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KITO CORPORATION

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<http://www.kito.co.jp/>

The status of corporate governance of the Company is as follows.

[I. Basic Stance on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information](#)

1. Basic Stance

KITO Corporation recognizes that delivering unmatched satisfaction to its customers is the main reason for its existence and considers the enhancement of shareholder's value as its most important management task. To this end, KITO positions the KITO Compliance Manual (Corporate Code of Conduct) (See below), which is based on the strict observance of laws, at the core of its corporate philosophy and makes prompt management decisions that reflect the changes in society and the economic environment.

KITO, in light of the above, will strive to improve its corporate governance, by engaging in such initiatives as the improvement of the general meeting of shareholders, reform of the Board of Directors' meeting, reinforcement of the audit functions of auditors and increasing the sophistication of its disclosure.

<KITO Compliance Manual (Corporate Code of Conduct)>

1. Respect human rights and build a corporate environment that brings out the motivation and abilities of the employees.
 - 1) Respect human rights and build a corporate environment where the joy of work can be shared.
 - 2) Prohibit gender-, sexual- and power-harassment.
 - 3) Ensure the safety and health of the work place.
2. Ensure fair and transparent corporate activities based on the strict observance of laws and ordinances, internal rules and the rules of society.
 - 1) Comply with the antimonopoly law and related laws, various industry laws and laws on security export.
 - 2) Do not infringe the intellectual property rights of others and refrain from acts of unfair competition.
 - 3) Refrain from acts that violate insider trader restrictions.
 - 4) Eliminate all ties with antisocial forces.
 - 5) Do not give excessive gifts or engage in excessive entertainment.
 - 6) Draw a line between public and private matters, and do not engage in acts that involve conflicts of interest.
 - 7) Comply with internal rules and internal disciplinary rules.
 - 8) Observe the laws of society and act as a sensible member of society.
3. Exercise control over corporate information and do not disclose any information without prior consent.

- 1) Handle information including confidential information and personal information properly.
 - 2) Disclose business information in a timely manner.
4. Upgrade and enhance communication with society and aim for prosperity together with society.
- 1) Proactively tackle environmental problems.
 - 2) Build a favorable relationship with the regional community.

2. Capital Structure

Ratio of Shares Held by Foreign Shareholders	over 30%
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[Status of Major Shareholders]

Name of Shareholder	Number of shares held (shares)	Ownership interest
CBLDN KONE CRANES FINANCE OY	29,750	22.00
KITO CORPORATION	6,523	4.82
The Master Trust Bank of Japan, Ltd. (Trust account)	5,575	4.12
CREDIT SUISSE SECURITIES (USA) LLC-SPCL FOR EXCEL, BENE	4,142	3.06
Yoshio Kito	4,009	2.96
GOLDMAN SACHS INTERNATIONAL	3,491	2.58
Sumitomo Mitsui Banking Corporation	3,352	2.48
BNY GCM CLIENT ACCOUNT JPRD AC ISG (FE-AC)	2,355	1.74
KITO Employee Shareholders' Association	2,283	1.69
Nippon Life Insurance Company	2,000	1.48

Existence of Controlling Shareholders (Excluding parent company)	-
Existence of Parent Company	None

Supplemental Explanation

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3. Corporate Attributes

Stock exchange and section	Tokyo 1 st Section
Fiscal year end	March
Line of business	Machinery
Number of employees at the end of the previous fiscal year (consolidated)	Over 1000 employees
Sales during the previous fiscal year (consolidated)	Over 10 billion yen and less than 100 billion yen
Number of consolidated subsidiaries at the end of the previous fiscal year	Over 10 and less than 50

4. Guidelines for measures to protect minority shareholders in the event of transactions with controlling shareholders.

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5. Other specific conditions that may materially affect corporate governance

II. Status of the Management Control Organization for Management Decision-Making, Operational Execution and Oversight, and Other Corporate Governance Structural Features

1. Organizational structures and organizational operations

Organizational form	Company with a Board of Auditors
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[Directors]

Number of Directors pursuant to the Articles of Incorporation	10 persons
Term of Directors pursuant to the Articles of Incorporation	2 years
Chairman of the Board of Directors	President
Number of Directors	7 persons
Election of External Directors	Elected
Number of External Directors	3
Number of External Directors designated as Independent Directors	0

Relationship with Company (1)

Name	Affiliations	Relationship with the Company (*1)								
		a	b	c	d	e	f	g	h	i
Kazuhiro Yamada	Originally from other company				○	○				
Keizo Tannawa	Originally from other company				○	○				
Katsumori Matsushima	Originally from other company				○	○				

