

## **The Basic Policy on the Establishment of an Internal Control System**

### **1. System for the 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**

- (1) The Company and its subsidiaries (the “Group”) will conduct business based on our corporate philosophy of “creating new value.” As part of that process, we created a Corporate Ethics Charter. We are determined to establish legal and social compliance as the cornerstone of all of our corporate activities. This is exemplified by our President and CEO, whose role it is to continuously share the spirit of this charter with all directors and employees of the Group.
- (2) The Group will secure a compliance system through the establishment of a Corporate Ethics Charter, an internal reporting system, and a Compliance Committee as an advisory body of the Board of Directors. The Compliance Committee is composed of our President and CEO as the chairman and outside experts such as lawyers. It plans and implements various measures concerning compliance of the Group such as education and training and the improvement and reinforcement of the information control system as part of measures to strengthen corporate governance of the Group. The Compliance Committee will also strengthen a monitoring system based on compliance regulations and strive to identify, understand and improve problems.
- (3) Our Board of Directors is composed of independent external directors called on to strengthen the ability to oversee the legality of the decision-making and the business operations by the Board of Directors, and to ensure the transparency and fairness of management.
- (4) The Auditing Department, which unifies the internal control function and the internal audit function, will be established as a department under the direct supervision of our President and CEO. The Auditing Department will examine the business audit items and practice of operational audits and will revise the audit method in the Auditing Department if necessary. In addition, in order to maintain healthy internal control, we have established an audit meeting, to perform monitoring and risk management of business activities in the Group, as well as to 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.
- (5) Our Legal Affairs Department will fulfill checks and balances function within the Group and provide guidance so that, if a compliance violation was found by our directors and employees, it may be immediately consulted or reported to our Legal Affairs Department. The Group provides a clause about the protection of whistleblowers to the Internal Report Regulations to the effect that, if our directors and employees recognized an act, etc., which is doubtful based on laws and ordinances and the articles of incorporation, we will prohibit treating the employee unfavorably by the reason of consultation and report.
- (6) The Compliance Regulations, related individual regulations, guidelines and manuals, etc., will continue to be developed to build a system to secure conformity of the fulfillment of duties of directors and employees in the Group with laws and ordinances and the Articles of Incorporation.

### **2. System for the retention and management of information on the execution of duties by directors**

Our President and CEO will appoint our Director in charge of Management Headquarters 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, will be organized and retained based on document handling regulations and information management regulations.

**3. Regulations and systems concerning the management of the risk of loss by the Company as well as its subsidiaries**

- (1) We will establish a Risk Management Committee as an advisory organ of our Board of Directors to identify and manage the Group's risk in general. The Risk Management Committee is composed of our President and CEO as the chairman and members including outside experts, such as lawyers.
- (2) The Risk Management Committee will confirm the condition of the establishment and the application of risk management regulations, related individual regulations, guidelines and manuals, etc., and make plans to train directors and employees of the Group. Our Director in charge of Management Planning Headquarters will submit quarterly reports on risk management of the Group to our Board of Directors.
- (3) Our Auditing Department will audit the conditions for the execution of business for each department of the Group. If an act with a risk of loss was found in business operations, the Auditing Department should immediately notify our President and CEO, as well as the department in charge of its details and the degree of loss to be thereby incurred.

**4. System to ensure the efficient fulfillment of the duties by directors, etc., of the Company as well as its subsidiaries**

- (1) We set up the Board of Directors to enhance business performance through appropriate and rapid decision-making, responding dynamically to changes in the business and management environment. The Board of Directors (the Board) is composed of an appropriate number of members and holds regular meetings once a month, while extraordinary meetings can be called at any time as required, in order for decisions to be made on critical management matters as well as to monitor business performance.
- (2) As a prior deliberative organ of the Board of Directors, regular meetings of the Corporate Management Council are held to discuss business operation policies or to study measures for their implementation.
- (3) We set up a Medium-term Management Plan for the Group, and determine the priority objective and budgetary allocation of the whole group every fiscal year to materialize the relevant plan.
- (4) The progress of income and expenditure plans and other important business plans of each department and subsidiary should be reviewed monthly or appropriately by the Board of Directors, where problems will be extracted and counter measures will be executed.

