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For Immediate Release

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## **Notice of Partial Revision of the Basic Policy on Development of Internal Control Systems**

TSUGAMI CORPORATION (hereinafter the “Company”) announces today a partial revision of the basic policy on development of internal control systems that was resolved at a meeting of the Board of Directors held on April 13, 2015. The details of the basic policy after the revision are as follows:

1. System for the execution of duties of Directors and employees to ensure compliance with laws and regulations and the Articles of Incorporation
  - (1) The Board of Directors of the Company shall position compliance as one of the key management issues and establish the TSUGAMI Group Code of Conduct and compliance policies for executing business under sound social norms.
  - (2) The Company shall build a Whistle-blowing System for reporting cases in which the Directors and employees of the Company discover acts in violation of laws, regulations, the Articles of Incorporation, other in-house rules, social norms, and the like. At the same time, the Company shall make attempts to protect whistle-blowers.
  - (3) The Company shall set up the Audit Office as a division under the direct control of its CEO to audit the status of compliance internally.
  - (4) The Company is one where the Board of Corporate Auditors has been established. The Company shall audit the execution of duties by Directors based on the standards on audit by statutory auditors set by the Board of Corporate Auditors.
2. System for the storage and management of information related to the execution of duties by Directors

The Company shall appropriately store and manage the minutes of the meetings of the Board of Directors, draft proposals submitted for endorsement, as well as other documents related to the execution of duties by Directors and other information in compliance with in-house regulations, such as the document management rules and information security management rules.

### 3. Regulations and systems concerning the management of risk loss

The Company shall allow for the early detection of symptoms by establishing the Risk Management Committee and collecting and analyzing information about risks in order to manage various risks associated with business activities and prevent them from actualizing. At the same time, the Company shall prepare regulations and manuals, and the like, and construct risk management systems so that it can enforce policies with speed and accuracy in the event of risk actualization.

### 4. System for ensuring efficient execution of duties by Directors

(1) The Company shall hold a regular meeting of the Board of Directors once a month. The Company shall decide on all important items that are prescribed in the Board of Directors Regulations and that fall under the scope of standards for submission to the meetings of the Board of Directors by complying with the rule to submit them to such meetings.

(2) In addition, the Company shall hold a regular management meeting every month, as well as promote the sharing of management information. The Company shall discuss items concerning the execution of important business, perform agile decision-making and advance the improvement of management efficiency.

### 5. System for ensuring the appropriateness of business in the corporate group consisting of the Company and its subsidiaries

(1) A system for reporting to the Company matters related to the execution of duties by the Directors of subsidiaries, and the like shall be put into operation.

The Company shall set the Group Companies Management Regulations, and hold a meeting for reporting the business of its subsidiaries every month in order to accurately understand the details of the management of the subsidiaries. The Company's subsidiaries shall report their monthly results, financial position and other important information at such meetings.

(2) Regulations and other systems relating to the management of risk loss at subsidiaries

The Company shall hold meetings of the Risk Management Committee as needed, understand the risks and take appropriate measures for preventing or minimizing various risks that surround Group operations in compliance with risk management rules and essential risk management execution rules.

(3) System for ensuring efficient execution of duties by the Directors of subsidiaries, and the like

The Company shall respect the management independence of its subsidiaries. At the same time, the Company shall ensure efficiency by discussing important matters with the subsidiaries in advance at regular, monthly management meetings, and the like, and by asking the subsidiaries to resolve such matters at the meetings of their Board of Directors.

(4) Systems for ensuring the conformity of the execution of duties by the Directors, and the like, and the employees of subsidiaries with laws, regulations and Articles of Incorporation

1) The Company shall ensure the compliance systems of its subsidiaries based on the Tsugami Group Code of Conduct.

2) The Directors, etc., of the Company's subsidiaries shall take part in regular monthly management meetings and advance discussions on internal control.

- 3) The internal audit division (the Audit Office) of the Company shall confirm that the Company's subsidiaries are complying with laws, regulations and in-house rules in the execution of their businesses.
  
