



Internal control and risk management

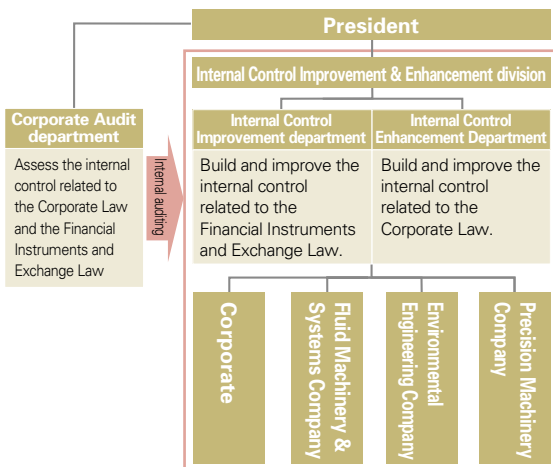
The EBARA Group builds and improves an internal control system to ensure proper operations under the policy of putting compliance foremost, and aims at sustainable development and improvement of the corporate value.

Build and improve the internal control system and deploy it throughout the group.

Internal control promotion system

In EBARA, the Internal Control Improvement & Enhancement division builds and improves an internal control system based on the Company Law and the Financial Instruments and Exchange Law.

Internal control promotion system diagram



Internal control basic policy

With enforcement of the Corporate Law, EBARA adopted a resolution building the internal control system as a basic policy at the board meeting held in May 2006. All domestic consolidated subsidiaries passed a resolution of the basic policy for the internal control system at their board meetings by 2007. The EBARA Group builds a system to ensure proper operations based on those basic policies, verifies if the internal control system is effectively working and constantly improves the system by thoroughly conducting the PDCA cycle*1.

*1 [PDCA cycle] Plan-Do-Check-Act; the management cycle of business activities

Response to the Financial Instruments and Exchange Law

For building internal control related to financial reports based on the Financial Instruments and Exchange Law (the so-called response to J-SOX), we have improved and enhanced the system to start operating it in 2008.

Breaking off relations with antisocial forces

The EBARA Group recognizes it as our corporate responsibility not to provide antisocial forces with funds or a social infrastructure for their activities. We have declared that we will always break off relations with antisocial forces in the EBARA Group behavioral standard, and prepared a company-wide system to cut off any relationship with antisocial forces based on the internal control basic policy.

Risk management

Risk management system

The core of the internal control system is risk management. EBARA has established a risk management panel consisting of all full-time directors and chaired by the president. For risks related to the group, it determines the content of the comprehensive risk management activities, examines individual cases, controls responses when crises happen and promotes the risk management of the entire EBARA Group.

We also set up the risk management committee as a subordinate organization in each company and corporate body and roll out corporate risk management activities. In addition, we respond to specific risks by forming a cross-sectional committee.

Group risk management

In the EBARA Group, each group company has a department to deal exclusively with internal control. We determine specific risks, each company's inherent risks, common risks and group-wide risks through the liaison meeting between EBARA and group companies and try to enhance the group risk management system by sharing information.