

# Corporate Governance and Corporate Social Responsibility (CSR)

## Management Philosophy

We have been enhancing our corporate governance system to enable us to realize the aims of our Company Motto, **Let us contribute to building a better society through our corporate activities.**

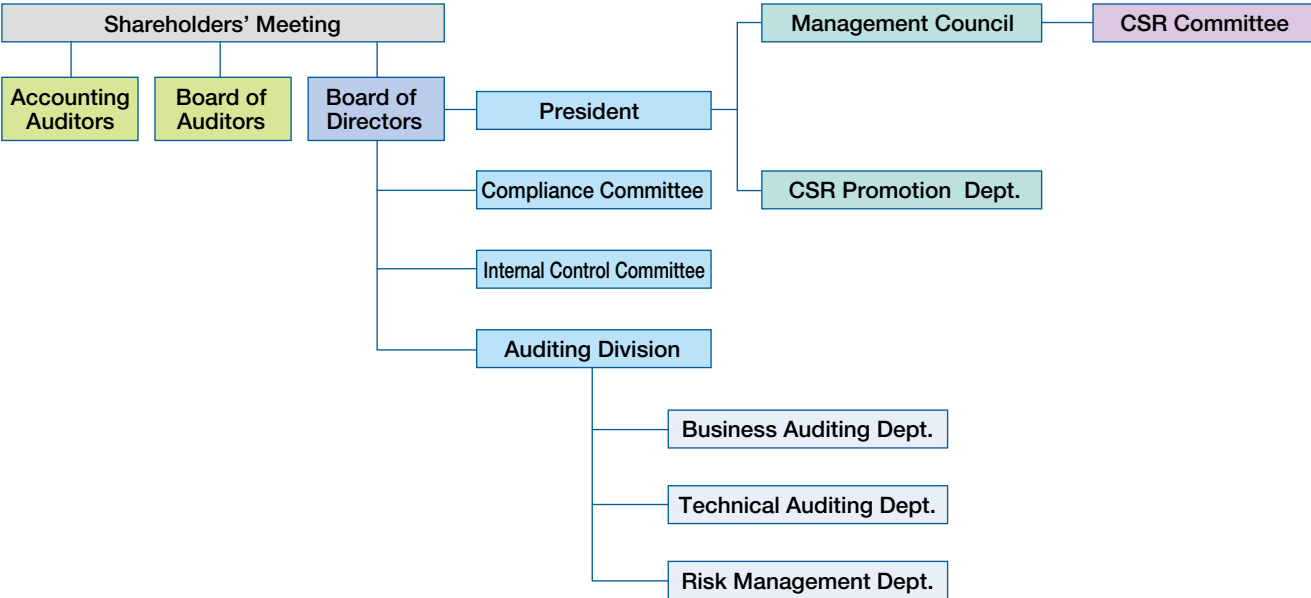
Our management philosophy serves as a guide in fulfilling our corporate social responsibility by operating a strict corporate governance system and enhancing our corporate value. We have also adopted an individual-based management style that places importance upon self-set commitments as well as acting while thinking. Additionally, we encourage our employees not to be afraid of taking on challenges in their work. We do our utmost to promote the realization of individual potential, as well as the evolution of the Sanyo Chemical Group.

## Corporate Governance

The management of all member companies in the Group have positioned corporate governance as one of their top-priority management issues in recognition of the responsibilities they bear toward their shareholders and all the Group's other stakeholders. To clearly define managerial decision-making and the segmentation of business execution, our corporate governance is based on the executive officer system and the auditor system, which together enable business execution pursuant to the management policies, resolved by the Board of Directors.

In addition, we have the Compliance Committee and the Internal Control Committee established under the direct jurisdiction of the Board of Directors. To ensure compliance within our Group, the Compliance Committee deliberates the fundamental policies and measures to thoroughly ensure compliance with laws and regulations, social norms, the Code of Corporate Ethics and the company regulations. The Internal Control Committee deliberates the Group's fundamental policies for the internal control system as a whole as well as guides and supervises activities such as the creation and operation of the system itself.

