obtain information about risk and provide a structured response.

### 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, it is not enough to simply follow the applicable laws. Employees must also recognize their social responsibilities as part of the corporation.

### Compliance and Ethics Program

The Compliance and Ethics Program has been implemented, and a Compliance Office has been established within the Tokyo Head Office. We have appointed a Chief Compliance Officer (CCO) to lead the Compliance Office and Compliance Officers for each jurisdiction and business location in Japan and overseas. In addition to establishing internal regulations, we are also creating systems to raise employee awareness toward compliance.

### Compliance education

In addition to establishing internal regulations, an educational program aimed to raise awareness on compliance 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 violations that have occurred at other companies and conducts case studies on how such issues could occur in one's own workplace. The program also holds discussions on questions about matters requiring clarification which arise in day-to-day work operations. Through these efforts, we are working to raise each individual's awareness of compliance.

### Internal audits

Field audits are conducted at each section and domestic group company covering aspects such as compliance, risk management and observance of laws. Areas that are deemed in need of improvement by the results of field audits are tracked regularly to raise the governance standards of the INOAC Group as a whole.

### Internal reporting system

In order to thoroughly enforce compliance, the company must be ready to act immediately in the event of any compliance-related violation. To this end, INOAC has established the Help Line through which anyone may consult directly with both the legal department and an external law firm about their concerns. Internal Reporting and Whistleblower Protection Regulations have also separately been established to protect whistleblowers from any form of retaliation.

### Negative Information Hotline

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

