

Basic Policy for Establishing the Internal Control System

1. Systems to Ensure Appropriate Business Operations

(1) Systems for Execution of Duties by Directors and Employees of the Company as well as Its Subsidiaries to Ensure Compliance with Laws and Regulations and the Articles of Incorporation

- (a) The Company and its subsidiaries (the “Group”) aim to conduct business based on the Corporate Ethics Charter, in line with the newly established corporate philosophy system of “MVVC (Mission, Vision, Value, and Credo).” The Representative Director, President and CEO of the Company, together with the person generally responsible for compliance (the Chief of the Corporate Management Headquarters), who is responsible for promoting compliance across the Group, shall continuously communicate the spirit of this system to all officers and employees of the Group, thereby ensuring that compliance with laws and regulations and social ethics is established as the most important policy (compliance-first) in the business execution and as the cornerstone of the Group’s corporate activities.
- (b) The Company’s Board of Directors, of which independent Outside Directors should consist of at least one-third, develops the control environment including compliance system and enhances the function for overseeing the legality of the decision-making and the execution of business of the Board of Directors to ensure the transparency and fairness of management.
- (c) The Company established the Compliance Committee as an advisory body to the Board of Directors and ensured a system related to compliance. The Committee is composed of one of the Outside Directors as the chairman and members including the external experts such as attorneys at law. The Compliance Committee, as part of the Group’s efforts of strengthening governance, plans and implements the measures regarding the Group’s compliance framework including reinforcing the training and information management system, and monitors the corporate activities in accordance with the compliance regulations to identify the issues for improvement. In cases of suspected violations of laws and regulations, the Compliance Committee will have the authority to suspend operations.
- (d) As a subcommittee of the Compliance Committee, the Company has established a Compliance Working Group, which shall deliberate on the identification of issues and improvement measures in cases where it determines that a clear compliance violation has occurred in the business operations executed by the Group, or that there is a risk of such violation.
- (e) The Risk Management and Compliance Department as a part of the compliance system, is responsible for planning and implementing the Group’s compliance system and making further improvement, and works to develop the autonomous corporate culture.

The Department is also responsible for the planning and drafting functions related to compliance promotion as well as the function of checking the legal compliance, independently from business departments, particularly for verifying the products such as buildings comply with related laws and regulations.

Furthermore, the department is entrusted with the support, progress management and monitoring functions of the compliance-related operations conducted by business departments, as well as

legal functions such as confirming contracts and handling lawsuits.

- (f) For the system that proactively implements compliance-related measures, the Group appoints compliance managers and coordinators and assigns them to business sites.

For the system that ensures compliance concerns are not overlooked, in the event that a violation of Group compliance or possibility of such a violation is discovered, the compliance managers and coordinators are to take the initiative and implement necessary measures.

- (g) The internal reporting system has been established, and whistle-blowing hotlines have been set up both inside and outside the Company to instruct officers and employees of the Group to immediately consult about or report any compliance violations.

The Group conducts periodic surveys on the employees' awareness with a view to grasp risks at an early stage and to gauge the degree of compliance awareness.

The Group provides a clause about the protection of whistleblowers in the Internal Report Regulations to the effect that, if its officers and employees recognized an act and others, which is questionable based on laws and regulations and the Articles of Incorporation, the Company shall prohibit treating that whistleblower unfavorably on the grounds of consulting about or reporting the violation.

- (h) The Auditing Department, which oversees the internal control function and the internal audit function, shall be established as a department under the direct supervision of the Company's Representative Director, President and CEO. The Auditing Department shall examine the business audit items and implementation methods. In addition, the Auditing Department shall perform monitoring and risk management of business activities in the Group, as well as implement governance strengthening and promote creation of the appropriate financial statements and compliance with regulations, enabling the Group to conserve assets and efficiently carry out its business activities.

The Company holds Auditing Council meetings to increase the effectiveness of the auditing system.

- (i) The Company works continuously to develop the compliance regulations, related individual regulations, guidelines, manuals, etc. and to periodically organize the compliance-centered training programs according to job level and job duties so that the Company can enhance the compliance awareness by officers and employees in the Group.

In addition, in order to instill the concept that promoting compliance enhances corporate value, the Company evaluates compliance-promoting initiatives and gives multi-directional feedback on a regular basis within the framework of the performance appraisal system.

- (j) The Company promotes the active dialogues between the management team and all the stakeholders so that it leads to the development of a customer-oriented corporate culture by increasing the transparency of management and fostering mutual understanding.