»Sanyo Chemical's Corporate Governance Organization and CSR System (as of June 19, 2009)



## Board of Directors

The Board of Directors consists of eight members and is convened by the chairman of the Board. Auditors also attend and participate in discussions. Of the eight members, one is an outside director, and seven serve concurrently as executive officers. The Board of Directors operates in accordance with all applicable laws and ordinances as well as the regulations of the Board of Directors. According to this regulations, the Board of Directors also appoint executive officers to perform such duties as prescribed to them by the Board. In FY2008, an outside director was appointed as the chairman of the Board.

## Management Council

The Company president serves as the chairman of the Management Council, and the council members comprise directors who concurrently serve as executive officers, full-time auditors, and other executive officers. The Management Council is convened regularly twice a month to discuss and make decisions on important business matters in accordance with the fundamental policies determined by the Board of Directors.

## Auditing System

Accounting auditors conduct external audits in compliance with the Japanese Corporate Law and the Financial Instruments and Exchange Law. The audit and review results are reported to the Board of Auditors four times a year. The Board of Auditors consists of four auditors including three outside auditors, and presents the audit report to the Representative Directors and also at the general shareholders' meeting.

Internal auditing is conducted by the Business Auditing Department and the Technical Auditing Department that are contained within the Auditing Division. Both these departments cooperate with audits conducted by auditors, based on requests from the auditors, and work to raise the quality and ensure the effectiveness of audits through the timely exchange of information.

## CSR Promotion System

To implement and promote CSR activities company-wide in a uniform manner, the Group is establishing eleven CSR guidelines that cover compliance, corporate governance, the environment, safety, human rights, employment and other areas. The Group is disseminating and implementing these guidelines. In April 2009 we established the CSR Committee and the CSR Promotion Dept. to comprehensively administer CSR activities conducted under these guidelines and to promote such activities in a coordinated manner throughout the Group.

On the basis of these CSR activities, the Group will communicate with all stakeholders with the aim of becoming a truly unique and excellent corporate group that operates on a global scale.

## Compliance System

As part of our compliance efforts, we have placed one of our senior managing executive officers in charge of corporate ethics, instituted the Compliance Committee (chaired by the chairman of the Board of Directors) and established an Auditing Division under the direct jurisdiction of the Board of Directors, in order to ensure the effectiveness of our internal auditing function. The Compliance Committee was established to take responsibility for deliberations and decisions made concerning compliance matters within Sanyo Chemical. This committee meets regularly once every quarter and at other times when deemed necessary. In FY2008, we thoroughly revised our public information system used in the event of misconduct, contained within the Rules on the Compliance Committee, to make it easier to understand in terms of reporting and responding to a discovery of a compliance violation. We also revised the Action Guidelines for Employees and Rules for Internal Reporting to ensure compliance by means of action standards for each paragraph of the Code of Corporate Ethics.

To ensure awareness of compliance issues throughout the company, all company executives and employees carry with them a Company Motto/Code of Corporate Ethics/Advice on Compliance leaflet. It goes without saying that as our company deals with chemical products, we take great care to ensure that all the stipulations in Japan's 1973 Chemical Substances Control Law are followed to the letter. Leaflets on how to comply with this important law are distributed to all company executives and employees. Study sessions are also held, and we require all of our employees to pass an internal certification exam. As regards IT security measures, as well as implementing various regulations, we have introduced a license system by which personnel take tests concerning using information systems and, if successful, are issued licenses.

In addition, we always monitor the formulation, revision, and elimination of laws and regulations, as well as rules that provide the basis for business activities and hold study sessions to keep directors and employees fully informed. In FY2008, amid the rapidly worsening economic slowdown, we conducted study sessions about the Subcontracting Law primarily in the production and R&D divisions to ensure thorough compliance with this law.

In the event that any question arises in respect to compliance, we resolve it through consultations with superiors and parties concerned. In the case that there is no way to do so, however, we make it a rule to consult a lawyer through the contact for internal reporting (hotline) set up within our company or at an external law office.



