

Management
Corporate Governance

CSR Report 2015

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Basic Approach

It is the JSR Group's goal to make steady progress in realizing its corporate mission (Materials Innovation: We create value through materials to enrich society, people and the environment). This shall be done through efficient and transparent business management, by sustaining sound and healthy business practices. The Group will also continuously strive to create new corporate values. It is hoped that these and other such efforts will secure the trust of all our stakeholders and help us become an attractive and highly satisfying corporation.

As a company with internal auditors, JSR monitors and oversees the execution of its operations through the Board of Directors and Audit & Supervisory Board members. In 2004, directors at JSR have had their two year-terms shortened to one year. In 2005, we introduced an officer system to clearly distinguish and strengthen the functions of monitoring and overseeing management and that of overseeing the execution of business duties. In June 2011, we appointed outside directors from organizations independent of the company for the first time,

and in June 2013, we designated three of the seven directorships as positions to be filled by outside directors. This has made management more transparent and efficient and has strengthened the Board of Directors' function in monitoring and directing management. In October of 2012, the Remuneration Advisory Committee, including independent outside directors as members (the majority of members are currently independent outside directors), was established to improve the level of objectivity and transparency in the decision-making process regarding directors' remunerations.

JSR has three Audit & Supervisory Board members, including two outside members. Two outside Audit & Supervisory Board members comprise a lawyer and a certified public or tax accountant appointed from an organization independent of the company, thereby strengthening their function in monitoring and overseeing management. Additionally, we strive to ensure and improve the effectiveness of internal control by systematically conducting audits through the Internal Audit Department, which functions independently from business operations and reports directly to the president; strengthening collaboration between the Internal Audit Department and corporate auditors; and instituting a reporting system whereby important issues are reported by directors and employees to the corporate auditors when deemed necessary.

In response to the corporate governance code established on June 1, 2015, we are working to develop systems enabling rapid decision-making capability while making the decision-making process transparent and ensuring impartiality. This also leads to fulfilling our accountability to stakeholders and helps enhance long-term corporate value and sustainable growth.

Corporate Governance Structural Diagram

Risk Management	→
List of Targets and Results	→

JSR Group CSR Priority Issues (Materiality)

Safety and Disaster Prevention



JSR Group CSR Priority Issues (Materiality)

Energy Saving, Resource Saving, and Climate Change Countermeasures



JSR Group CSR Priority Issues (Materiality)

Sustainable Society where People Can Enjoy Health and Longevity



JSR Group CSR Priority Issues (Materiality)