Note *1 Categories Describing Relationship with Company

a: From parent company

b: From other affiliated company

c: Principal shareholder of the subject company

d: Concurrently serves as an external director or external corporate auditor of other company

e: Director or corporate officer of other company

f: Close relative within the third degree of kinship by blood or marriage to a director or executive officer of the subject company or other designated interested party

g: Receives remuneration or other material benefit as an officer of parent company or subsidiary of the subject company

h: Has a limited liability contract with the subject company

i: Other

Relationship with Company (2)

Name	Independent director	Supplemental information in regard to applicable items	Reason for appointing as external director (and reason for appointing as independent director)
Kazuhiro Yamada		Managing Director, Carlyle Japan LLC	Mr. Yamada is well qualified as an external director of the Company, regardless of his independence from the Company, based on his management analysis skills as an internationally certified investment analyst and his experience in numerous investment projects in the manufacturing industry.
Keizo Tannawa		Representative Director, Towers Watson	Mr. Tannawa is well qualified as an external director of the Company, regardless of his independence from the Company, based on his abundant experience as a management consultant and as

			senior management.
Katsumori Matsushima		Professor Emeritus, University of Tokyo	Mr. Matsushima is well qualified as an external director of the Company, regardless of his independence from the Company, based on his experience as an industrial engineer of aircraft engines and marketing advisor at a computer-related company, followed by his experience as a management consultant giving instructions to companies on management strategies and IT strategies, in addition to the fact that as an academic he studied manufacturing business models.

[Auditors]

Existence of the Board of Auditors	Yes
Number of Auditors adopted in the Company's Articles of Incorporation	4
Number of Auditors	3

Cooperation between Auditors, Accounting Auditors and the internal audit division

Auditors extensively verify the adequacy and efficiency of the directors' business execution by attending important meetings such as the Board of Directors' and Board of Executive Officers' meetings and expressing their opinions, gathering information through coordination with the Internal Audit Office and accounting auditors, in addition to directly interviewing the directors and inspecting material documents.

Auditors witness accounting audits performed by PricewaterhouseCoopers Aarata, the accounting auditors of the Company, as necessary; confirm the adequacy of the audit methods; and hold regular meetings with the accounting auditors twice a year to exchange opinions on issues regarding the Company's internal controls and other matters.

The Board of Auditors confirms the audit details of the annual audit plans compiled by the Internal Audit Office and, when necessary, requests additional audit items. The Board of Auditors also confirms the status of audits through the Internal Audit Report prepared by the Internal Audit Office. The accounting auditors, auditors and Internal Audit Office proactively share information on the results of audits performed by each party.

Appointed External Auditors	Yes
Number of External Auditors	2
Number of Independent Auditors among External Auditors	1

Relationship with Company (1)

Name	Affiliations	Relationship with the Company (*1)								
		a	b	c	d	e	f	g	h	i
Masatoshi Yasunaga	Originally from other company									○
Kiyohito Hamada	Originally from other company				○					

Note *1 Categories Describing Relationship with Company

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- f: Close relative within the third degree of kinship by blood or marriage to a director or corporate officer of the subject company or other designated interested party
g: Receives remuneration or other material benefit as an officer of parent company or subsidiary of the subject company
h: Has a limited liability contract with the subject company
i: Other

Relationship with Company (2)

Name	Independent director	Supplemental information in regard to applicable items	Reason for appointing as external director (and reason for appointing as independent director)
Masatoshi Yasunaga	○	Partner, Hatasawa, Wakai & Yasunaga (Law Firm) Mr. Yasunaga has been appointed Independent Auditor	Mr. Yasunaga is well qualified as an independent external auditor, as his past record as an external auditor of the Company for the past four years and his broad experience and knowledge as an attorney both in Japan and abroad are expected to strengthen the Company's audit functions and further enhance the corporate governance of the Company.
Kiyohito Hamada		Partner, Yotsuba Sogo Accounting & Consulting Firm	Mr. Hamada is well qualified as an external auditor, regardless of his independence from the Company, as his past record as an external auditor of the Company for the past four years and his experience and knowledge as a certified public accountant will be extremely beneficial in ensuring the legitimacy of the Company's operations.

