

Basic Policy for the Development of Internal Control Systems

Established : May 19, 2006

Last updated : September 1, 2024

The Company and its subsidiaries (hereinafter referred to as 'the Group') have established the following basic policy regarding the development of an internal control system and will establish an appropriate and efficient system by constantly reviewing the administrative authority and division of duties in response to changes in the business environment and other factors.

We will also disclose this basic policy to the public and make efforts to promote the establishment of a more appropriate and efficient system by revising it as necessary through continuous reassessment.

1. System to ensure that the performance of duties by directors and employees complies with laws and regulations and the Articles of Incorporation

To ensure that directors and employees comply with laws and regulations and the Articles of Incorporation, and respect social responsibilities and corporate ethics in the execution of their duties, the Company has established a "Basic Compliance Policy" and ensures that all directors and employees are familiar with it.

In order to strengthen the supervisory function and ensure fairness in the execution of duties, two-thirds of directors comprising the Board of Directors shall be outside directors who are independent. The Governance Promotion Department of the Corporate Management Division of the Corporate Management Headquarters is designated as the department in charge of compliance, and is responsible for maintaining and improving the compliance system. Specifically, in order to improve knowledge and awareness of compliance, the Governance Promotion Department conducts regular training and prepares and distributes manuals to directors and employees.

The Company has established an internal reporting system for the purpose of early detection and correction of acts that violate laws and regulations or the Articles of Incorporation.

The Company is committed to blocking any and all relationships with antisocial forces. To achieve this, the Company has designated the Business Support Office of the Personnel & General Affairs Group as the department responsible for dealing with antisocial forces and has established rules and regulations for dealing with such forces, as well as a system to respond resolutely in cooperation with the police and other external specialized agencies in case of emergency.

The Audit & Supervisory Committee and the Internal Audit Office work together to regularly audit and supervise the status of the compliance system and report to the Board of Directors.

2. System for storing and managing information related to the execution of duties by directors

Information related to the execution of duties by directors shall be stored and managed appropriately and securely for a specified period of time in a form that can be searched and viewed in accordance

with the "Document Management Regulations" and other internal regulations.

3. Regulations and other systems for managing the risk of loss

The "Business Crisis Management Regulations" stipulate the system for managing business risks. In the event of a major incident in our business activities, we will establish a task force under the direction of the CEO to respond promptly and appropriately, and have in place a system to minimize loss, damage, etc. In particular, in response to risks related to the handling of personal information, etc., the Company has appointed a department responsible for information management and an information management officer to regularly educate employees and conduct internal audits, with the aim of maintaining and improving the management system based on the Privacy Mark and ISMS conformity assessment system certifications that have already been acquired.

4. System to ensure efficient execution of duties by directors

In accordance with the decision-making authority stipulated in internal regulations, the CEO, COO, Service Officer, CIO, CTO, CHO, CFO, CPO and executive managers make careful and flexible decisions. In addition, deliberations are held at the Corporate Officers Meeting and at the Strategy Promotion Council to ensure early recognition of management issues and efficient decision-making by the Board of Directors, CEO, COO, Service Officer, CIO, CTO, CHO, CFO, CPO and executive managers. The Group has introduced an executive officer system and a headquarters system for the execution of business operations, which are carried out efficiently and promptly in accordance with the "Organization Regulations" and the "Regulations Concerning Division of Duties and Administrative Authority".

5. System to ensure the appropriateness of operations in the Group consisting of the Company and its subsidiaries

We aim to establish a compliance system for the entire Group by ensuring that the "Basic Policy on Compliance" set forth by the Company is well known throughout the Group.

The Company dispatches directors or corporate auditors to subsidiaries to audit and supervise the execution of duties by the directors of the subsidiaries.

In the event of transactions among our group companies, we require prior reporting to, and approval by, the Board of Directors. In approving such transactions, the Board of Directors makes comparisons with general transaction terms and conditions to avoid arbitrary deliberations and ensure that such transactions are not disadvantageous to the Company. In addition, the Company checks with experts as necessary.

The Internal Audit Office conducts internal audits of subsidiaries to ensure the nature of their overall operations is appropriate.

In addition to holding regular meetings between the Company and its subsidiaries to share important information regarding the overall management of the Group companies, the Company approves or receives reports on the execution of important operations of its subsidiaries in accordance with the regulations concerning the management of subsidiaries.

6. System to Ensure the Appropriateness of Financial Reporting

In order to ensure appropriate financial reporting by the Group, we have established an internal control system to ensure the effective and appropriate submission of internal control reports based on the Financial Instruments and Exchange Law, and we continuously evaluate the proper functioning of the system and make corrections as necessary.

7. Matters concerning employees who are requested to assist the Audit & Supervisory Committee in their duties, matters concerning the independence of such employees from directors, and matters concerning ensuring the effectiveness of instructions given to such employees

At the request or instruction of the Audit & Supervisory Committee, the Company assigns personnel to assist in the execution of duties. In this case, the relevant personnel maintain their independence so that they do not receive instructions and orders from persons other than Audit & Supervisory Committee Members, thereby ensuring the effectiveness of the instructions. In addition, regarding personnel changes, evaluations, etc. of such personnel, the opinion of the Audit & Supervisory Committee will be approved.

8. System for Directors and Employees to Report to the Audit & Supervisory Board and Other Systems Related to Reporting

Directors and employees of the Group shall immediately report to the Audit & Supervisory Committee in writing or orally in the event of a fact that causes or is likely to cause significant damage to the Group, a situation that significantly damages credibility, a serious defect or problem with internal management systems and procedures, misconduct such as violation of laws and regulations, or any other serious wrongdoing. In addition, Audit & Supervisory Committee Members may freely view the minutes and agenda materials of various meetings such as the Corporate Officers' Meeting at any time and may request reports from directors and employees of the Group.

In addition, the Governance Promotion Department of the Corporate Management Division of the Corporate Management Headquarters, which is the department in charge of the whistleblowing system, regularly reports to the Audit & Supervisory Committee Members on the status of whistleblowing for the Group.

9. System to ensure that a person who makes a report set forth in the preceding paragraph is not subjected to any disadvantageous treatment on the basis of such report

The Company stipulates that directors and employees of the Group shall not be treated disadvantageously because they have reported to the Audit & Supervisory Committee as set forth in the preceding paragraph, and the Company will respond appropriately to all reports.

10. Matters concerning procedures for advance payment or reimbursement of expenses arising

from the execution of duties by Audit & Supervisory Committee Members and other policies concerning the processing of expenses or liabilities arising from the execution of such duties. When an Audit & Supervisory Committee Member makes a claim to the Company for expenses, etc. (pursuant to Article 399-2, Paragraph 4 of the Companies Act) incurred during the execution of his/her duties, the Company will honor such request unless it is proved that the request is not necessary for the execution of duties by the Audit & Supervisory Committee Member.

11. Other systems to ensure that audits by Audit & Supervisory Committee are conducted effectively

The Audit & Supervisory Committee meets at least once a month.

Audit & Supervisory Committee Members shall hold meetings as necessary, separate from the Audit & Supervisory Committee.

Audit & Supervisory Committee shall meet with the Accounting Auditor or the Internal Audit Office in a timely manner to exchange opinions and information, and request reports from the Accounting Auditor or the Internal Audit Office as necessary.

Audit & Supervisory Committee receive reports on risks related to the Group through meetings with experts outside the Company (lawyers, tax accountants, etc.).

Hideki Tomita
Representative Director, President and CEO