

To: Shareholders

31 October 2007

Keiko Iida, President & CEO  
Naoto Yoshihama, contact officer  
Director & General Manager  
GignoSystem Japan, Inc. (OSE Hercules Code 4300)  
Tel. +81-3-3556-7737

## **Notice of Revisions to Basic Policy on Construction of Internal Control System**

GignoSystem Japan Inc. hereby gives notice of the resolution adopted at the meeting of the Board of Directors on 31 October 2007 for partial revision of the Basic Policy on Construction of Internal Control System.

The revisions consist of the following:

1. Changes to the "framework for assuring the efficient performance of Directors' duties" through the establishment of an Executive Board to deliberate and decide on matters of significance concerning operational performance and matters brought before meetings of the Board of Directors
2. In accordance with 1 above, elimination of "preparatory examination of matters brought before meetings of the Board of Directors" in deliberation and decision by the Management Committee

N.B. Changes to the text are underlined.

1. Framework for assuring performance of duties by Directors and employees are in compliance with law and the Articles of Incorporation  
(Corporation Law, Article 362, paragraph 4, item 6 and Corporation Law Enforcement Regulations, Article 100, paragraph 1, item 4)
  - (1) The Company shall establish a compliance policy prescribing a basic code of ethics and standards of behavior for officers in their performance of corporate activities and, by means of the Chairman & CEO communicating its spirit to executives repeatedly, shall require all executives to be continuously conscious as corporate personnel and as members of society of compliance with law and regulations and observance of social mores.

- (2) The Company shall work to maintain and improve the supervisory function of the Board of Directors with respect to the performance of duties of Directors by continuously maintaining a specific minimum number of outside directors.
- (3) Auditors shall audit the performance of duties of Directors from positions of independence.
- (4) The Company shall establish compliance oversight rules to ensure compliance with law and regulations and observance of social mores and shall prescribe a compliance oversight system and action policy governing the necessary organizational structures, roles, authority, etc.
- (5) The internal audit division shall audit operational processes and work to identify and prevent irregularities and to improve processes.
- (6) An executive identifying a compliance issue shall either promptly report it along organizational lines or produce an internal dispatch by a method stipulated by the compliance oversight rules.

2. Framework for storage and control of information concerning the performance of officer duties

(Corporation Law Enforcement Regulations, Article 100, paragraph 1, item 1)

- (1) To contribute to the appropriate and efficient conduct of operations, the Company shall store and control, reliably and as appropriate to the storage medium employed, information relating to the performance of the duties of Directors (including documents, other relevant documentation and information recorded on electromagnetic media) and other information in accordance with law and regulations and with document control rules.
- (2) Control of information shall be governed by an information security policy, which shall be implemented in accordance with the various relevant rules.

3. Framework of rules and regulations concerning management of loss risk

(Corporation Law Enforcement Regulations, Article 100, paragraph 1, item 2)

- (1) The Company shall establish a risk management committee chaired by the President & CEO as the organizational structure overseeing risk management overall and shall conduct appropriate management of operational risks.
- (2) The Company shall form, subordinate to the risk management committee, an information security subcommittee with competency for information risks and a business risk subcommittee with competency for business risks.
- (3) The information security subcommittee shall perform risk assessments from the

perspective of information security and implement ISO 27001, and the business risk subcommittee shall perform risk assessments from the perspective of business risk and contribute to the construction and operation of internal controls.

- (4) In contingencies corresponding to envisioned risks, the President & CEO shall effect prompt and appropriate communication and implement emergency structures.

4. Framework for assurance of the efficient performance of duties of Directors

(Corporation Law Enforcement Regulations, Article 100, paragraph 1, item 3)

- (1) The Company shall hold regular meetings of the Board of Directors once monthly and assure that the Board deliberates and decides on matters specified by law and regulations and by the Articles of Incorporation and on other matters of management overall and that the duties of the Directors are performed efficiently.
- (2) An executive board made up of standing directors and standing auditors shall meet once monthly and deliberate and decide on matters of significance concerning operational performance, matters brought before meetings of the Board of Directors and matters stipulated in administrative authority rules.
- (3) A management committee made up of the Chairman, President & CEO, standing directors, standing auditors and such other persons as deemed necessary by its chair shall meet once weekly and shall seek efficiency in its deliberations and decisions on the specifics of operational performance on the basis of management policies determined by the Board of Directors.
- (4) The Company shall stipulate company-wide management goals shared by all executives and shall determine medium- and long-term management policies in order to achieve those goals. Directors shall draft annual business plans and budgets that give concrete expression to medium- and long-term management plans. When necessary, medium- and long-term management plans and annual business plans and budgets shall be revised as and when appropriate.
- (5) Persons responsible for performing the duties of Directors in accordance with decisions of the Board of Directors and the scope of their activity shall be determined in accordance with organizational rules and administrative authority rules.

5. Framework for assuring operational adequacy in the Company and in the corporate group comprising parent companies and subsidiaries

(Corporation Law Enforcement Regulations, Article 100, paragraph 1, item 5)

- (1) The Directors of the Company and the representative directors of subsidiaries and affiliates shall have authority and responsibility for compliance and risk management in

individual Group companies and shall, when appropriate, report to the Board of Directors and Board of Auditors of the Company on the status of compliance and risk management therein.

- (2) The Company shall specify affiliate management rules, direct and supervise management of Group companies, and in order to assure the adequacy of operations at individual Group companies work to construct internal control systems at individual Group companies and provide the requisite direction and support.
  - (3) The enterprise managers of individual Group companies shall attend meetings of the Company's management committee when appropriate to report on the state of the business and conduct prior consultation on proposals of significance.
  - (4) The internal audit division shall conduct internal audits of individual Group companies.
6. Matters concerning employees requested assigned to assist auditors in their duties and matters concerning the independence of those employees from Directors  
(Corporation Law Enforcement Regulations, Article 100, paragraph 3, items 1 and 2)
- (1) Where employees are requested assigned to assist auditors in their duties, employees shall be appointed to assist auditors in their duties.
  - (2) In order to assure the independence of the employees of the preceding paragraph, the prior agreement of the auditors shall be required for such personnel decisions concerning those employees as their appointment and reassignment.
7. Framework for reportage to auditors by Directors and employees and framework for other reportage to auditors  
(Corporation Law Enforcement Regulations, Article 100, paragraph 3, item 3)
- (1) Directors shall, as needed, report to the Board of Directors, the Management Committee and like venues on the status of performance of operations overseen by them.
  - (2) Directors shall promptly report to auditors any matters having a serious impact on the Company and matters the status of internal audits, compliance and risk management.
  - (3) Auditors shall attend meetings of the Board of Directors, Management Committee and other meetings having significance, review documents pertaining to operational performance and may require explanations of Directors and employees.
8. Framework to assure effective performance of audits by auditors  
(Corporation Law Enforcement Regulations, Article 100, paragraph 3, item 4)
- (1) A majority of auditors shall be independent external auditors and shall be charged with assuring external transparency.

- (2) Auditors shall operate in concert with the administrative management division, the internal audit division, accounting auditors (audit corporations) and the auditors of individual Group companies to the end of assuring effectiveness in the performance of audits.
- (3) So that auditors may form their opinions autonomously and when deemed necessary to the conduct of an audit, auditors may employ attorneys, chartered accountants and other experts and specialists.

By resolution of the Board of Directors, 12 May 2006

Revised by resolution of the Board of Directors, 28 August 2007

Revised by resolution of the Board of Directors, 31 October 2007

### Risk Management System Diagram