6. Matters concerning applicable employees in cases where statutory auditors request the assignment of employees who should assist them in their duties
  - (1) The Company may assign employees (auxiliary employees) who should assist statutory auditors in cases where statutory auditors request their assignment.
  - (2) The Company shall work to strengthen its system of auxiliary employees from the viewpoint of ensuring the effectiveness of the audit, taking into account corporate size, business type, management risks and other company-specific circumstances.
  
7. Matters concerning the independence of employees from Directors stated in the foregoing paragraph and matters concerning securing the effectiveness of instructions statutory auditors provide to the concerned employees
  - (1) The Company shall work to ensure the independence of auxiliary employees from Directors.
  - (2) The Company shall address issues, including clarification of the following items necessary for ensuring the independence of auxiliary employees.
    - 1) The authority that auxiliary employees have
    - 2) Organizations which auxiliary employees belong to
    - 3) Elimination of the chain of command Directors have over auxiliary employees
    - 4) Granting of consent rights to statutory auditors regarding the reassignment, performance evaluation, disciplinary punishment, etc., of auxiliary employees
  
8. System concerning reports to statutory auditors
  - (1) A system that enables the directors and employees of the Company to submit reports to statutory auditors.

The directors and employees of the Company shall report the following items without delay to statutory auditors concerning the execution of their duties.

    - 1) Items concerning important facts that may affect the Company significantly when such facts are found
    - 2) Items concerning acts in violation of laws, regulations or the Articles of Incorporation or acts with such risk when such facts are found
    - 3) Results of internal audits performed by the internal audit division (the Audit Office)
    - 4) The operational status for the Whistle-blowing System and the details of reports
  - (2) A system that enables the Directors, statutory auditors and employees of subsidiaries or individuals who received reports from them to submit reports to the statutory auditors of the Company
    - 1) The directors and employees of the Company's subsidiaries shall report acts in violation of laws, regulations or the Articles of Incorporation, acts with such a risk or important facts that may affect the Company significantly to the statutory auditors of the Company without delay when they find such acts or facts.
    - 2) The internal audit divisions of the Company's subsidiaries shall report the results of internal audits performed at the subsidiaries to the statutory auditors of the Company.

9. System for ensuring the prevention of unfavorable treatment of individuals who submitted reports to statutory auditors for the reason of having submitted such reports

The Company shall work to establish a system that prevents the unfavorable treatment of individuals who submitted the reports stated in the foregoing paragraph to statutory auditors for the reason for having submitted such reports.

10. Matters concerning procedures for the advance payment or the refunding of expenses that arise in connection with duty execution by statutory auditors or policies on processing expenses or debts that arise in connection with the execution of other concerned duties

The Company shall promptly comply with the concerned request when a statutory auditor requests the advance payment of expenses, etc., in connection with the execution of his or her duties unless the requested expenses, etc., could be proven as unnecessary for the execution of the duties by the concerned statutory auditor.

11. Other systems for ensuring the effectiveness of audits performed by statutory auditors

- (1) Statutory auditors shall meet Representative Directors periodically and exchange opinions with them regarding important audit issues.
- (2) Statutory auditors shall meet accounting auditors periodically, to exchange opinions and information with them, and ask them to submit reports as needed.
- (3) Statutory auditors shall stay in close cooperation with the internal audit division (the Audit Office). Statutory auditors may ask the internal audit division to perform investigations as needed.

12. System for ensuring the reliability of financial reports

- (1) The Company shall establish the Internal Control Reporting System for ensuring the reliability of financial reports and submitting internal control reports effectively and appropriately as prescribed in the Financial Instruments and Exchange Act.
- (2) The Company shall continually evaluate internal control systems and take the necessary steps in order to correct them in order to ensure the compliance of such systems with the Financial Instruments and Exchange Act, other laws and regulations.
- (3) The internal audit division (the Audit Office), as a responsible division, shall implement monitoring, evaluation and assist in improving the operation of internal control systems.

13. Systems for excluding antisocial forces

- (1) The Company shall systematically deal with antisocial forces that threaten social order and sound corporate activities with a resolute attitude.
- (2) The Company shall deal with antisocial forces in cooperation with police, lawyers and external specialized agencies, such as corporate defense councils, when cases of unreasonable demand by such forces, and the like emerge.