

Basic Policy Concerning Development of Internal Control System

Basic policy concerning items prescribed in Article 399-13, Paragraph 1, Items 1 (b) and (c) of the Companies Act of Japan, and the development and maintenance of relevant systems for Ahresty Corporation (hereinafter referred to as “the Company”) and the Ahresty Group (hereinafter referred to as “the Group”) are specified as follows.

1. Systems to ensure that the execution of duties by directors and employees of the Company and its subsidiaries comply with laws and regulations and the Articles of Incorporation

- (1) The Group shall establish *Compliance Principles*, *Compliance Rule* and *Code of Conduct of the Ahresty Group* as the codes of conduct for directors and employees of the Group, and directors shall strive to be role models and make sure that employees are aware of the Rules.
- (2) The Global Compliance Committee headed by the President of the Company as Chairperson shall supervise the development, maintenance and improvement of the compliance system of the Group, set up the secretariat of the Committee within the Management Planning Department, and promote the establishment and operation of the compliance system of the entire Group.
Each subsidiary of the Company shall set up a Compliance Committee led by the President of each company as Chairperson, and shall develop, maintain, and improve the compliance system in cooperation with the Global Compliance Committee.
- (3) Director in charge of General Administrative Command of the Company as Head, and Accounting Department, Management Planning Department and Human Resource Department as promoting departments shall establish and operate internal control systems of the entire Group, and the effectiveness and legality of internal control systems of the entire Group shall be secured through internal audits conducted by the Internal Audit Department that is independent from the executive departments.
- (4) The Group shall establish a system to report violations of laws and regulations and other compliance violations to Management Planning Department or to an external attorney, and shall operate it in accordance with *Guideline of Compliance Reporting System*.
- (5) The Group shall take a resolute attitude against antisocial forces and groups that pose a threat to the order and safety of civil society and shall firmly eliminate any undue claims or demands for transactions.

2. Systems to store and manage information related to execution of duties by directors of the Company

Information concerning execution of duties by directors shall be appropriately and safely stored and managed for a specified period, in specified storage media, and in an accessible manner in accordance with *Information Control Rule* and *Information System Rules* and other documents specified in AS (Ahresty Standards).

3. Rules and/or other systems related to management of risk of losses to the Company and its subsidiaries

- (1) The Group shall recognize and identify, analyze and assess risks related to cash management, asset utilization, commercial transactions, accidents and disasters, and all other corporate activities, shall establish Credit Management Rule etc. to address existing individual risks, and *Risk Control Rule* to address risks comprehensively, shall appoint administrators for each risk category, and establish and operate risk control systems in accordance with such rules.

- (2) The Group shall establish *Emergency Situation Handling Guidelines* that contemplate contingencies and in case a contingency occurs, shall establish a Response Task Force led by the President of the Company, and depending on the situation other subordinate organizations to promptly respond to the contingency and establish and operate a system to minimize losses in accordance with these Guidelines.

4. Systems to ensure that directors of the Company and its subsidiaries exercise their duties efficiently

- (1) The Company shall in principle hold a Board Meeting once a month and if necessary hold extraordinary meetings as the basis of a system to secure effective execution of their duties, enabling directors to mutually oversee business execution, communicate and exercise their duties.
- (2) Execution of business decided by the Board Meeting of the Company that concern multiple departments or the Group shall be executed after deliberation at the Executive Committee Meeting composed of Executive Officers and held twice a month in principle.
- (3) Regarding execution of business decided by the Board Meeting of the Company, *Role Assignment Rule* and *Rule for Position and Job Authority* that apply to the Group shall specify persons responsible for each duty and his/her responsibilities as well as details of execution procedures.

5. Systems to ensure appropriate business operations of the corporate group consisting of the Company and its subsidiaries, and systems related to reporting execution of duties by directors of the Company's subsidiaries to the Company

- (1) Management supervision of the Group shall be conducted based on a system requiring subsidiaries to obtain approval by and report to the Company in accordance with *Management Planning Control Rule* and *Affiliated Company Management Rule*. Furthermore, management of the Group will be monitored through the Plant General Managers Meeting held once a month or other meetings if necessary.
- (2) To ensure appropriateness of business of the Group, *Compliance Principles* and *Code of Conduct of the Ahresty Group* shall apply to the entire Group, and shall be the basis for each company to establish and revise its own Rules and Guidelines.
- In case a subsidiary acknowledges that management supervision and/or management guidance by the Company violates applicable laws and regulations and/or causes other compliance issues, they shall report such cases to Internal Audit Department or the Global Compliance Committee.
- (3) Internal Audit Department shall also assess the effectiveness of audits and internal control systems of the Group in accordance with *Internal Audit Rules*.