Company Motto/Code of Corporate Ethics/Advice on Compliance Leaflet

## Risk Management

With regard to major risks surrounding the Group, the departments in charge are managing risk under rules such as the designated rules for responsibility for business operations, rules for the person responsible for business execution and the procedures thereof, rules for internal auditing, rules for transactions (sales), rules for accounting, rules for product liability (PL), and rules for information security. In addition, the Risk Management Department, established in the Auditing Division, which is under the direct jurisdiction of the Board of Directors, monitors the implementation status of risk management and risks incurred are handled in an appropriate and timely manner. Recurrence prevention measures are also formulated by the Risk Management Department as the contact section. Turning to our BCP (Business Continuity Plan), in FY2007 we prepared a BCP for the Nagoya Factory and installed an Earthquake Early Warning and Emergency Information Service System. Since FY2008, we have been preparing a BCP for our Head Office.

## Internal Control System

Guided by our Company Motto, *Let us contribute to building a better society through our corporate activities*, we have created an internal control system. The system not only ensures that the Group, in its business activities, strictly observes all relevant laws and regulations, but also helps to improve the effectiveness and efficiency of business operations and ensures the reliability of our financial reports.

The fundamental policy for establishing the system of internal control pursuant to the Japanese Corporate Law and its enforcement regulations, after being resolved at the Board of Directors and publicized in May 2006, has been reviewed as necessary and publicized on each occasion as a Corporate Governance Report.

We have established the Internal Control System (Financial Reporting) Promotion Department in the General Affairs Division as a group to promote the detailed creation, operation, and assessment of the system of internal control on financial reporting stipulated in the Financial Instruments and Exchange Law. We are implementing written descriptions of actual operations (documentation), assessing company-wide internal controls and the control systems for operational procedures for everything from sales to the financial reporting process, as well as IT procedures. The results are collated in the Internal Control Report which is then presented to the Internal Control Committee to obtain their approval. In June 2009, we submitted the FY2008 Internal Control Report which we validated, with the attached Internal Control Audit Report made by accounting auditors, to the Kanto Local Finance Bureau.

## Board of Directors & Auditors

(as of June 19, 2009)



Hideki Matsui  
Chairman of the Board



Masaaki Ienaga  
President,  
Representative Director



Dr. Fusayoshi Masuda  
Representative Director



Yoshihide Yamamoto  
Director



Masaaki Honjo  
Director



Kazuyuki Hirakawa  
Director



Koji Hirose  
Director



Tatsushi Yano  
Director



Hajime Akiyama  
Auditor



Isao Hama  
Auditor



Junzo Shimizu  
Auditor



Kan Ueno  
Auditor

## Company Motto

### *Let us contribute to building a better society through our corporate activities*

To achieve this purpose, we will endeavor to promote the followings:

1. We believe that the Company is an organic entity of capital, management, and labor harmoniously linked together. Keeping this in mind, we will strive to achieve dynamic growth.
2. Trusting that our inventive power has no limits, we will ceaselessly try to develop new business areas and supply original and high-quality products to the market.
3. We believe that perpetual profits come only from the creation of value, and we do not seek superficial profits.
4. We will fulfill the customers' expectation and earn their trust by providing high-quality cost-effective products and superior technical service.
5. When all the members of the Company share the same vision for the Company's future and challenge for innovation on our own initiative, we will be rewarded with an abundant profit. This profit will then be fairly distributed among internal reserves, shareholders, management and employees.
6. We will strive for perfection in safety and harmony with the environment, which is the first required mission in the society.

## Compliance Philosophy

Believing that it is essential corporate behavior to ensure legal compliance and to fulfill Corporate Social Responsibility, we Sanyo Chemical Group are introducing a Code of Corporate Ethics, which will be applied to maintain sustainable society. With good sense and integrity we are committed to improving our society and are following our Company motto *Let us contribute to building a better society through our corporate activities*.