- (k) Through the establishment of these systems, the Group has positioned at its core the development of a corporate culture that respects the importance of compliance. The Group pursues the concept of "compliance-first" by mutually integrating a structure that ensures systematic

compliance with laws and regulations spearheaded by the Risk Management and Compliance Department and a structure that uses the Auditing Department's audits and internal reporting system to ensure that illegalities are not overlooked.

(2) Systems for Retention and Management of Information on Execution of Duties by Directors

The Representative Director, President and CEO of the Company shall appoint the Chief of the Corporate Management Headquarters of the Company as the person generally responsible for the retention and management of information on the execution of the duties of Directors. As to the retention and management of information on the execution of duties of Directors, the information, which is recorded in documents or electromagnetic record media, shall be organized and retained based on Document Handling Regulations and Information Management Regulations.

The Company conducts training with the aim of strengthening the information management system and strictly manages information.

(3) Regulations and Systems Concerning Management of Risk of Loss by the Company as well as Its Subsidiaries

- (a) The Company shall establish a Risk Management Committee as an advisory organ of its Board of Directors to comprehensively identify and manage the Group's various risks. The Risk Management Committee is composed of the Company's Representative Director, President and CEO as the chairman and members including outside experts, such as attorneys at law.
- (b) The Risk Management Committee shall confirm the development and operational status of the Risk Management Regulations, related individual regulations, guidelines, manuals, etc. for the risk management of the Group, and conduct training for officers and employees of the Group. The Chief of the Corporate Management Headquarters of the Company (the officer in charge of risk management) shall report the status of risk management in the Group to the Company's Board of Directors on a semiannual basis.
- (c) The Company's Auditing Department shall audit the conditions for the execution of business for each department of the Group. If an act with a risk of loss is found in business operations, the Auditing Department shall immediately notify the Company's Representative Director, President and CEO, as well as the department in charge, of the details of the risk and the level of loss that could be incurred.

(4) Systems to Ensure the Efficient Fulfillment of Duties by Directors

- (a) The Company shall set up the Board of Directors to enhance business performance through appropriate and rapid decision-making, responding flexibly to changes in the business and management environment. The Board of Directors shall be composed of members with diverse background, and composed of an appropriate number of members and consider the enhancement of monitoring functions. The Board of Directors shall hold regular meetings once a month, while extraordinary meetings can be called at any time as required, in order to make decisions on critical management matters as well as to monitor the status of business performance.
- (b) As a prior deliberative organ of the Board of Directors, the Corporate Management Council shall meet regularly to discuss business operation policies and their implementation and to consider

measures to be taken.

- (c) The Company shall formulate a Medium-term Management Plan for the Group, and determine the priority objectives and budgetary allocation of the whole group every fiscal year to materialize the relevant plan.
- (d) The progress of income and expenditure plans and other important business plans of each department and subsidiary shall be reviewed monthly or appropriately by the Board of Directors and other bodies, where problems will be identified and countermeasures will be executed.

(5) Systems for Reporting of Matters Concerning Execution of Duties of Directors of the Company's Subsidiaries, and Other Systems to Ensure Appropriate Business Operations in the Group

- (a) The Affiliated Companies Management Regulations shall be applied to subsidiaries of the Company. Each subsidiary shall obtain approval of the Board of Directors or the officers of the Company in charge of the respective subsidiary for important matters of corporate management in accordance with the decision-making standards of the Company and ensure the appropriateness of business operations.
- (b) The Chief of the Corporate Management Headquarters shall supervise the management of subsidiaries of the Company. The Company's Chief of the Corporate Management Headquarters shall periodically hold a meeting with the affiliated companies liaison committee to smoothly exchange information and promote group activities, and mutually exchange reports between the Company and its subsidiaries as necessary.
- (c) The chief of the responsible department shall supervise and manage business conducted by subsidiaries to establish a compliance system, and a risk management system in line with measures based on management plans and efficient business execution while respecting the independency of subsidiaries. The chief of the responsible department shall exchange information with subsidiaries on a regular basis and as needed and make regular reports on the progress in the management of subsidiaries to the Board of Directors and the Corporate Management Council.
- (d) The Company's Auditing Department and Audit & Supervisory Board Members shall conduct a regular or special audit of each subsidiary while cooperating with Audit & Supervisory Board Members of subsidiaries and then report to the Company's Representative Director, President and CEO and the Auditing Council.