6. Systems regarding staff assisting the Audit and Supervisory Committee, items regarding their independence from the directors (other than directors who are Audit and Supervisory Committee members), and items to ensure the effectiveness of instructions to such assisting staff

In case the Audit and Supervisory Committee needs staff to assist its duties, assisting staff for the Audit and Supervisory Committee shall be assigned. The Appointment, dismissal, transfer, and evaluation of such assisting staff shall be determined subject to agreement by the Audit and Supervisory Committee, in order to secure their independence from the directors who are not Audit and Supervisory Committee members. When assisting the Audit and Supervisory Committee, assisting staff shall follow the instructions of the Audit and Supervisory Committee.

7. Systems regarding the reporting to the Audit and Supervisory Committee by i) directors (other than directors who are Audit and Supervisory Committee members) and employees of the Company, ii) directors, corporate auditors and employees of the Company's subsidiaries, or iii) persons who have received reports from persons specified in i) and ii) , and systems concerning other reporting to the Audit and Supervisory Committee

- (1) Directors (other than directors who are Audit and Supervisory Committee member) and employees of the Group shall report important matters that affect business execution and performance at the Executive Committee in accordance with *Rule of Executive Committee*, the Plant General Manager Meeting in accordance with *Guidelines for Operations of Plant General Manager Meeting*, and other meetings that the Audit and Supervisory Committee member and auditors attend and where duties and important items that affect business performance are reported. Regardless of the above, Audit and Supervisory Committee members selected by the Audit and Supervisory Committee may require the directors of the Group (other than directors who are Audit and Supervisory Committee members) and employees to report whenever necessary.
- (2) Internal Audit Department shall establish an internal audit plan in accordance with *Internal Audit Rule* in coordination with the Audit and Supervisory Committee and shall report the results of audits to the Audit and Supervisory Committee members once a month in principle.
- (3) The appropriate reporting of violation of laws and regulations and other compliance issues to the Audit and Supervisory Committee shall be ensured by maintaining the appropriate operation of the internal reporting system in accordance with *Guideline for Compliance Reporting System*.

8. Systems to ensure that employees who have reported to the Audit and Supervisory Committee of the Company do not receive disadvantageous treatment

The Company shall prohibit disadvantageous treatment of directors and employees of the Group who reported to the Audit and Supervisory Committee and shall make sure that directors and employees of the Group are aware of this.

9. Items concerning policy related to treatment of expenses etc. due to execution of duties by the Audit and Supervisory Committee Members of the Company (limited to execution of duties by Audit and Supervisory Committee), and systems to secure effective execution of audits by the Audit and Supervisory Committee

- (1) When an Audit and Supervisory Committee member requests for advancement of expenses etc. in accordance with Article 399-2, Paragraph 4 of the Companies Act for execution of duties, the responsible department of the Company shall review and promptly pay the respective expenses or obligations, unless deemed unnecessary for the execution of duties by the respective Audit and Supervisory Committee member.
- (2) In case Audit and Supervisory Committee requests an independent external expert such as a lawyer or a Certified Public Accountant etc. as advisor for an Audit and Supervisory Committee member, the Company shall bear such expenses, unless such experts are deemed unnecessary for the execution of duties by the respective Audit and Supervisory Committee member.

- (3) Audit and Supervisory Committee members shall audit the status of execution of duties by directors of the Group (other than directors who are Audit and Supervisory Committee members) and employees in accordance with the audit policy and assignments specified by Audit and Supervisory Committee, frequently exchange information with the Accounting Auditor and Internal Audit Department, cooperate with them and secure the effectiveness of the audit.

10. Systems to secure reliability of financial reporting of the Company and subsidiaries of the Company

In order to secure the reliability of financial reporting, the Group shall establish and operate an internal control system that effectively controls financial reporting.