Based on these company business ethics, we prescribe our principles of corporate behavior as follows:

1. We Sanyo, by the development and provision of socially beneficial goods and services, in a safe and responsible manner, shall strive to earn the confidence of our consumers and clients.
2. We shall promote fairness, transparency, free competition and right trade. We shall also ensure to protect our own intellectual property as well as that of any third party while taking necessary measures to protect personal data and customer related information.
3. We shall recognize that a positive involvement in environmental issues and an active effort towards accident prevention are indispensable requirements for the sustainability and activity of our business.
4. We shall engage in active and fair disclosure of corporate information, not only to shareholders, but also to a wide range of members of society.
5. As "good corporate citizens," we shall actively engage in philanthropy and other activities of social benefit.
6. We shall strive to respect the diversity and individuality of our employees, to promote safe and comfortable workplaces, and to ensure the physical and mental well being of our employees.
7. We shall observe all laws and regulations applying to our overseas activities, respect the culture and customs of other nations and strive to manage our overseas activities in such a way as to promote and contribute to the development of local communities.
8. We shall reject all contacts with organizations involved in activities in violation of the law or accepted standards of responsible social behavior.

All high levels of management, cooperating with other managers, must assume the responsibility for implementing this code and take all necessary action in order to promote awareness within Sanyo Chemical Group and inform the group companies and business partners of their responsibility. Management must also promote the development and implementation of systems that will contribute to the achievement of ethical corporate behavior.

In the event of any violation of these principles, members of management must investigate the cause of the violation, develop reforms to prevent its recurrence, and make information publicly available regarding the intended actions for reform. After the prompt public disclosure of appropriate information regarding the violation, responsibility for the violation and its effect should be clarified, and disciplinary action should be taken, regardless of the offending member's position in the Company.

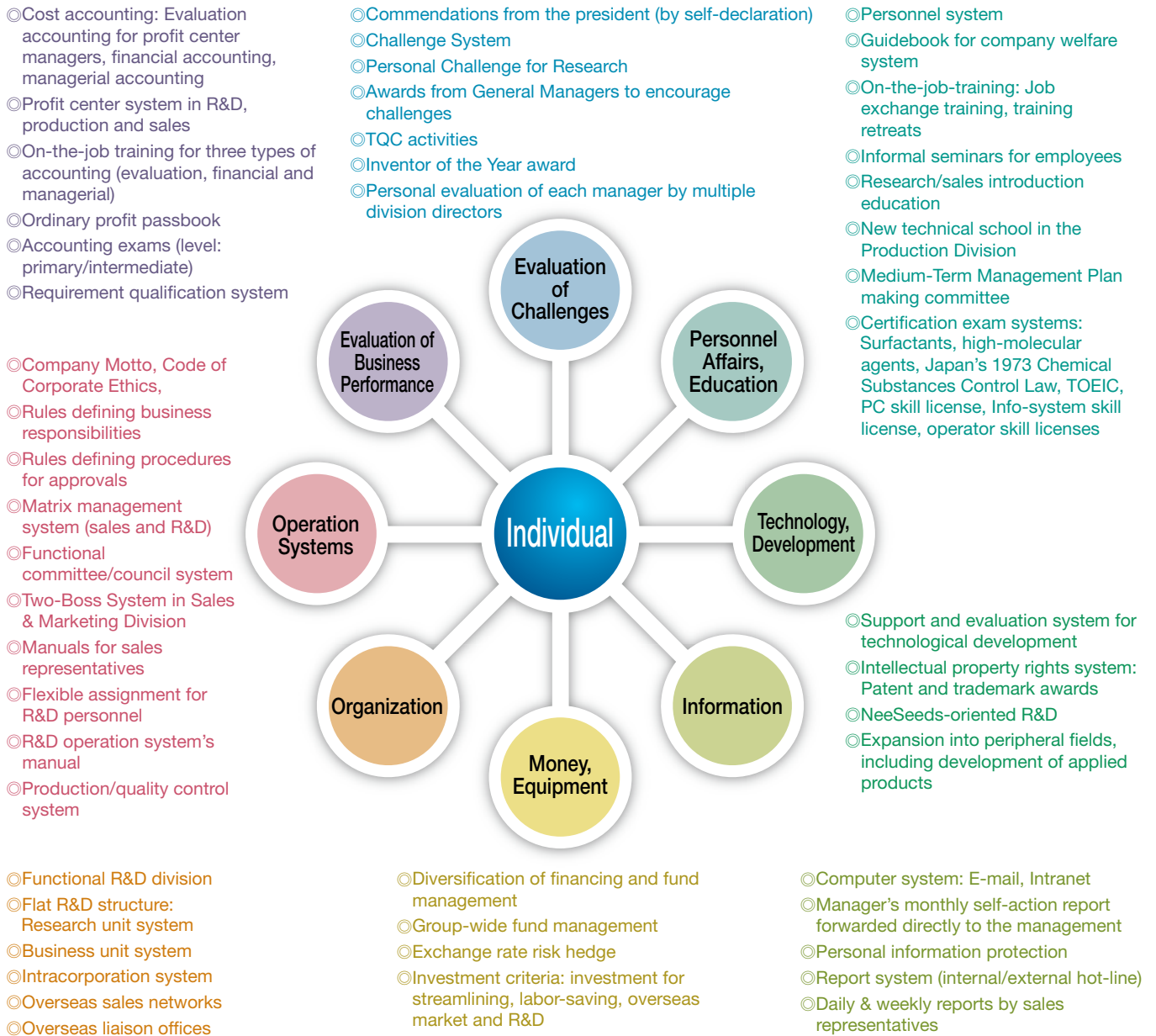
Established: April 1, 2003  
3rd version revised: May 26, 2008

