

Internal Control Basic Policy

ENVIPRO HOLDINGS Inc. has stipulated its internal basic policy as below to achieve four aims, “effectiveness and efficiency of business“, “reliability of financial reports”, “compliance with laws”, and “Preservation of assets ”. We shall endeavor to establish and operate its internal control systems more effectively, through continuous evaluation of the implementation of the internal control systems under this policy as well as taking measures necessary for its improvement, and conducting consistent reviews of this policy responding to changes in the business environment.

1. Systems for ensuring compliance with laws and articles of incorporation in the performance of duties by directors and employees.

- (1) We shall let directors and employees completely comply with laws, the article of incorporation, and social norms, by organizing the system of the compliance with laws, educating, and training. And also to practice them, we shall set company principle and regulations, organize manuals.
- (2) We shall pursue internal audit of both ENVIPRO HOLDINGS Inc. and all consolidated subsidiaries (hereinafter referred to as “our group”) by the internal audit division which is independent from any other divisions and directly controlled by President/CEO. We verify and evaluate the appropriateness and effectiveness of each section’s internal control system, and ensure legality of the employees’ performance of duties by encouraging these remediation.
- (3) We shall interdict any and all relationship with anti-social forces which threaten the order and safety of the civil society, and respond to them in corporate-wide and uncompromising manner in close association with outside experts such as police.

2. Matters regarding the retention and management of information regarding the executions of operations of directors.

We shall record and retain information regarding the executions of operations of directors as documents or electric media following the rules of management of documents and other regulations. Directors and audits may peruse these documents anytime.

3. Regulations and other systems for risk management.

- (1) As for risks about the perform operations of our group, we shall analyze and distinguish predicted risks at a subcommittee of the internal control committee, and manage all risks of our group by affiliating with each group companies comprehensively and inclusively.
- (2) In the case of management crisis which may influence the business of our group, we shall

organize a counter measures headquarters whose manager is President/CEO in the internal control committee, minimize a loss of our group, and strive for restoration.

4. Systems for ensuring the efficient executions of operations of directors.

- (1) The ordinary meetings of the board of directors shall be held once a month and extraordinary meetings shall be held when necessary as basis of the system to assure efficient performance of directors. The procedure of the board of directors and its limit of authority shall be stipulated in rules of the board of directors.
- (2) To assure effective business management by board of directors, we shall stipulate rules of organization and rules of allocation of business operations. And also we shall stipulate rules of job authorities for the purpose of effective management of organization by defining fundamental duties and the limit of authority of the board of directors.
- (3) We shall assure the efficient executions of operations of directors by stipulating other internal rules.
- (4) We shall stipulate rules of budget control to formulate and operate one-year budget and mid-term management plan properly. Following the rules, the board of directors shall decide one-year budget and mid-term management plan, and review and update the mid-term management plan generally once a year.
- (5) Directors shall execute business effectively based on one-year budget and mid-term management plan which are formulated by the board of directors, report the progress of the budget to the board of directors.
- (6) At the board of directors, our group reports progress states of operations and important matter, and realize quick decision-making and perform operations.

5. Systems for ensuring the proper operation at the business group from our group.

- (1) Our group centering on the committee of the internal control shall organize the system of conference about internal control, information sharing, effective transmission of orders and requests.
- (2) Directors possess authority and responsibility of establishment and operation of the internal control which assure justness of execution of business.
- (3) Internal audit department shall inspect each departments, report the results to President/CEO and the director in charge, and if necessary lead improvement plans of internal control, aid and advise enforcement.
- (4) To assure effectiveness of the internal audit, following requests of internal audit department, President/CEO may appoint internal auditors from each department except for the inspected department.

(5) About the perform operations by the group companies, we consolidate the final decision rules and ask our advance approval and report about business important matters based on the final decision rules, and also the administration division confirms appropriateness the business by getting reports routinely about business plans by the group companies.

6. Matters regarding employees assisting “Audit and Supervisory Committee” (hereinafter referred to as “the Committee”), the independence of such employees from directors (excluding the member of the Committee), and ensuring the effectiveness of directions to such employees.

Employees who are taken orders or directions which are necessary for auditing operation by the Committee shall not be ordered by directors (excluding the member of the Committee) and other employees about those orders or directions for an assist term that the Committee orders, and do the operations as a priority.

7. Systems of reporting to the Committee by directors and employees of our group and other systems regarding reporting to the Committee, and systems to ensure directors and employees not having unfair treatment by reporting.

(1) The member selected by the Committee shall be assembled to the board of directors or other important meetings, and shall be received the report important things about company management and operating business and the state of the business performance.

(2) The audit results by internal audit division shall be submitted to the Committee for their review.

(3) The directors and employees may report to the Committee directly when they find material facts about our group.

(4) The system ensures directors and employees not having unfair treatment by reporting.

8. Other systems for ensuring the effective audit by auditors.

The Committee shall stipulate standard and basic matters of inspection by the Committee and provide rules of Audit and Supervisory Committee and rules of inspection by Audit and Supervisory Committee for the purpose of smooth and effective enforcement of inspection by the Committee.

The Committee shall inspect and audit following those rules.

(1) The Committee may execute hearing to directors and employees if necessary, and regular discussion sessions among the President/CEO, internal audit department and auditors shall be arranged.

- (2) When the member of the Committee requests advance payment or reimbursement of expenses (which is limited to the performance of duties by the Committee) arising from the performance of duties, ENVIPRO HOLDINGS Inc. shall promptly settled the expenses unless it is determined that the expenses are not necessary for the performance of the duties by the members of the Committee.