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Ardepro Co., Ltd.

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Basic Policy Regarding the Establishment of Internal Control System

It is hereby announced that Ardepro Co., Ltd. (the Company) and its group companies (Ardepro Group) has formulated a "basic policy for establishing internal control system" as follows to further enhance the corporate governance of Ardepro Group.

Basic Policy for Establishing Internal Control System

1. Basic Policy for the Company Group's Operations

Ardepro Group embraces the following management philosophy that serves as a basic policy for all of its directors, officers and employees to execute their duties.

Management Philosophy

Ardepro Group is dedicated to the pursuit of the following three forms of fulfillment.

- (1) Economic fulfillment: Our goal is growth in ordinary income rather than sales.
- (2) Physical fulfillment: We will show our gratitude for our good health by constantly working on staying healthy.
- (3) Spiritual fulfillment: Our goal is true spiritual fulfillment based on a spirit of humility and civility along with the proper balance between economic and physical fulfillment.

Under the above management philosophy, Ardepro Group has established its internal control system outlined below with a full recognition that it is a key management responsibility to design and operate the system for appropriate execution of duties.

Ardepro Group will continue to strive for designing an even more strengthened internal control system through responding to changes in the internal as well as external environment.

2. Basic policy for internal control system (Article 100 of the Company Law Enforcement Regulations)

No.	Item	System
(1)	System for storing and managing information concerning duties executed by directors (Article 100 paragraph 1 item 1)	<ol style="list-style-type: none">1) Information and documentation concerning duties executed by directors shall be properly stored and managed (including proper destruction) in accordance with Ardepro Group's internal document management regulations. Its operational effectiveness shall be checked and relevant regulations shall be reviewed as needed.2) The System Committee, chaired by an individual who is appointed by President and CEO of the Company, shall be established as a

No.	Item	System
		cross-functional organization to discuss and consider the issues relevant to information concerning execution of duties by the directors and employees including efficient utilization of IT, compilation of information into database, and system to search and retrieve information on the storing/destruction status of a document.
(2)	Rules and other systems concerning the management of the risk of losses (Article 100, Paragraph 1, Item 2)	<ol style="list-style-type: none"> 1) The Company has the Internal Auditing Office that directly reports to the CEO. 2) The Internal Auditing Office shall conduct periodical review of operational items to be audited and the method of auditing. The Internal Auditing Office shall make modifications to the auditing method as needed to ensure that all necessary items are covered by the operational audit. 3) The Company shall establish a system in which, if an audit by the Internal Auditing Office has identified any act performed in the execution of their duties that may cause operational loss for a breach of laws, regulations or the articles of incorporation or for any other reason, the Internal Auditing Office shall immediately report to the board of directors and the department in charge the details of the risk identified and the extent of potential loss. 4) The System Committee shall discuss the establishment of information security management system and consider designing more effective and secure information management internally as well as externally by obtaining relevant certificates issued by external institutions as necessary. 5) All directors, officers and employees shall understand the importance of the roles and duties of the Internal Auditing Office, and shall be instructed to report immediately to the Internal Auditing Office whenever they find any risk of operational loss. The Internal Auditing Office shall then immediately report it to the board of directors and the department in charge. 6) The board of directors in conjunction with the department in charge shall effectively address the identified risk of operational loss to ensure that the loss potential is minimized.
(3)	System to ensure that directors execute their duties efficiently (Article 100, Paragraph 1, Item 3)	<ol style="list-style-type: none"> 1) In the area of management of the business plan, each business operation line shall work to achieve the goals set in the annual business plan established every year and the medium-term business plan, both built on the management philosophy of Ardepro Group. 2) In daily operations, authority shall be delegated to appropriate managers at each level based on the job function regulations, division-of-duties regulations and other regulations. Managers at each level shall perform their duties in accordance with the predetermined decision-making rules. 3) The board of executive officers shall be held regularly on a weekly basis to mutually understand and confirm the status of execution of duties by directors and executive officers.
(4)	System to ensure that the duties executed by employees conform to laws, regulations and the articles of incorporation (Article 100 Paragraph 1, Item 4)	<ol style="list-style-type: none"> 1) The Compliance Committee, chaired by an individual who is appointed by CEO of the Company, shall be established as a cross-functional organization to discuss, implement and provide guidance on the revision and abolition of various rules and regulations as well as educational activities to ensure compliance by directors, officers and employees with laws and regulations. 2) In daily operations, the system shall be established in which all the directors, officers, and employees will follow procedures based on the

