

Revision of Basic Policies regarding Internal Control System Construction

May 11, 2007

The following explains the May 11, 2007 Taikisha Ltd. Board of Directors resolution regarding revisions to basic internal control system policies, enacted in order to strengthen the internal control system at Taikisha Ltd. (“the Company”).

Details

Objectives and Reasons for Revision

The past inappropriate cost accounting procedures at the Company necessitated the restatement of prior period financial statements on February 2, 2007. Certain internal control deficiencies at the Company have been cited as one of the major factors contributing to these circumstances.

Given these facts, the Company has determined that further enhancement and improvement in the Company’s system of internal controls was necessary from a perspective of preventive measures, and accordingly the Company has made revisions to the basic policies of the internal control system construction which were established on May 9, 2006.

Specific Revisions

The following details the revised “Basic Policies regarding Internal Control System Construction”. We have displayed the number next to additions and/ or corrected items in bold characters for easier reference.

[Basic Policies regarding Internal Control System Construction]

“Objectives”

The board resolution in question recognizes that the most significant management risk at present is the risk of violating the law. This resolution, as a means to ensure the comprehensive awareness and practice of legal compliance at the Company, determines the general framework related to the respective requirements for improving the internal control systems stipulated by Article 362 Paragraph 4 Item 6 of the Corporate Law and Article 100 of the Enforcement Regulations of the Corporate Law for the construction of the internal control system at the Company that should be specifically implemented under the direction of the representative director, based on Article 362 Paragraph 5 of the Corporate Law. The construction of the internal control system based on this resolution shall be implemented as quickly as practical, incorporating a method for constant internal control system review for improvement, through which the Company aims to create an efficient and legally compliant corporate structure.

“Specific Details”

1. A system to ensure that board director and/ or employee exercise of work functions conforms to legal statutes and Company bylaws
- 1) Position the Management Vision as established by the Board of Directors, based on the Company Mission Statement and Company Philosophy: “Comply with the Spirit and the Letter of the law, engaging in upright business transactions based on fair and free competition, and contributing to the betterment of customers, partner

companies, shareholders, employees, the community and society as a whole through transparency and a high sense of ethics” and the “Taikisha Code of Conduct” as guidelines for the execution of duties by board directors and employees, promoting Company-wide awareness and understanding.

- 2) Create a Management Ethics Committee consisting of the Company president (as committee chair), operating officers holding the rank of executive operating officer or higher, and the internal audit department manager. The Management Ethics Committee shall meet once each month, considering and responding to compliance issues on overall business at the Company from a management perspective.
- 3) Establish a Company-wide Compliance Committee (operating officer holding a rank as committee chair) and a Compliance Department within the Administrative Division, for the purpose of creating a system supporting the awareness/ understanding and practical compliance with legal statutes and Company bylaws.
- 4) The Compliance Department shall provide continuous training related to compliance including employee awareness and understanding of the “Management Vision” and the “Taikisha Code of Conduct.” At the same time, the Compliance Department shall coordinate with compliance-related departments in each division, endeavoring to prevent the violation of legal statutes, and to report the overall state of company activities to the Company-wide Compliance Committee.
- 5) To establish a more effective reporting system framework in the event of the discovery of acts by officers and/ or employees violating legal statutes/ Company bylaws,

comprised of an Internal Reporting System (reports received from Company employees) and an External Reporting System (reports received from outside vendors, etc.), the Compliance Department shall be the primary contact for reports coming from internal sources, while the Company shall immediately appoint a third-party attorney to serve as the primary contact for reports coming from external sources.

- 6) In the event that an incident violating compliance occurs, the Company shall undertake a stern response, in accordance with the employment regulations, etc.
2. A system for preserving and managing information related to the execution of duties by board directors

Information and documentation (“Work Duty Information”) related to the execution of duties by board directors shall be stored and managed appropriately (including disposal as appropriate), according to the Company’s “Information/Document Management Rules” and other rules, as well as related Control Manuals. The Company shall verify the state information and document management, reviewing and revising rules as necessary.

