

## **Basic Policy for Constructing an Internal Control System**

### **1. System for securing compliance in the performance of duties by directors and employees with laws, regulations, and the articles of association**

- "Corporate Standard of Conduct" and "Code of Conduct" are to be established to encourage all directors and employees to observe laws, regulations, and the articles of association and respect the founding spirit in their behaviors.
- The compliance committee leads the maintenance of a compliance-oriented system, its penetration and increased awareness of compliance.

### **2. System concerning the preservation and management of information relating to the execution of duties by directors**

- Prepare, store and manage documents (including electromagnetic records) appropriately in accordance with internal rules with regard to minutes of important meetings such as board meetings and management meetings, and with regard to information relating to the execution of duties of directors.
- Directors and auditors must keep the abovementioned information available for inspection at all times.

### **3. Rules concerning the management of the risk of loss, and other systems**

- Recognize the risk relating to business operation, stipulate risk management rules and rules/standards/manuals for each risk group, and specify a unit in charge to increase the effectiveness of risk management and achieve continued improvement.
- Place matters on the table at a management meeting or a board meeting with regard to risky matters that can have a significant impact on corporate activities.
- Each unit in charge of a risk group constructs and arranges systems and measures for managing the related risk, and also provides instructions, advice, and cooperation in risk handling.
- Stipulate the basic rules on risk management, respond to risk promptly and appropriately, prevent damage from spreading, address risk early, and secure business continuity when risk arises.

### **4. System for securing the efficient execution of directors' duties**

- Sufficiently discuss matters that are important for management at regular bimonthly board meetings and special board meetings if necessary before making a decision.
- Multifariously and sufficiently discuss matters that are important in the execution of duties at weekly management meetings as a rule before making a decision.
- Introduce an executive officer system and arrange a system that permits the efficient execution of directors' duties to ensure prompt decision-making and clarify the responsibilities for the execution of directors' duties.

**5. System for securing the appropriateness of business in a corporate group consisting of us and our subsidiaries**

Arrange the following systems to secure the appropriateness of business in a corporate group consisting of us and our subsidiaries.

- (a) System for reporting the execution of duties of our subsidiaries' directors to us
  - Arrange a system that permits the regular reporting of matters that are important in the execution of duties to a parent company.
- (b) Rules concerning the management of the risk of loss at our subsidiaries, and other systems
  - Perform regular follow-ups under the internal rules concerning subsidiary management to pay attention to sound subsidiary administration. Additionally, take appropriate measures in a timely manner if any risk of loss is possible.
- (c) System for securing the efficient execution of duties of our subsidiaries' directors
  - Send directors, auditors, and others to subsidiaries to establish a system that permits prior consultation between subsidiaries and us before undertaking decision-making on matters that are important in subsidiary management.
- (d) System for securing the adherence of the execution of duties by subsidiaries' directors, employees, and others with laws, regulations, and the articles of association
  - Stipulate "Corporate Standard of Conduct" and "Code of Conduct" for subsidiaries in accordance with our corporate philosophy to ensure compliance.
  - Carry out auditing by our auditors and/or an internal audit unit.

**6. Matters concerning employees; matters concerning ensuring the effectiveness of instructions provided to employees; and matters concerning the independence of the employees from the directors if auditors request employees to help them**

- An auditor can have an employee to help with the auditor's duties if an auditor requests such an employee.
- Personnel matters are performed with the approval of the auditor, such as the transfer of the employee and evaluation.
- The employee is required to follow the direct commands and orders of the auditor while independent from the directors.

**7. System for reporting to the auditors by our and our subsidiaries' directors and employees; system for other reporting to auditors; and system for ensuring that the individual reporting to the auditors will not suffer any disadvantage as a result of reporting**

- Auditors are entitled to participate in board meetings, management meetings, committee meetings, and all other meetings and also receive reports to understand important decision-making processes and the status of the execution of duties.

- Our and our subsidiaries' directors and employees report to the auditors on the matters that can have a major impact on duties and any matters requested by the auditors without delay.
- Do not put directors and employees who report to the auditors at a disadvantage as a result of reporting.

**8. Policy concerning processing expenses or debts arising in connection with the execution of duties by the auditors, the advance payment of expenses, or reimbursement proceedings**

- Process expenses or debts promptly if auditors make a prior request or make any other payment of such relating to the execution of duties.

**9. Other systems for ensuring effective auditing by auditors**

- Auditors have meetings with our and our subsidiaries' directors, employees, and accounting auditors to exchange opinions.
- Auditors cooperate with our subsidiaries' auditors and exchange information, such as receiving an explanation of the details of audits of our subsidiaries.
- Auditors can consign research to or seek advice from external specialists if necessary for their duties.
- Auditors make an arrangement with the internal auditing unit if necessary, cooperate with the unit, and work together with the unit in auditing.

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