[Independent Directors / Auditors]

Number of Independent Directors/ Auditors	1
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Other matters relating to Independent Auditors

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[Incentives]

Implementation Status of Incentive Policies for Directors	Introduced performance-linked compensation system and stock option plan
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Supplemental Explanation

Under the performance-linked compensation system, each individual's performance and degree of contribution are taken into account and considered by the Remuneration Committee, comprising the President and the external directors; and the Board of Directors determines the amount of compensation, based on the information presented to them by the Remuneration Committee.

Stock options are granted to the non-external directors of the Company. Both systems have been adopted for the purpose of motivating executives and employees to improve their performance and to boost morale.

Grantees of stock options	Non-external directors, employees, directors of subsidiaries and others
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Supplemental Explanation

Employees included in the grantees of stock options are executive officers. Others refer to external partners of the Company (e.g. consultants and advisors of the Company).

[Remuneration to Directors]

Disclosure Status (regarding Individual Directors)	Not individually disclosed.
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Supplemental Explanation

1. Aggregate amount of executive remuneration for seven directors (excluding external directors): 104 million yen
2. Aggregate amount of executive remuneration for one auditor (excluding external director): 10 million yen
3. Aggregate amount of executive remuneration for four external directors and auditors: 26 million yen

<Remarks>

The maximum aggregate amount of remuneration to be paid to directors per year: 300 million yen (This amount includes the 30 million yen to be paid to external directors)

The maximum aggregate amount of remuneration to be paid to auditors per year: 80 million yen
(Resolved at the Ordinary General Meeting of Shareholders held on June 26, 2007)

(Notes)

1. The number of directors to be paid in 1 above includes the three (3) directors who retired at the conclusion of the 66th Ordinary General Meeting of Shareholders held on June 24, 2010.
2. The amounts stated in 1 through 3 above include the amounts of performance-linked stock options (Directors: 8 million yen) and the provision for directors' retirement benefits (Directors: 21 million yen, auditors: 1 million yen) reported in the current fiscal year.
3. The amount of remuneration stated in 1 above includes the amount of executive bonuses to be paid in the current fiscal year.
4. In addition to the above, the following director's retirement benefits have been paid, pursuant to the resolution of the 66th Ordinary General Meeting of Shareholders held on June 24, 2010:
14 million yen to three (3) retiring directors
This amount includes the amounts of the provision for directors' retirement benefits included in the amount of remuneration reported in the prior and current fiscal years.
5. The amount of remuneration stated in 1 above does not include the employee salary portion of employees who serve concurrently as directors.
6. In the amounts stated above, amounts of less than 1 million yen have been omitted.

Policies that Determine Remuneration Amount or Calculation Method	Established
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Disclosure of Policies that Determine Remuneration Amount or Calculation Method

Remuneration to non-external directors comprises the fixed portion and the performance-linked portion that fluctuates according to the position of the director. The amount of the performance-linked portion is determined through deliberation by the Board of Directors, upon comprehensively taking into account the business performance and results of the division for which the director is responsible and evaluation by the President and external directors.

The President is evaluated by the external directors and remuneration is determined through deliberation by the Board of Directors.

The remuneration of the external directors is determined through deliberation by the Board of Directors at the time of appointment or reelection.

The remuneration of auditors is determined through deliberation by the Board of Auditors.

[Support Structure for External Directors (and External Corporate Auditors)]

Although there is no dedicated support staff, the external directors and auditors may coordinate with each division, or request the HR & GA Department for assistance. Additionally, the agenda of the Board of Directors' meetings are submitted in advance and at the Board of Auditor meetings, the status of activities of the standing auditors is reported and information is exchanged.

2. Issues Relating to Functions for Business Execution, Auditing and Oversight, Nomination, and Remuneration Decisions (Outline of Current Corporate Governance Structure)

1. The Board of Directors, which comprises seven (7) members (including three external directors), makes decisions on the material matters of the Company, as well as oversees the directors' execution of duties. The Board, which is designed to make management decisions quickly and accurately, basically meets once a month but may convene extraordinary meetings, as necessary, when material matters that require decisions occur. The Company's Board of Directors is the highest decision-making body of the Company and all material decision-making relating to the Group is performed through the Board of Directors of the Company. Additionally, the Representative Director reports on the specific status of business execution on a quarterly basis. The Company has also adopted the executive officer system (seventeen executive officers, including four executive officers who serve concurrently as directors), in order to enable speedy decision-making and flexible business execution through the separation of the decision-making and oversight functions. The Board of Directors elects the President and the other executive officers, and oversees the business execution of the executive officers. The Board of Executive Officers, comprising the President and the other executive officers, is convened on a monthly basis prior to the Board of Directors' meeting in order to deliberate material matters in detail as well as to coordinate the business divisions and reach a consensus on business execution. The executive officers engage in business execution, in accordance with the "Segregation of Duties/Authority Rules" and the "Decision-making Authority Rules."