(6) Matters Concerning Employees when Audit & Supervisory Board Members Request the Secondment of Employees to Assist with Duties, Matters Concerning the Independence of Those Employees from Directors and Matters for Securing Effective Direction of Audit & Supervisory Board Members

- (a) When the Company's Audit & Supervisory Board Member requests to assign an employee to assist with the duties of the Audit & Supervisory Board Member, the Company's Board of Directors shall designate an employee assisting Audit & Supervisory Board Member from the members of the Company's Auditing Department after consultation with the Company's Audit & Supervisory Board Member.

(b) In regards to the assistance in the duties of Audit & Supervisory Board Members of the Company, the right of command over the designated employee shall be transferred to the Company's Audit & Supervisory Board Members to ensure independence from the Company's Board of Directors. The designated employee shall submit to the orders of the Audit & Supervisory Board Members when supporting their duties. The Company's Audit & Supervisory Board shall conduct a performance evaluation of the designated employee on their support work of Audit & Supervisory Board Members' duties. The Company's Audit & Supervisory Board Members and the Department Manager of the Human Resources Department shall confer about personnel changes and treatment.

(7) Systems for Directors and Employees, as well as Directors, Audit & Supervisory Board Members, Employees and others of Subsidiaries to Report to Audit & Supervisory Board Members, Other Systems of Reporting to Audit & Supervisory Board Members, and Other Systems to Secure Effective Audits by Audit & Supervisory Board Members

- (a) Officers and employees of the Group shall make reports on matters possibly causing serious damage and losses to the Group, illegal acts and other necessary important matters to the Company's Audit & Supervisory Board Members as necessary based on laws and regulations, and internal regulations such as the Audit & Supervisory Board Regulations and the Auditing Standards for the Audit & Supervisory Board Members. In order to ensure thorough reporting to the Audit & Supervisory Board Members, officers and employees shall be made aware of the relevant system and reminded on a regular basis. The Company's Audit & Supervisory Board Members may also require officers and employees to report at any time as necessary.
- (b) The Company's Audit & Supervisory Board Members shall attend the meetings of important committees such as the Board of Directors, the Corporate Management Council, the Compliance Committee, the Risk Management Committee, and affiliated companies liaison committee to understand the process of important decision-making and the conditions of the execution of the duties by Directors of the Group, and may peruse important documents about the fulfillment of such duties, such as circular memos for approval. The Company's Audit & Supervisory Board Members shall periodically exchange opinions with the Company's Representative Director, President and CEO, and carry out monitoring and inspections through periodic interviews and on-site audits of each department of the Group and Audit & Supervisory Board Members of subsidiaries.
- (c) The Company's Audit & Supervisory Board Members, based on the independence and authority granted according to the Audit & Supervisory Board Regulations and the Auditing Standards for the Audit & Supervisory Board Members, shall ensure the effectiveness of the audit, and maintain close cooperation with the Auditing Department and the Accounting Auditors to promote the achievement of their outcomes by receiving audit status reports of each group section from the Auditing Department.
- (d) The Group shall prohibit unfavorable treatment of officers and employees of the Group who have reported to the Company's Audit & Supervisory Board Members on the grounds of having made the report, and fully enforce this rule.
- (e) In the case where an Audit & Supervisory Board Member demands payments in advance or

reimbursement of expenses incurred for duties executed, the subject expenses or liabilities shall immediately be paid or reimbursed, excluding the case where such expenses or the liabilities are not necessary for the execution of the duties of the Audit & Supervisory Board Member.

(8) Systems to Ensure Reliable Financial Reporting

For the purpose of securing reliable financial reporting of the Company and effective and proper submission of internal control reports by the Company as provided in the Financial Instruments and Exchange Act, the Group shall set up a structure to establish and apply a proper internal control system under the command of the Company's Representative Director, President and CEO, continue to evaluate whether or not the structure will function properly, make necessary corrections, and ensure conformity with the Financial Instruments and Exchange Act and other applicable laws and regulations.

(9) Systems Development to Exclude All Antisocial Forces

- (a) The Group's Corporate Ethics Charter shall clearly set out the Group's determination to "oppose all antisocial forces." The Group is committed to eliminating any possible ties, and dealing resolutely, with any antisocial forces or organizations posing a threat to public order or safety.
- (b) The Group shall enact regulations for opposing antisocial forces and establish a system that will not yield to unlawful demands from antisocial forces by designating a person responsible for preventing unlawful demands in all offices and places of business. The General Affairs and Purchasing Department and the Risk Management and Compliance Department of the Company shall be generally responsible for establishing the system, and the system shall be established by consulting with the Compliance Committee, the Risk Management Committee, related departments and external professional organizations.

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