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		<p>job function regulations, division-of-duties regulations, “Ringi” regulations (regulations governing matters for approval), etc. and the Internal Auditing Office will audit on a regular basis the operational procedures with respect to compliance with laws, regulations, the articles of incorporation, internal rules, and various types of manuals, etc.</p>
(5)	<p>System to ensure that duties are executed properly by corporate group (Article 100 Paragraph 1, Item 5)</p>	<ol style="list-style-type: none"> 1) While the Company will respect the autonomy of each consolidated subsidiary, it shall ensure that it regularly receives the report from each subsidiary on operational status and has prior consultation about important matters so that synergy among group companies can be maximized. 2) The group company meeting shall be held regularly on a monthly basis, in which president of each group company will report its operational status. 3) The Internal Auditing Office of the Company shall regularly perform the internal audit of group companies in conjunction with their corporate auditors. The Internal Auditing Office shall establish a system in which, if an audit by the Internal Auditing Office has identified any act performed in the execution of their duties that may involve a risk of losses, the details of the risk identified and the extent of potential loss shall immediately be reported to the board of directors and the department in charge. 4) Each group company shall assign an individual in charge of compliance issues, who, in conjunction with its corporate auditors and the Internal Auditing Office of the Company, will be responsible for ensuring that all of its directors, officers and employees thoroughly understand the importance of compliance with laws and regulations. 5) If an individual in charge of compliance in each group company has identified any act performed in the execution of their duties that may involve a risk of losses, he or she shall immediately report it to the board of directors and in-charge department of the Company and those of the group company.
(6)	<p>Matters concerning employees assigned to the position to assist corporate auditors in performing their duties (Article 100, Paragraph 3, Item 1)</p>	<ol style="list-style-type: none"> 1) The Company has the Internal Auditing Office held responsible for the duties to assist corporate auditors as a section and staff that serve them on a full time basis.
(7)	<p>Matters concerning independence from directors of employees assisting corporate auditors (Article 100, Paragraph 3, Item 2)</p>	<ol style="list-style-type: none"> 1) Assignment and transfer of employees assisting corporate auditors shall require consent of the board of corporate auditors. 2) When evaluating the performance of the above employees, the Company shall seek input from corporate auditors.
(8)	<p>System for directors and employees to report to corporate auditors and other systems to reports to corporate auditors (Article 100, Paragraph 3, Item 3)</p>	<ol style="list-style-type: none"> 1) Representative directors, other directors, executive officers and employees shall, in accordance with the rules of the board of corporate auditors, submit following reports and information to the board of corporate auditors on a regular basis. <ul style="list-style-type: none"> - Critical operational issues as well as actual and projected operating results submitted by the board of directors - Request for approval (Ringi-sho) and various reports submitted or made available for inspection as necessary

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		<p>2) Representative directors and other directors shall report at the board of directors' meeting or other important meetings the status of execution of operations in charge whenever necessary, and shall also respond, in an appropriate and prompt manner, to any request from corporate auditors to inspect the Company's operations and properties.</p> <p>3) If substantial loss is expected through the execution of operations, such situation shall be reported without delay to the board of corporate auditors.</p>
(9)	<p>Other systems to ensure that audits performed by corporate auditors are effective (Article 100, Paragraph 3, Item 4)</p>	<p>1) Corporate auditors shall perform the audits not only based on reports and other information sources regarding the operational status that they collected on their own, but also in close coordination with the Internal Auditing Office and accounting auditors.</p> <p>2) If the board of corporate auditors receives a report from accounting auditors that has identified improper acts by directors in the execution of their duties or any material facts in connection with the execution by directors of their duties that constitute any violation of applicable laws, regulations or the articles of incorporation, the board of corporate auditors shall discuss whether further investigation is necessary.</p> <p>3) Where deemed necessary, corporate auditors may utilize certified public accounts, attorneys at law, consultants and other external advisors at their own discretion.</p>