2. Additionally, the Company has adopted a Board of Auditors' system and the Company's Board of Auditors comprises three (3) auditors, including one (1) standing auditor and two (2) external auditors. Each auditor performs audits in accordance with the auditor's audit plan, which has been determined at the Board of Auditors' meetings, while participating in important meetings, including the Board of Directors' and Board of Executive Officers' meetings, in addition to performing strict oversight and audits over the business execution of the directors. By incorporating external perspectives to a greater extent than before, the Company has been able to perform an even more impartial audit of the directors' business execution. Auditors extensively verify the adequacy and efficiency of the directors' business execution by attending important meetings such as the Board of Directors' and Board of Executive Officers' meetings and expressing their opinions, gathering information through coordination with the Internal Audit Office and accounting auditors, in addition to directly interviewing the directors and inspecting material documents. Additionally, in order to ensure effective and high-level audits, auditors convene regular Board of Auditors' meetings and verify the auditor's audit plans, which have been formulated, the implementation status of audits and audit results. Furthermore, auditors receive reports on internal audit results conducted by designated employees on the environment and quality according to ISO standards from the respective committees.

3. In terms of remunerations for directors (including external directors), the basic annual compensation (fixed portion / bonus portion) is determined by the Board of Directors, within the maximum amount set by the general meeting of shareholders, by taking into account the contents of their services, generally accepted levels and the Company's business results. The amount of the bonus portion of the basic annual compensation is determined by the Board of Directors based on an evaluation of the individual's performance, in addition to taking into account the Company's business result for the year.

In terms of remunerations for auditors (including external auditors), the amount to be allocated to each auditor is determined upon consultation with each individual, within the maximum amount set by the general meeting of shareholders. The amount of bonuses to auditors is determined upon consultation with the auditors within the maximum amount stated above.

3. Reasons for adopting current framework

The Company has adopted the current framework, as the Company believes that the appropriateness of business has been ensured through the oversight exercised by the external directors over business execution from the perspective of an internationally certified investment analyst and a management consultant well-versed in various industries including the manufacturing industry, in addition to the audits performed by external auditors with specialized accounting and legal knowledge and by the standing auditor of the Company in collaboration with the internal audit division, including the audit offices.

III. Implementation of Measures Regarding Shareholders and Other Stakeholders

1. Approach toward the vitalization of general meetings of shareholders and the facilitation of exercise of voting rights

	Supplemental Information
Scheduling of the general meeting of shareholders that avoids the dates on which the general meeting of shareholders of companies are concentrated	<p>Each year, the Company avoids the dates on which the general meeting of shareholders of companies are concentrated by convening the meetings earlier than most companies as per the following:</p> <p>June 22, 2005 June 21, 2006 June 26, 2007 June 25, 2008 June 24, 2009 June 24, 2010 June 22, 2011</p> <p>The Company intends to continue making efforts to avoid convening its shareholders' meetings on days in which meetings are concentrated.</p>

2. Investor Relation (IR) activities

	Supplemental Information	Explanation by the representative of the Company
Regular meetings for analysts and institutional investors	Meetings are held to explain the financial statements immediately after they are released in May and November. The explanation is given by the representative of the Company.	Yes
IR materials on website	An IR page has been set on the Company's website (http://www.kito.co.jp) on which financial information (quarterly reports), news releases and the IR calendar are posted.	
Department (and persons) in charge of IR activities	The Corporate Planning Office is responsible for IR activities.	

3. Activities concerning respect for stakeholders

	Supplemental Information
Internal guideline or code concerning respect for the stakeholders' position	The Compliance Manual, which has been distributed to each executive employee, contract personnel and temp staff, stipulates "Compliance management refers to how each one of us, by engaging in sound business activities in compliance with laws, internal rules, contracts and social norms, enables the enhancement of the Company's intrinsic value and sustainable development, and contributes to the prosperity of the regional community, shareholders, customers, employees and other stakeholders."
Implementing environmental preservation activities and CSR activities	<p>The Company has built its quality management and environment management systems based on ISO9001:2000 and ISO14001:2004. In our quality management system, we continuously improve the quality of our products and enhance customer satisfaction through controls based on PDCA.</p> <p>In our environment management system, we are continuously engaged in activities such as CO2 and waste-reduction and energy-saving promotion to protect the earth environment and mitigate the environmental burden through controls based on PDCA.</p>