## Individual-Based Management

Sanyo Chemical is adapting to the new age by introducing *Individual-based management*, a concept unique to Sanyo Chemical.

*Individual-based management* is aimed at enhancing people's capabilities and placing value on *honoring self-set commitments* and *acting while thinking*. It is said that people make the company, and in the years to come, the quality and challenging spirit of each individual will become more and more important. In FY2007, we distributed a booklet entitled "An Explanation of Individual-Based Management" to all employees to deepen their understanding.

Based on the motto "With Enthusiasm and Passion," Sanyo Chemical is striving to create a shared vision, and in unison with all group companies, is aiming to become a truly unique and excellent corporate group that operates on a global scale.



# The Environment, Safety and Social Activities

Guided by our Company Motto, *Let us contribute to building a better society through our corporate activities*, we are fully aware that companies are also members of society. We have been actively involving ourselves with social activities as well as implementing such responsible care activities that aimed at protecting the environment and ensuring safety in our business activities. In addition, we are continuing our BCP (Business Continuity Plan), which is advance planning to minimize the degradation of business activities and recover business in a short period of time even if the business activities are damaged by disasters or accidents.

## Responsible Care

Responsible care is an activity where businesses dealing with chemical substances take the initiative in protecting the environment and ensuring safety through the entire lifecycle of its chemical products, from development through manufacturing, distribution, application, final consumption and finally disposal. This means, we engage in environmental protection, process safety and disaster prevention, occupational safety and health, and chemical and product safety where the results are publicized to communicate with society.

Since joining the Japan Responsible Care Council in 1996, we have been actively engaged in environmental protection and safety as our first and foremost issues.

### Environmental Conservation Priority Project: S-TEC21 TM6 (FY2007 to FY2010)

We have formulated S-TEC21, an activities campaign that gives priority to conserving the environment by focusing on energy conservation, the reduction of chemical substance emissions, the reduction of the generation of waste, and the recycling of waste, and have been conducting it on a company-wide basis from FY2000. We named our fourth campaign that conducted from FY2007 to FY2010 "S-TEC21 TM6," reflecting our national movement of "Team Minus 6%," because the major activity of the campaign focuses on the reduction of greenhouse gas emissions. It targets a 6% reduction in greenhouse gas emissions from the 1990 level by FY2010, halving the emissions of volatile organic compounds (VOCs), minimizing solid waste in landfills and reducing the generation of waste.