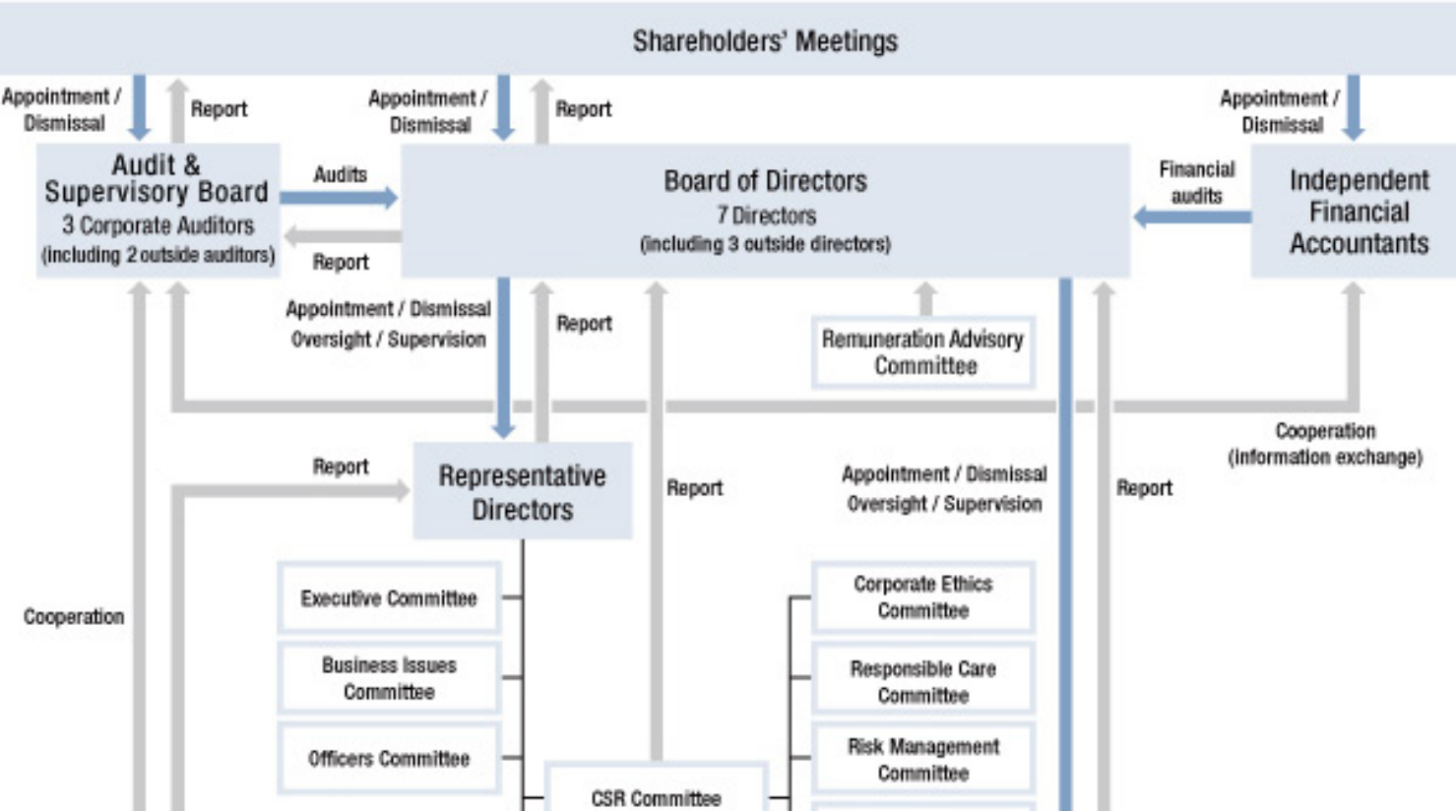
Communication with Stakeholders



JSR Group Products



(as of June 17, 2015)



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CSR Report



Business Management System

(1) Board of Directors

The board of directors consists of seven directors. As a rule, the board meets once a month or extraordinarily if necessary. The board discusses, reviews and finalizes important issues regarding the execution of business operations, as well as oversees the execution of directors' and officers' duties. The board is chaired by the chairman of JSR. In the absence of the JSR chairman, however, the board is chaired by a director other than the representative director and president, in order to separate the roles played by the representative director and president, who is the chief executive of management execution, from those played by the chairman of the board, which must monitor and oversee the management, and also to further strengthen corporate governance. Meanwhile, meetings of the board of directors are also attended by a total of three corporate auditors, including two outside corporate auditors appointed from outside the company, to gain insight from their opinions.

(2) Executive Committee

The Executive Committee deliberates and steers the Group, as well as receives reports on

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matters concerning fundamental management initiatives, management policies and business plans, as well as the major executive issues of the individual departments. Of the bills submitted to the Executive Committee, those that are deemed necessary are brought up for discussion before the Board of Directors where they undergo deliberation. The Executive Committee comprises the president, the executive managing officer, and senior executive officers appointed by the president. Their goal is to achieve speedy decision-making and efficient business operations while also addressing important business duties. As a rule, the board convenes for a meeting once a week, and is chaired by the president of JSR. Full-time corporate auditors also attend the meetings.

(3) Business Issues Committee

Members of the Business Issues Committee deliberate on the general direction of matters relating to basic strategies and management policies and changes to the basic policies and business strategies behind individual projects through preliminary discussions and by sharing information and awareness of the issues involved, and carry their results to the Board of Directors and Executive Committee. The Management Issues Committee comprises the president, executive managing officer, and senior officers appointed by the president. As a rule, the Committee convenes for a meeting once a week, and is chaired by the president.

(4) Officers Committee

The Officers Committee comprises the president, all officers (excluding overseas representatives, however, overseas representatives attend at least one meeting per quarter), who exchange information to stay updated on business conditions and issues. As a rule, the board convenes for a meeting twice a month, and is chaired by the president of JSR. Full-time corporate auditors also attend the meetings.

(5) Audit & Supervisory Board

The Audit & Supervisory Board comprises three corporate auditors, including two outside corporate auditors. As a general rule, the Board of Auditors meets once a month as stipulated in the Regulations of the Board of Auditors to carry out reports, discussions and decisions on important matters. Two outside corporate auditors—The two outside corporate auditors comprise a lawyer and a certified public or tax accountant—are independent officers who perform audits from an expert and independent perspective. Based on the Auditing Standards for Auditors, in addition to the meetings of the Board of Directors, the auditors attend other important meetings, such as those of the Executive Committee, and endeavor to gain an understanding of the processes involved in important decision-making and how duties are being executed. They form their opinions on audit-related matters upon discussions and reports received from independent financial accountants, board members and other persons.

(6) CSR Committee

In the JSR Group, the major role of the CSR Committee is to promote CSR.

The Committee oversees and directs four subcommittees—the Corporate Ethics Committee, Responsible Care Committee, Risk Management Committee, and Social Contribution Committee—to reinforce CSR activities, and convenes four regular meetings per year in addition to special meetings as necessary.

The Committee is chaired by a CSR Senior Officer and is additionally composed of one Executive Managing Officer, two Managing Officers, three Senior Officers, and two Officers.

The bureaus of the four subcommittees also attend the meetings. Committee members clarify the Group's position on CSR and strive to enhance CSR activities.

(7) Internal Audit Department

The Internal Audit Department, which is under the direct control of the president, oversees

internal audits of the JSR Group. Its goal is to strengthen various auditing functions pertaining to the internal control of JSR and its group companies based on a core policy of legal and regulatory compliance.

(8) Remuneration Advisory Committee

JSR has established the Remuneration Advisory Committee with the objective to achieve objectivity and transparency of deliberations regarding the monitoring and revision of compensation systems as well as strengthen accountability.

Consisting mostly of independent and outside directors, this committee will deliberate on compensation policies, compensation systems, financial results as well as goal-setting sessions and performance evaluations. This committee reports to the Board of Directors.

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