

# CORPORATE GOVERNANCE

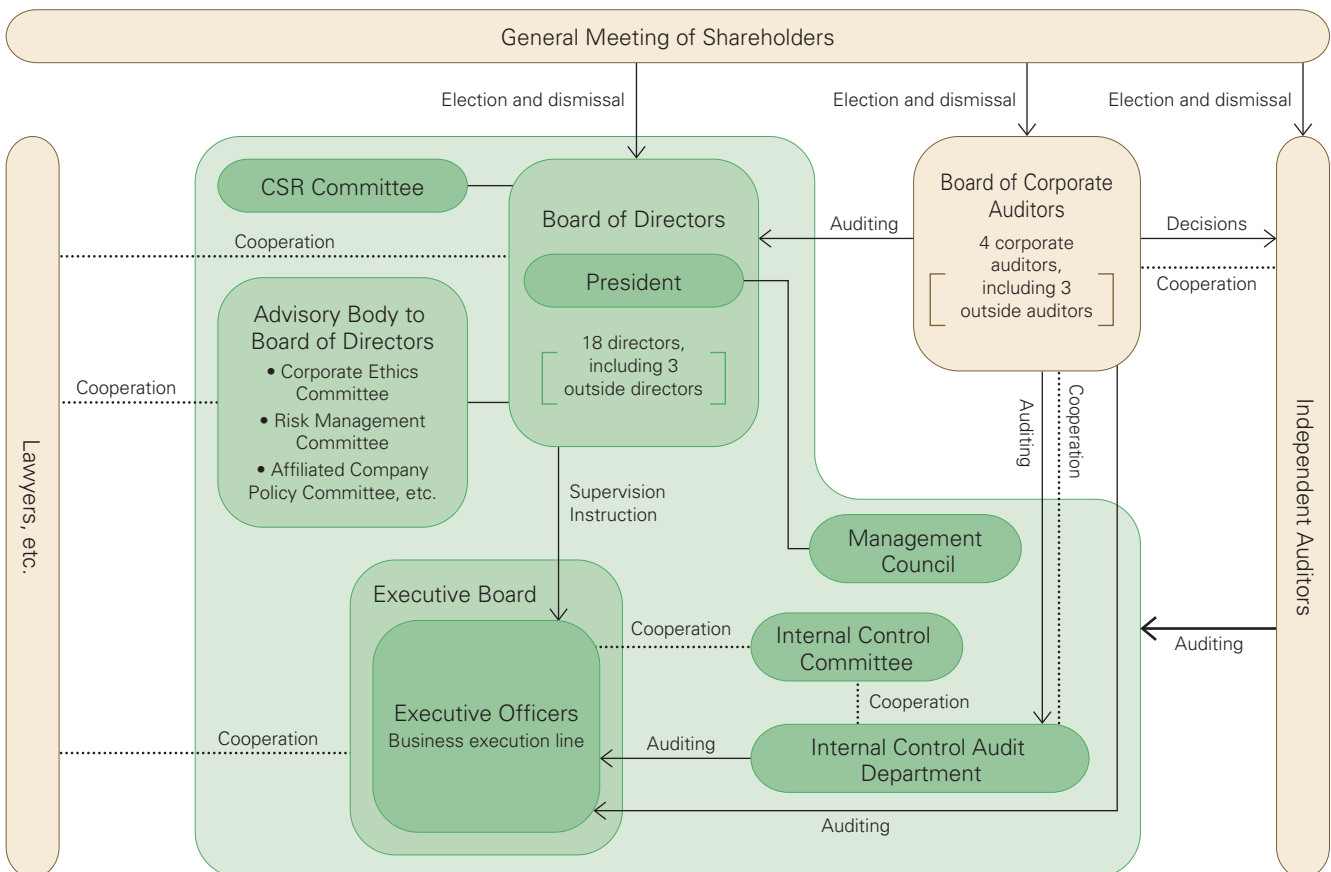
Corporate governance is becoming an increasingly important element in enabling companies to maintain and enhance their relationship of trust with society. We believe that strengthening corporate governance is a vital management issue.

## GOVERNANCE SYSTEM AIMED AT HIGHLY TRANSPARENT MANAGEMENT

We have declared our stance on corporate governance in the “Fundamental Policy Concerning the Establishment of Internal Control Systems.” The policy, which was drafted to coincide with the enactment of the Corporate Law.

To establish an effective framework for governance, we introduced an executive officer system and established the Management Council as an organization that supports decision-making by the president, in addition to various management committees, which provide advice to the Board of Directors. We also established the Internal Control Audit Department as the entity responsible for auditing business operations. There are three outside directors and three outside corporate auditors. The outside corporate auditors comprise one full-time auditor and two part-time auditors (a lawyer and an accountant).

### CORPORATE GOVERNANCE SYSTEM OF NISSHIN OILLIO GROUP (as of March 31, 2009)



Notes: 1. Besides the above, the Company has a Corporate Governance Council to ensure the regular exchange of information between full-time corporate auditors and the Corporate Staff Division.  
 2. Full-time corporate auditors attend meetings of the Management Council as observers.

In fiscal 2008 we partially revised the “Fundamental Policy Concerning the Establishment of Internal Control Systems,” making changes which included adding provisions relating to the elimination of anti-social elements and the establishment of a framework to ensure appropriate financial reporting. In addition, we invited a lawyer to participate in a corporate governance study group, attended by full-time directors, corporate auditors and executive officers.

### **STATUS OF INTERNAL CONTROL SYSTEMS**

We regard internal control systems as an important factor in complying with the Internal Control Reporting System stipulated in the Financial Instruments and Exchange Law, as well as in fulfilling our corporate social responsibility (CSR). Accordingly, we have been working to reinforce internal control systems in line with our fundamental policy. In June 2009 we submitted an Internal Control Report and an Internal Control Audit Report together with our Financial Report.

### **FUNDAMENTAL POLICY**

- By strengthening our internal control systems, we will improve the reliability of financial reporting, enhance the enterprise value of the Nisshin OilliO Group, and acquire competitiveness. This includes improving the effectiveness and efficiency of business operations as well as management transparency, compliance, risk management, and Group governance.
- Internal control systems shall be intrinsic to all business activities conducted by the Nisshin OilliO Group and they must be understood and implemented by every single employee. Based on this awareness, every employee shall actively endeavor to put the fundamental policy into practice, ensuring that implementation of the Group’s internal control systems is as efficient and effective as possible.

### **IMPROVING IMPLEMENTATION OF THE INTERNAL CONTROL SYSTEM**

In fiscal 2008 we took steps to improve our internal control system and implement it rigorously, emphasizing evaluation of internal controls based on the Internal Control Reporting System. We focused particularly on reinforcing internal controls over operational processes, with the Internal Control Committee taking the lead in promoting collaboration between administrative divisions and operational divisions. In pursuing this approach, our overriding aim is to make business operations more effective and efficient.