

## Internal Control, Risk Management and Compliance

### Internal Control Systems

The JS Group Corporation has established the following internal control systems in order to ensure the effectiveness and efficiency of our operations and the reliability of our financial reporting, and to thoroughly implement compliance measures.

- **Determine a management philosophy and Corporate Conduct Guidelines, and make all employees aware of them**
- **Establish an internal hotline reporting system for the entire Group to enable quick response to any problems within the Group**
- **Establish in-house rules, clarify job authority and responsibilities, evaluate, manage and control the mission and operational processes of each organization in the Group, and continuously monitor the effectiveness of the internal control system with monitoring functions**
- **Clarify the decision-making process of meetings held in the Company based on decision-making authority rules and other in-house rules**

The Guidelines for the Conduct of the JS Group, which defines the Group's ethical standards, provides the basis for our approach to compliance. Regular programs are implemented through the Internal Audit Committee to ensure that all activities are fair and comply with laws and regulations. In particular, all personnel, including executives of Group companies, part-timers and temporary staff, are required to make a pledge to adhere to the Guidelines.

JS Group Corporation has established a Compliance Committee with the goal of informing about and enforcing compliance. This committee shares information about compliance with employees, conducts training and other educational activities, provides instruction to Group companies regarding the establishment, operation and management of compliance systems, and monitors the status of legal compliance, among other activities.

Also, in order to further enhance the reliability of the Group's financial reporting, we have developed and are enhancing a system that complies with the Financial Instruments and Exchange Act which went into effect from September 2007, and the "Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Opinions)," announced by the FSA Business Accounting Council on February 15, 2007.

We will redouble efforts going forward to enhance the Group's internal control systems and improve business processes.

### Basic Stance Regarding Elimination of Antisocial Forces and Its Development

The JS Group Corporation forbids its members to have any contact with antisocial forces. We have clearly formulated our basic stance: "We do not acknowledge antisocial groups and individuals such as corporate racketeers and crime syndicates, and as an organization we will resist their threats or threatening behavior. We will adopt a resolute stance to any intimidation without giving way, and will have no relationships whatsoever with antisocial forces."

Having established our Guidelines for the Conduct of the JS Group, which include the basic stance described above, the top management of the JS Group Corporation seeks to ensure all employees act in compliance with these guidelines. The holding company's Audit Department has designated core departments that were established in Group companies to work on this, and as one part of risk management the Internal Audit Committee regularly reviews and evaluates the development of the Company's basic stance.