IV. Issues relating to Internal Control Systems

1. Fundamental approach to Internal Control Systems and its development status

“The Company’s Basic Policy for the Establishment of Internal Control Systems” was enacted through resolution of the Board of Directors’ meeting held on May 31, 2006, in response to the amended Companies Act. Subsequently, a partial revision was made through resolution of the Board of Directors’ meeting held on April 22, 2008 and a review was conducted of the responses to the partial revision, which resulted once again in a partial revision dated February 24, 2010. Based on this Basic Policy, the Company will strive to establish an effective, legitimate and sound corporate framework.

“The Basic Policy for the Establishment of Internal Control Systems” is as follows:

1. Basic Policy

The Company recognizes that delivering unmatched satisfaction to its customers is the main reason for its existence and that all activities must be performed on the basis of this concept.

In order to realize this mission, it is imperative that a system that exercises voluntary oversight and controls over all business activities is developed and operated.

Accordingly, the Company together with its subsidiaries, shall determine a system regarding business execution and a system for audits at its Board of Directors’ meeting and through activities based on such systems endeavor to realize the above mission.

2. System regarding business execution

- 1) System under which execution of duties by directors and employees is ensured to comply with laws, ordinances, and the Articles of Incorporation of the Company (Article 100-1-4, Ordinance for Enforcement of the Companies Act)
 - I. The Company has adopted the framework of a company with the Board of Auditors, in which the oversight function of the Board of Directors and the audit function of the auditors ensure the legality of the business execution of the directors.
 - II. The Board of Directors shall be in compliance with laws, ordinances, “the Articles of Incorporation and the Board of Directors’ Rules”; while the directors shall ensure legality of their business execution through execution based on the resolution of the Board of Directors. The auditors shall perform audits on the business execution of the directors in compliance with laws, ordinances, “the Articles of Incorporation and the Board of Auditors’ Rules”.
 - III. Additionally, in order to ensure that directors and employees are in compliance with laws, ordinances and the Articles of Incorporation and that their actions are in compliance with social norms, a basic policy on compliance and various regulations shall be stipulated as standards of conduct, communicated throughout the Company and thoroughly enforced; while at the same time, a system shall be established, pursuant to this policy and these regulations, to report on the status of compliance regularly or as necessary and the Board of Directors shall monitor issues arising from this system and, as necessary, review them.
 - IV. A compliance hotline shall be established and operated for reporting compliance problems.
 - V. The Internal Audit Office shall perform regular audits on the relevant divisions regarding the status of compliance.
- 2) System under which information regarding the execution of business by directors shall be retained and managed (Article 100-1-1, Ordinance for Enforcement of the Companies Act)

Documents and records regarding the business execution by directors shall be managed pursuant to “the Articles of Incorporation of the Company” and “the Board of Directors’ Rules”; however, “Document Management Rules” shall also be stipulated for detailed

management and an appropriate system shall be established for the retention and management of documents.

Directors and Auditors, if necessary, shall be able to view the information.

Additionally, relevant internal rules, including “the Rules for the Protection of Personal Information”, shall be established in order to ensure information security and the appropriate management.