\* S-TEC 21 : Sanyo Tactics for Eco Challenge 21st Century

Activities	Objectives by End of FY2010	FY2008 Results
Reduction of greenhouse gas emissions	Reduce the total amount of greenhouse gas emitted from all Japanese business places by 6% from FY1990 level	Japan Consolidated: 54% increase from FY1990 (190 thousand tons of emissions, down 24 thousand tons from the previous fiscal year) Non-consolidated: down 3.5% reduction from FY1990 (102 thousand tons) On a non-consolidated basis, participated in Trial Implementation of Emissions Trading Scheme by the government
Energy conservation	Reduce energy intensity (energy consumption per unit of production) by 6.1% from FY2006 levels (1.6% annual ratio reduction)	1.6% increase from FY2006 level (up 4% from the previous fiscal year)
Reduction of chemical substance emissions	Halve domestic VOCs emission amount from FY2006 level	27% reduction from FY2006 level (VOC emissions: 304 tons) (Down 104 tons from the previous fiscal year; reduction of 114 tons compared with FY2006) Equipment to recover and eliminate VOCs were operated in the Nagoya and Kyoto factories
Zero waste	(1) Reduce final disposal (landfill) waste volume to less than 0.1% of overall waste volume (2) Target for reduction of industrial waste volume generated per unit of production set at 19% or more since FY2006	(1) Ratio of landfill waste to total waste volume: 0.06% (2) 22% reduction from FY2006 level (down 19% from the previous fiscal year)
Promotion of C&C (Check & Clean) activities	Voluntarily investigate contamination of groundwater and soil at our factories; take appropriate action if problems are found	A voluntary investigation of contamination of groundwater and soil at our factories was continued, and no problems were found

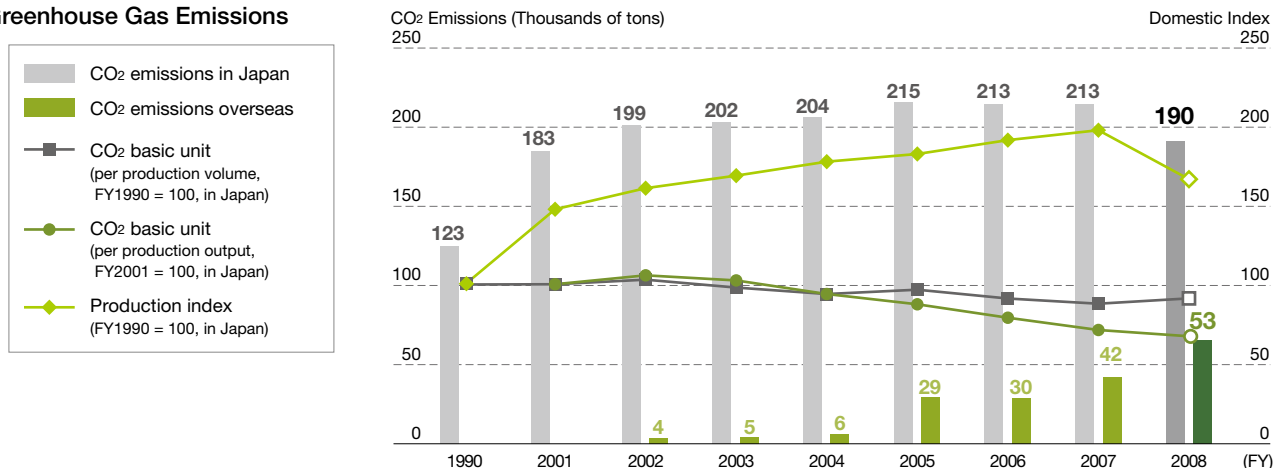
## Reduction of Greenhouse Gas Emissions

In view of the targets set under the Kyoto Protocol, we determined our action programs and are striving to achieve product development that is conducive to the conservation of energy and other precious resources, as well as the reduction of greenhouse gas emissions at both the manufacturing and distribution stages.