**5. System about the reporting of matters concerning the execution of duties of the directors of the Company's subsidiaries, and other systems to ensure the appropriate business operations in the Group**

- (1) Important matters concerning management of each subsidiary must receive preclearance or report of our Board of Directors, the Corporate Management Council, or the director in charge for the responsible subsidiary with our decision-making standards by applying affiliated companies management regulations to subsidiaries.
- (2) Our Director in charge of the Management Planning Headquarters will generally control the management of the subsidiary. Our Director in charge of the Management Planning Headquarters should periodically hold a meeting with the affiliated companies liaison committee to smoothly exchange information and promote group activities, and receive reports from the subsidiary as necessary.
- (3) Our Director in charge of the responsible department will generally control and manage business conducted by affiliated companies to establish a compliance system to carry out measures based on a management plan and conduct business efficiently, and a risk management system while respecting the independency of affiliated companies. The Director in charge of the responsible department will make periodic reports on the condition of progress in the management of subsidiaries by exchanging information in regular and timely manners to the Board of Directors and the Corporate Management Council.
- (4) Our Auditing Department and Audit & Supervisory Board Member will conduct a regular or special audit of subsidiary and then report to our President and CEO and the Auditing Council.

**6. System to ensure independence of an employee from our Board of Directors and to secure the effectiveness of support when an Audit & Supervisory Board Member requests to assign an employee to assist the duties of the Audit & Supervisory Board Member**

- (1) When our Audit & Supervisory Board Member requests to assign an employee to assist with the duties of the Audit & Supervisory Board Member, our Board of Directors may nominate the employee assisting our Audit & Supervisory Board Member from the members of our Auditing Department after consultation with our Audit & Supervisory Board Member.
- (2) To support the work of our Audit & Supervisory Board Member's duties, the right of command over the nominated employee will be transferred to the Audit & Supervisory Board Member designated by the Audit & Supervisory Board Member to ensure independence from our Board of Directors. The appointed employee must submit to the orders of the Audit & Supervisory Board Member to support the work of our Audit & Supervisory Board Member's duties. An evaluation of the support work of our Audit & Supervisory Board Member's duties should be conducted by our Audit & Supervisory Board Member. Our Audit & Supervisory Board Member and the director in charge of the Personnel Department should confer about personnel changes and treatment.

**7. System for directors and employees, as well as directors, Audit & Supervisory Board Members, and employees of subsidiaries to report to Audit & Supervisory Board Members, other systems of reporting to Audit & Supervisory Board Members, and other systems to secure the effective conduct of audits by Audit & Supervisory Board Members**

- (1) Directors and employees of the Group should make reports on matters possibly causing serious damage and losses to the Group, illegal acts and other necessary important matters to our Audit & Supervisory Board Members as necessary based on laws and ordinances, and internal regulations such as the Audit & Supervisory Board Regulations and the Audit & Supervisory Board Members Audit Regulation. Our Audit & Supervisory Board Members may always require directors and employees of the Group to report as necessary.
- (2) Our Audit & Supervisory Board Members should attend the meetings of important committees such as the Board of Directors, the Corporate Management Committee, the Compliance Committee, the Risk Management Committee, and affiliated company 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. Our Audit & Supervisory Board Members should periodically exchange opinions with our President and CEO, and monitor and inspect each department of the Group and Audit & Supervisory Board Members of subsidiary through periodic hearings and on-the-spot audits.
- (3) Our auditors, by the independence and authority based on our Supervisory Board Regulations and auditors auditing standards, as well as to ensure the effectiveness of the audit, should maintain close cooperation with the Audit Department and the Accounting Auditors to promote the achievement of outcomes by receiving reports of inspection situation of our each group section from our Audit Department.
- (4) Our Group prohibits unfavorable treatment of employees whom have reported to our Audit & Supervisory Board Members.
- (5) In the case where an Audit & Supervisory Board Member demands payments in advance or redemptions of expenses from duties executed, the subject expenses or repayments should immediately be paid, excluding the case where the expense or the repayment concerned of the demand was not necessary for the execution of the duties of our Audit & Supervisory Board Member.

**8. System in the interests of reliable financial reporting**

In the interests of our reliable financial reporting and effective and proper submission of internal control reports as provided in our Financial Instruments and Exchange Act, the Group will set up a structure to establish and apply a proper internal control system under the command of our 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 ordinances.

## **9. System development to oppose all antisocial forces**

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

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1<sup>st</sup> revision on July 30, 2010  
2<sup>nd</sup> revision on May 26, 2013  
3<sup>rd</sup> revision on May 26, 2014  
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