- 3) Regulation regarding Control of Risk for Loss and other Systems (Article 100-1-2, Ordinance for Enforcement of the Companies Act)
 - I. Material matters shall undergo strict reviews, pursuant to laws, ordinances, the Articles of Incorporation and internal rules by the Board of Directors, Executive Committee and other decision-making bodies.
Additionally, the legal division and other related divisions shall conduct reviews of material matters in advance, pursuant to internal rules and strive to monitor and identify risks.
 - II. The Company shall promote risk management by stipulating basic rules on risk management (“Risk Management Rules”), positioning said rules as the highest standards to be observed by the Group in its risk management, appointing executives who will be responsible for risk management matters and, in terms of the division responsible for the risk management framework, designating the the General Administration Department as the risk management administrative office.
Although risk management will be conducted by the divisions responsible for the relevant segments, the risk management administrative office shall conduct cross-sectional risk management for the entire Group.
In order to appropriately monitor business risks, the Risk Management Rules shall incorporate implementation rules for identifying risks on a regular basis and preventing significant losses and risks before they occur.
 - III. The Internal Audit Office shall conduct regular audits on the status of risk management by the relevant divisions.
- 4) System under which directors shall be ensured to efficiently execute duties (Article 100-1-3, Ordinance for Enforcement of the Companies Act)
 - I. A reasonable segregation of duties has been stipulated for each director, and each organization and division have also been designated appropriate duties and authorities pursuant to the internal rules, etc.
 - II. The Company convenes regular Board of Directors’ meetings each month to decide the matters to be determined by the Board of Directors, and regular Board of Executive Officers’ meetings to confirm the status of business execution as well as to share information. Moreover, the Company convenes extraordinary Board of Directors’ and Board of Executive Officers’ meetings, as necessary. Through these measures, the Company has established a system that enables prompt management decisions. Additionally, the Company shall enhance the effectiveness of these measures, by thoroughly managing its objectives and reporting on the execution status of operations based on the mid- to long-term management plans and annual plans approved by the Board of Directors on a quarterly basis at the Board of Directors’ meetings.
 - III. The Internal Audit Office shall conduct regular audits on the efficiency of business execution of each division.
- 5) System under which business of the Company and its subsidiaries and affiliates as a group is ensured duly to be conducted (Article 100-1-5, Ordinance for Enforcement of the Companies Act)
 - I. The Company shall stipulate “the Rules for the Management of Affiliates” in order to ensure decision-making based on a uniform business strategy for the entire Group and the appropriateness of operations, and conduct its businesses based thereon. The

Company shall also ensure the appropriateness of accounting and prevent ineffective control between the Group companies by hiring accounting auditors engaged in global operations.

- II. The Internal Audit Office shall conduct regular audits on the effectiveness of compliance, risk management and business management of subsidiaries.

3. System for audits

- 1) Matters related to employees to assist duties of the auditors when the auditors request to do so (Article 100-2-1, Ordinance for Enforcement of the Companies Act)

The Company may appoint employees as support staff to assist the duties of the auditors when requested by auditors to do so.

The appointment, dismissal and transfer of support staff shall be determined by the Board of Directors upon approval of the Board of Auditors, thereby ensuring the independence of support staff from the directors.

- 2) Matters related to the independence of support staff from directors (Article 100-2-2, Ordinance for Enforcement of the Companies Act)

Support staff shall be dedicated to the assistance of auditors and shall not receive orders from directors.

- 3) System under which directors and employees report to auditors and other systems, under which any report is made to auditors (Article 100-2-3, Ordinance for Enforcement of the Companies Act)

Directors or employees shall, in addition to reporting statutory matters, promptly report the relevant details to auditors, in the event that material matters that may impact any of the Group companies are discovered.

Additionally, information shall be provided to the auditors by including auditors on the circulation route of routine reports, approval applications and other documents.

- 4) Other systems under which audit by corporate auditors is ensured efficiently to be performed (Article 100-2-4, Ordinance for Enforcement of the Companies Act)

Auditors shall attend important meetings relating to safety, quality, the environment, manufacturing and sales, as well as the Board of Directors' and Board of Executive Officers' meetings, in order to conduct audits on the legality and efficiency of management; while at the same time enhance the effectiveness of audits by requesting explanations directly from the directors and employees, as necessary. Additionally, auditors shall be able to maintain close ties with accounting auditors, attorneys and other professionals outside of the Company through meetings and other means.

4. System to ensure the appropriateness of financial reporting

- 1) The Company shall establish the necessary internal controls to ensure the appropriateness of financial reporting.

2. Fundamental approach toward the exclusion of anti-social forces and its development status

The Company, as part of its internal controls (compliance risk management), is engaged in the following initiatives toward the exclusion of antisocial forces.

1. Fundamental approach toward the exclusion of anti-social forces

In the event that the Company is subjected to any undue claims by anti-social forces that threaten social order and security, it will maintain a resolute attitude, not yield to easy concessions, such as payment of money, and refuse all ties with such forces.

2. Development status of such systems

The Company shall articulate the above fundamental approach in its "Compliance Manual", and make proclamations thereof both within the Company and to external parties. The Company shall also designate the General Administration Department as the

division responsible for responding to anti-social forces, while at the same time appoint a manager responsible for preventing undue claims by anti-social forces at the Head Office and the branches and gathering information from the police and other organizations. The Company shall also prepare an “Anti-social Forces Response Manual” to be followed in the wake of actual or possible threat or damages by anti-social forces; and establish a system for preventing such damages by ensuring that necessary information is reported to the General Administration Department.

