

System to Ensure the Appropriateness of Business Operations

The system to ensure the appropriateness of business (“internal control system”) specified by the Companies Act and the Regulations for Enforcement of the Companies Act, is determined by a resolution adopted at the Board of Directors, as follows.

1. System for confirming the execution of duties by Company Group directors & employees complies with laws/regulations & Articles of Incorporation

- The Company shall ensure effective use of a code of conduct as the basic policy of compliance in the Group and establish an organization and rules to ensure its effectiveness.
- The Group Chief Compliance Officer (hereinafter referred to as “Group CCO”) is assigned to the Company, and a Regional Chief Compliance Officer (hereinafter referred to as “Regional CCO”) is assigned to each region. The Group CCO is in charge of supervision of compliance promotion activities in the Group, and the Regional CCO is in charge of supervision of compliance promotion activities in its region.
- The Group CCO and Regional CCO shall strive to enhance and establish the Group's compliance promotion activities.
- The “Global Compliance Committee” is held by the Group CCO on a regular basis, to share the compliance promotion policy and contents of compliance promotion activities in each region, and to discuss on the respective issue as necessary.
- The Company shall maintain a whistle-blowing mechanism in Japan and overseas to ensure a system that allows employees to report compliance violations within the Group and the possibility of such violations without suffering any disadvantage.
- In order to ensure the reliability of financial reporting, an internal control reporting system shall be maintained and its effective and efficient operation and evaluation shall be carried out.
- The Company’s audit department shall carry out an internal audit of the operational status of the above organizations, institutions and systems.

2. Matters concerning storage & management of information related to execution of duties by directors

- Information related to the execution of duties by directors shall be appropriately stored and managed based on the Information Security Policy, etc., established under the Information Security Management System of the Group.
- The above storage and management system shall allow relevant information to be kept available to directors and the Audit & Supervisory Board members.
- The Company’s internal audit department shall carry out an internal audit of the above operational status.

3. Regulations & other systems for managing Group risk of loss

- The Company shall adopt the Risk Management Policy as the basic policy of risk management in the Group and develop an organization and rules to ensure its effectiveness.
- Risk management shall be carried out by the department in charge of the relevant field, and the Global Risk Management Committee shall be established to select important risks for the entire Group and formulate countermeasures.
- The Company's internal audit department shall carry out an internal audit of the operational status of the above organization and institutions.

4. System to ensure efficient execution of duties by Group directors

- In order to ensure the efficient execution of duties by directors, the Board of Directors shall practice reasonable division of duties and appoint appropriate executive officers.
- The Representative Director and President shall execute his duties based on the basic policy specified by the Board of Directors, and discuss and decide on the necessary issues at the management meeting.
- The Global Strategy Review Committee shall formulate the Group's management strategy and manage its progress.
- A medium-term Group management plan shall be formulated, quantitative and qualitative targets shall be set to achieve the plan, and performance management shall be carried out through quarterly monitoring.

5. System to ensure appropriateness of Group operations

- The Group shall manage its business based on the above policy, group management rules and other related regulations, and compliance promotion, risk management and other systems that make up the internal control system shall cover the entire Group. As a holding company, the Company shall maintain and operate the internal control system while respecting the independence of each Group company. The Company shall support and manage it according to the prevailing situation.
- The Company's internal audit department shall cooperate with the internal audit department of each Group company, and shall grasp and evaluate the status of setting up and operating the internal control system in the Group through the audit of each Group company.

6. System for appointment of employees sought by Audit & Supervisory Board members to assist them

The Audit & Supervisory Board shall have a secretariat established as an organization for assisting the duties of the Audit & Supervisory Board members and as an entity independent of the command and order of directors. Dedicated employees shall be assigned to the secretariat.

7. Matters for securing independence of above employees from directors & ensuring effectiveness of instructions given to such employees

- Employees of the Audit & Supervisory Board's secretariat mentioned in the preceding item shall not receive the command and order of directors when receiving an order necessary for audit work from the Audit & Supervisory Board members.
- The evaluation of the above employees shall be carried out by the Audit & Supervisory Board members, and the prior consent of the Audit & Supervisory Board members shall be obtained for their transfer, disciplinary action, etc.

8. System for reporting to Audit & Supervisory Board members, system for ensuring no unfavorable treatment of anyone reporting to Audit & Supervisory Board members

- The Audit & Supervisory Board members and directors shall hold regular meetings to share information, and directors and employees shall report the following matters 1) to 5) to the Audit & Supervisory Board members without delay in addition to legal matters.
- The Company's directors and employees, and the directors, the Audit & Supervisory Board members and employees of each Group company shall report to the Company's department in charge regarding matters corresponding to 4) or 5) below, and may also report directly to the Audit & Supervisory Board members or the Audit & Supervisory Board.
- It is prohibited for anyone who has made a report to the Audit & Supervisory Board members specified in this item to be treated unfavorably because of the report.
 - 1) Contents decided by directors regarding important matters that affect the management of the Company or each Group company;
 - 2) Results of internal audits conducted by the department in charge of the Company or each Group company;
 - 3) Of the whistle-blowing mechanism, any matter that has a significant impact on the management of the Company or each Group company;
 - 4) Matters that violate compliance and have a significant impact on the management of the Company or each Group companies;
 - 5) Among matters related to poor quality and product defects, matters that have a significant impact on the management of the Company or each Group company.

9. Policy related to processing of expenses or debts incurred in the Audit & Supervisory Board members' execution of duties

When an Audit & Supervisory Board member requests prepayment or reimbursement of expenses for the execution of his/her duties, the request shall be met promptly unless it is deemed that the expenses or debts related to the request are not necessary for the execution of the relevant Audit & Supervisory Board member's duties.

10. Other systems to ensure effective audits by Audit & Supervisory Board members

The Audit & Supervisory Board shall receive a prior report on the audit plan of an accounting auditor, regularly receive reports on audit results, and make other efforts in cooperation with the internal audit department to maintain close relations with the accounting auditor in order to supervise the accounting auditor and ensure the independence of the accounting auditor from directors.

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