

Management Report on Internal Control

1. Basic Framework for Internal Control Over Financial Reporting

The President of Japan Vilene Company, Ltd., (the “Company”) Mitsuo Kanno, is responsible for designing and exercising internal control over the Company’s financial reporting, and does this in compliance with the basic framework for internal control provided for in “On the Setting of the Standards and Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting (Council Options)” issued by the Japan Business Accounting Council.

Internal control aims at achieving the objectives to a reasonable extent with the organized and integrated function of the basic individual components of internal control as a whole. Therefore, internal control over financial reporting cannot always be guaranteed to prevent or discover misstatements in the presentation of financial reporting.

2. Scope of Assessment, Assessment Dates and Assessment Procedures

The Company performed an assessment of internal control over financial reporting for its consolidated financial statements as of the end of the fiscal year, March 31, 2009, in accordance with generally accepted assessment standards in Japan for internal control over financial reporting.

We evaluated internal controls that materially affect overall consolidated financial reporting (Company-level controls). Based on these results, we selected specific business process to evaluate, analyzed the selected business process and determined internal control factors that materially affect the reliability of the financial reports. We evaluated the effectiveness of the internal controls by assessing design and operation conditions relating to internal control factors.

We determined the scope of assessment of internal controls over financial reporting from the perspective of their materiality to the reliability of financial reporting by the Company, its consolidated subsidiaries, and affiliated companies accounted for under the equity method. The materiality to the reliability of financial reporting is determined from quantitative and qualitative perspectives, and we reasonably determined the evaluation scope of process-level controls based on the results of an evaluation of company-level control, applied to the Company and eight consolidated subsidiaries. Four consolidated subsidiaries and six equity-method affiliates were determined to be immaterial from quantitative and qualitative perspectives. Therefore, they were excluded from the evaluation of company-level controls.

The scope of assessment of business process-level controls are the business locations/units, whose sales after elimination of inter-company transactions accounted for more than two-thirds of the sum of the consolidated sales recorded in the preceding fiscal year. These business locations/units were determined to be the “significant business locations/units” and two business locations/units were selected. At each selected business location/unit, business processes related to accounting items that have a material impact on corporate operational objectives, including sales, accounts receivable, and inventories were determined to be within the scope of assessment. Other than the selected significant business locations/units, we added to the scope of evaluation business processes relating to important accounting items that present a high possibility of material misstatements, estimates and forecasts, and business processes related to operations or businesses involved in high-risk transactions.

3. Assessment of Results

Based on the results of our assessment, we concluded that as of the end of fiscal year ended March 31, 2009, the internal controls of the Company over financial reporting of the consolidated financial statements were effectively maintained.



Mitsuo Kanno
President
Japan Vilene Company, Ltd.