V. Others

1. Takeover Defense Measure

Takeover Defense Measure	None
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Supplemental Explanation

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2. Other Specific Items that May Have an Impact on Corporate Governance

1. Basic Policy on Timely Disclosure of Company Information

The Company maintains the basic stance of providing appropriate and timely disclosures of necessary company information to enable investors to precisely judge the investment value of the Company and, accordingly, has established a system that enables prompt disclosure of such information. Additionally, the Company instructs its executives and employees (including executives and employees of its consolidated subsidiaries) on timely disclosures by taking advantage of important meetings and seminars, in which senior management and divisions responsible for timely disclosures thoroughly communicate the Company's basic policy on timely disclosures and material matters that are subject to timely disclosures.

2. Internal system of the timely disclosure of company information

(1) Status of organizations responsible for timely disclosures

Responsible division: Corporate Planning Office

Officer in Charge of Handling Information: Senior Managing Director & GM, Corporate Management Division

(2) Timely disclosure procedures

I. Information on decided matters

The Corporate Planning Office obtains in advance the matters to be submitted at the Board of Directors and other material meetings; and immediately upon conclusion of said meetings obtains the minutes of the meetings and considers whether there are any material matters subject to timely disclosure. If such matters are found, disclosure materials are prepared, reported to the President & CEO through the Officer in Charge of Handling Information, and disclosed upon approval of the Board of Directors.

II. Information on events

If the occurrence of an event is discovered, each division or subsidiary reports such event to the Corporate Planning Office. The Corporate Planning Office considers whether disclosure is necessary and immediately prepares disclosure materials as well as reports to the President & CEO through the Officer in Charge of Handling Information; and upon obtaining approval, immediately discloses such information.

III. Financial information

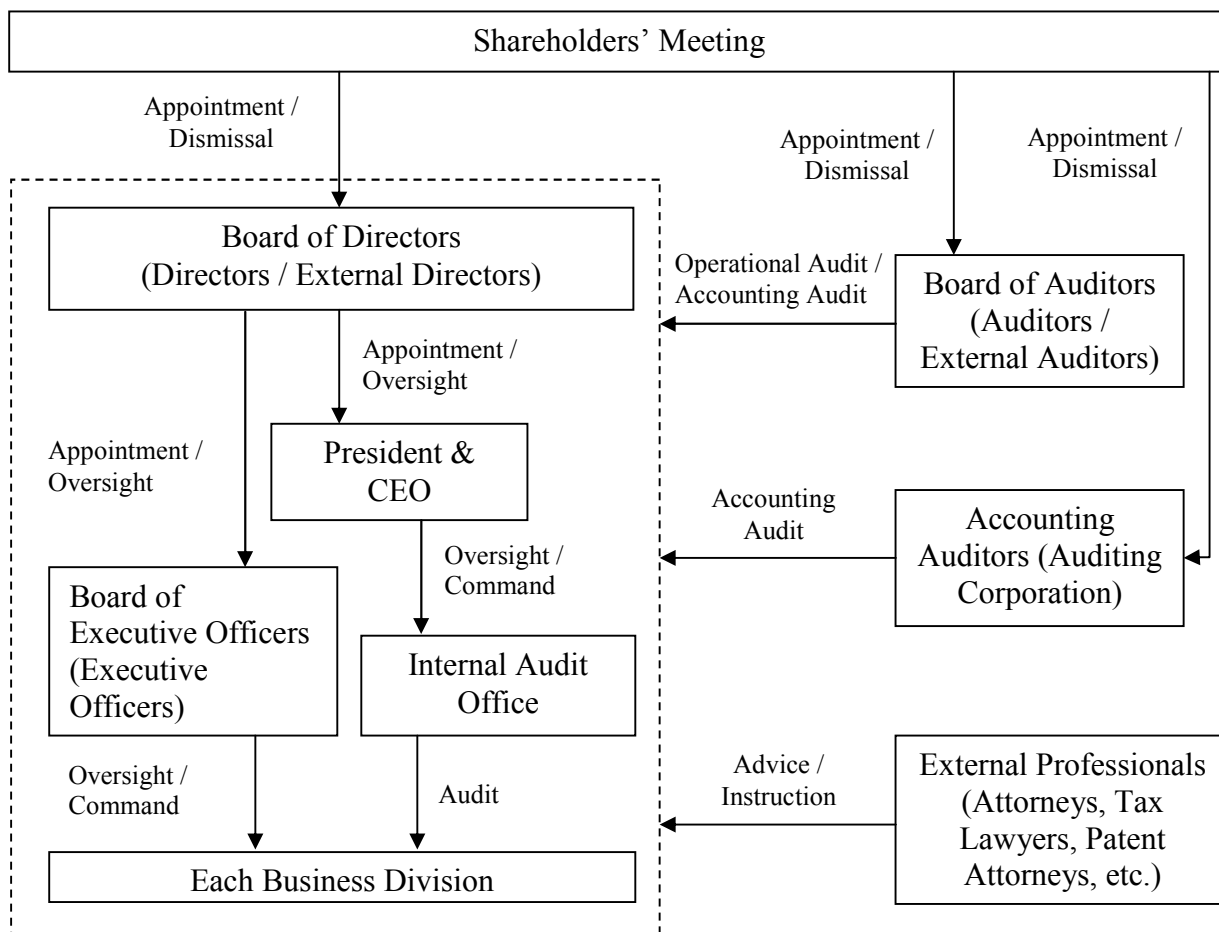
Financial disclosures (e.g. quarterly reports) are prepared mainly by the Finance and Accounting Department and upon obtaining approval of the Board of Directors on the financial statements are immediately disclosed.