In recent years, the amount of greenhouse gas emissions has been increasing as production has increased, and in FY2005 we organized an Antiwarming Task Group together with our group companies in Japan and overseas and started taking measures. Since then, production has continued to increase; however, we have successfully prevented an increase in greenhouse gas emissions in Japan. In FY2008, greenhouse gas emissions in Japan decreased 24 thousand tons from the previous fiscal year (11%) accompanying decreases in production volumes. Moreover, in FY2008 we participated on a non-consolidated basis in the Trial Implementation of Emissions Trading Scheme by the government.

In addition to the reduction of greenhouse gas emissions through these business activities, we have been promoting our ABC Activities\* to reduce greenhouse gas emissions in our private lives as a company-wide movement since 2008.

### »Greenhouse Gas Emissions



\* ABC Activities: Abbreviation for "Accelerate By Chemical Industry for Cool Earth," an activity initiated by the Japan Chemical Industry Association, which is based on the idea that the chemical industry should lead the acceleration of the "elimination of 1 kg of CO<sub>2</sub> per person per day," which Team Minus 6% has been conducting.

## Zero Waste

We have been addressing the reduction, reuse and recycling of waste and achieved nearly complete in-house recycling of recyclable waste. Landfill waste, which was 2,800 tons in FY1998, was reduced to 31 tons in FY2008 (0.06% of overall waste volume), achieving the Sanyo Chemical standard for Zero Waste\*. Achievement of another target, the reduction of industrial waste volume generated per unit of production, is also progressing successfully.

\* Sanyo Chemical standard for Zero Waste: the landfill waste volume being lower than 0.1% of the overall waste volume.

## BCP: Business Continuity Plan

BCP indicates advance planning to minimize the degradation of business activities and recover business in a short period of time even if the business activities are damaged by disasters or accidents.

In FY2007, we installed an Earthquake Early Warning and Emergency Information Service System to be the foundation of a BCP, and prepared a BCP for the Nagoya Factory, which has our largest production capacity. In FY2008, we refined this BCP and started to prepare a BCP for our Head Office that includes countermeasures against new types of influenza. Going forward, we will expand the scope of the BCP to our Sales and Marketing Division and other factories.

## Social Contributions

We are actively engaged in supporting activities in the community and making a contribution to society so as to be trusted as good corporate citizens, while promoting harmonious coexistence with society.

We extend our cooperation and support to cleaning factory peripheries and to local events. Since our Head Office and the Kyoto Factory are located in a residential area, we have also asked four local residents to serve as local monitors. We hold a local monitors' meeting twice a year to facilitate mutual understanding with the local community.

### Communication with the Local Community

Sanyo Chemical conducts factory tours and joint disaster-prevention drills with local administrations. In addition, our researchers visit nearby elementary schools to perform chemistry experiments with students and give lectures to help students understand the relationship between chemistry around us and the environment. We also organize hands-on-work study sessions that provide junior high school students with opportunities to experience how the company works.

### Donation/Disaster Support Activities

Sanyo Chemical contributes to a wide variety of charitable activities including providing relief money for the Sichuan Earthquake in China, providing research grants, dispatching instructors to universities and study institutions, and making donations to the Japanese Committee on Nature Conservation.

### Participation in the Japan Challenge Program

The Japan HPV\* Challenge Program is a joint program among the private and the public sectors for collecting and releasing safety information of Japan HPV existing chemical substances that aims to accelerate the collection of safety information on existing chemical substances and widely disseminate safety assessments to the public through cooperation between industry and government, including the Ministry of Economy, Trade and Industry, the Ministry of Health, Labour and Welfare and the Ministry of the Environment.

This program, in harmony with international approaches in the OECD, etc., is being carried forward while gathering sponsor companies from industry that voluntarily collect safety information. Sanyo Chemical participates in this program and is in charge of a total of four substances including three substances as the organizer.

\* HPV: High Production Volume Chemicals