3. Other systems and rules related to management of the risk of loss
- 1) Each department shall create their own rules, business standards, manuals, etc. related to risk associated with operations under their respective jurisdictions such as quality control, safety management, compliance, etc., ensuring the awareness and understanding by all department employees. The Company president shall promptly determine a controlling department whenever a new risk arises.

- 2) The Internal Audit Department, reporting directly to the Company president, shall oversee audits according to internal audit regulations. The Internal Audit Department manager shall be an operating officer or higher in rank, the Internal Audit Department shall secure the necessary personnel, and shall ensure the effectiveness of internal audits. The Internal Audit Department shall also verify audit procedures and audit targets as necessary, revising audit methods when required.
4. A system to ensure board directors execute their duties efficiently
 - 1) During April 2007, the Company adopted an operating officer system in order to clarify the responsibilities and authority of corporate management and corporate operations functions to implement a management reorganization, revitalizing the Board of Directors and rationalizing the decision-making process through a reduction in the number of directors.
 - 2) All board directors shall participate in the discussion of items determined according to the rules of the board of director, as well as any other items coming under standards requiring discussion. All board directors shall be provided with sufficient documentation of agenda items prior to board meetings to meet principles for making management decisions.
 - 3) After a Policy Consideration Conference, each Headquarters and/or Division shall set and endeavor to attain appropriate fiscal period plans and goals, guided by the Company Philosophy.
 - 4) The Company shall establish a Management Council

consisting mainly of operating officers higher in rank. The Management Council shall engage in thorough deliberations related to Company and Company Group management policies, significant issues, risk of strategic businesses to be responded to, producing rapid decisions. The Management Council shall also use operating results reports to verify progress toward corporate fiscal period goals on a monthly basis.

5. A system to ensure the optimum operations of a corporate group consisting of a joint-stock company, parent company, and subsidiaries
 - 1) A supervisory department shall be charged with managing Company subsidiaries and affiliates (“Subsidiaries”) based on Affiliate Company Management Regulations, ensuring the improving management efficiency of the overall Corporate Group.
 - 2) Create a system to implement periodic audits, mainly driven by the Internal Audit Department, to audit the presence of Subsidiary risk information. Establish a system to immediately notify the Board of Directors, Corporate Auditor, and other related departments in the event that audit results indicate a risk of loss for the Subsidiaries, etc.
6. A system related to employees when the Corporate Auditor request the employees to assist audit work and independence of such employees from board directors

The Company shall establish an audit office under the direction of the Corporate Auditor, staffed with personnel to assist the work of the Corporate Auditor, to ensure the independence of the Corporate Auditor, and any appointment or dismissal, transfers and/ or performance

evaluations of audit office employee requires the approval of the Corporate Auditor.

7. A system for board directors and employees to report to the Corporate Auditor; a system for other reports to the Corporate Auditor

Board directors and employees are responsible for reporting to the Corporate Auditor with respect to the following items. In addition, board directors and employees shall comply with the provisions of the Board of Auditors rules and Corporate Auditor audit provisions, providing necessary reports and information in response to each Corporate Auditor request.

- Management Council Resolutions, Reports
- Management Ethics Committee Deliberations
- Facts that may lead to significant Company or Group damages
- Board director or employee acts, or potential acts, in violation of legal statutes/ Company bylaws
- Internal Audit Department audit results
- Requirements for delivering internal approval documents or meeting minutes requested by the Corporate Auditor

8. Other systems to ensure the effective performance of Corporate Auditor audits

- 1) The representative director, Administrative Division manager and Audit Department manager shall make opportunities to consult and deliberate with the Corporate Auditor regarding environment improvement in the Corporate Auditor audit, etc., endeavoring to ensure the effectiveness of Corporate Auditor audits.

2) The Corporate Auditor may make requests related to improving the Company audit system in order to ensure the effectiveness of Corporate Auditor audits.

End