IV. Timely disclosure procedures relating to the corporate group

The Company receives monthly financial statements from its 14 subsidiaries by the 10th day of the following month. Based on these documents, the Corporate Planning Office considers whether there are any material matters subject to timely disclosure. If such matters are found, disclosure materials are prepared, reported to the President & CEO through the Officer in Charge of Handling Information, and disclosed upon obtaining approval.

[Reference Material 1: Chart of the Company's System of Corporate Governance]

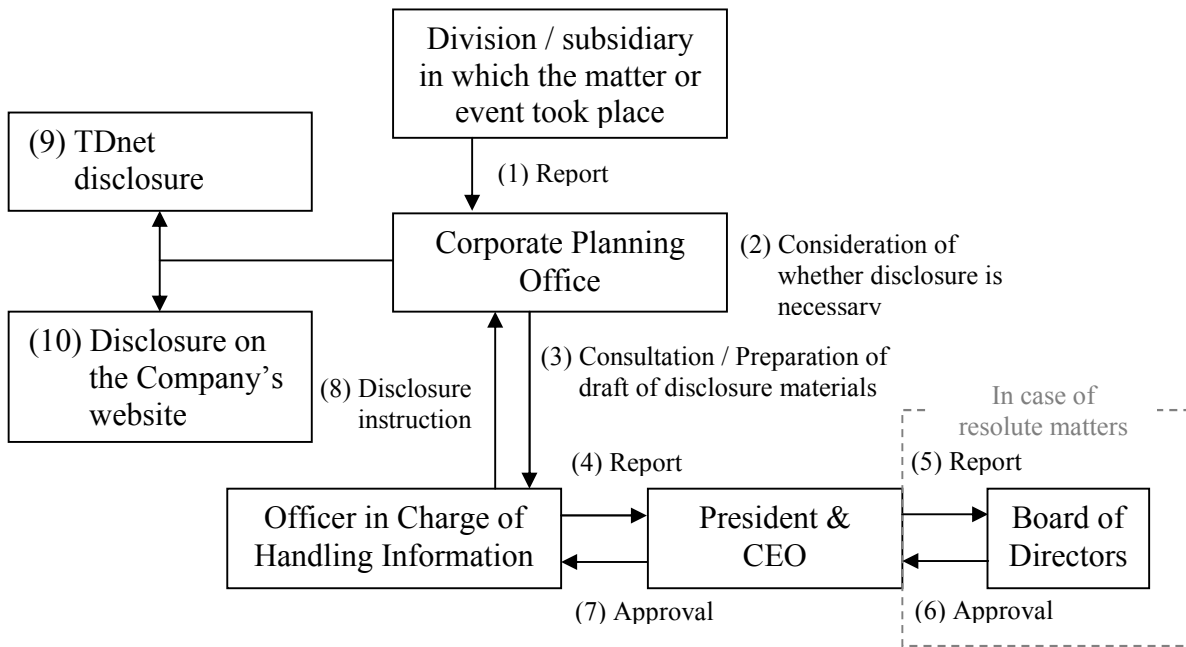
The outline of the Company's System of Corporate Governance is as follows.



[Reference Material 2: Chart of the Company's System for Timely Disclosure]

The outline of the Company's System for Timely Disclosure is as follows.

(1) Operational flow of regular disclosures relating to resolute matters and events



(2) Operational flow of timely disclosures of financial statements

