

## Internal control systems: basic approach and status

### 1. System to ensure the properness of the business of the Group

- (1) The Company shall stipulate the Corporate Philosophy, Group Vision, and Five Core Principles in order to ensure the properness of the business of the Company and its subsidiaries (hereinafter collectively referred to as “the Group”).
- (2) The Company shall appropriately exercise the voting rights with respect to its affiliates from the perspective of maximizing the Group’s corporate value.
- (3) The Company, in addition to stipulating the various Group basic policies for the Group’s internal control and notifying them in the Group, shall establish a system in accordance with those policies.
- (4) With the aim of responding swiftly to the changes in the business environment, the Company, in addition to adopting the Strategic Business Unit (hereinafter referred to as “SBU”) system, shall dispatch directors to the Boards of the core SBU companies and oversee their management so as to ensure the effectiveness of the business management at the Group.
- (5) Internal audit departments shall audit the effectiveness of the compliance structure of the laws and ordinances, the Articles of Incorporation and internal rules of the Group. Furthermore, if corrections or improvements are necessary, it offers appropriate advices, recommendations, and support so that such measures are taken swiftly.

(Overview of operational status)

- The Company properly oversees the management of SBUs by having established the rules and organization of the SBUs and dispatching directors to core SBU companies.
- With seven group-wide committees (Sustainability, Investment, Risk Management, Technology, Human Resources, Gender Diversity, and Staff Well-being) established under the Headquarters Management Committee (HMC), the Company is seeking to achieve two goals at the same time: enabling more sophisticated decision-making and ensuring group governance.
- As for internal auditing, the Company performs internal audits under the audit plan, and regularly reports a summary of the audit results, matters pointed out, and other reportable findings to the Board, the Supervisory Committee, and the HMC.

### 2. Framework to ensure that the directors, executive officers, and employees perform their duties in compliance with laws and ordinances and the Articles of Incorporation

- (1) The Group establishes a code of conduct and basic rules regarding compliance and strives to develop a compliance system at the Group and practice compliance.
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- (2) The Company establishes a department to oversee group-wide compliance, which continually implements various compliance measures and reports on the status of these activities to the Board.
- (3) The Group continuously provides education and training on compliance to its directors, executive officers, and employees.
- (4) The Group establishes a group-wide whistleblower system to prevent and detect early any violations of laws and ordinances as well as the Articles of Incorporation.
- (5) The Group shall take a resolute attitude against antisocial forces and rejects any kind of relationship with them.
- (6) The Group shall stipulate a department primarily responsible for preparing for contingencies by gathering related information from the police in the respective jurisdiction and regional councils, etc. related to preventing violence by antisocial forces, and when circumstances arise, the department takes the lead and systematically responds in collaboration with external agencies.

(Overview of operational status)

- For the purpose of improving compliance awareness, the Company distributes to all officers and employees in Japan the Compliance Handbook consistent with the amended Whistleblower Protection Act brought into force in June 2022, and provides them with training on compliance and information security. In addition, the Company ensures that its overseas group companies implement compliance awareness and promotion activities, each using its own training content tailored to consistent with the applicable law of the country it operates in.
- The Company has established a whistleblowing system and strives to familiarize employees with the system through via the intranet and other means. The Company ensured that all Group companies in Japan review their whistleblowing systems, rules, and other matters to bring them into compliance with the amended Whistleblower Protection Act, and has been organizing a Whistleblower Hotline Training Program for all officers and employees and a Whistleblower Hotline Workshop for those in charge of whistleblowing.

### **3. Regulations and other systems to control the risk of financial losses**

- (1) The Company establishes rules regarding risk management of the Group and develops risk management system for the Group.
  - (2) The Company establishes a department primarily responsible for risk management of the Group within the Company to manage risks at the Group in an integrated manner. The department periodically reports the risk management system regarding material risks and its operation status to the Board.
  - (3) The Group establishes crisis management rules to prepare for the occurrence of crises such as large-scale natural disasters and pandemics and develops an appropriate framework, which
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includes an emergency management system for the Group, contact systems in the event of a crisis, and periodic implementation of training.

(Overview of operational status)

- The Risk Management Committee under HMC identifies the material risks faced by the Group and monitors the risk management situation.
- As a response to COVID-19, the Emergency Response Headquarters continue to operate, working with those responsible for risk management at SBUs and implementing measures, as needed, in response to changes in the prevalence of infection within and outside the Group or as instructed or recommended by the government or other administrative authorities.
- In a bid to better prepare for the possibility of a large-scale disaster, the Company has made arrangements to set up an alternative emergency response headquarters in the event of a mega earthquake or any other devastating disaster in the Tokyo metropolitan area, and has been providing training to all officers and employees of all Group companies, including practicing the procedure for safety inquiries.

#### **4. Systems to ensure efficient performance of duties by directors and executive officers**

- (1) The Company separates oversight and execution of management, and the Board oversees the execution of operations at the Group from an independent and objective standpoint.
- (2) The Company has implemented an executive officer system that aims to clarify the roles and responsibilities and delegates decision-making authority regarding operations, in principle, to the Representative Director, President and CEO.
- (3) The Company establishes Headquarters Management Committee (HMC) as an organization that assists the Representative Director, President and CEO to deliberate on matters regarding important business execution of the Group.
- (4) The Company formulates a Group's Mid-term Management Plan and stipulates key management objectives and budget allocations for the entire Group for each business year as a means to give concrete shape to the Group's Mid-term Management Plan.
- (5) The Company stipulates a group-wide rules regarding the division of duties, chain of command, authority, decision-making, and other organization-related standards. The Group companies create their own systems according to these standards.
- (6) The Company stipulates rules regarding IT of the Group, establishes a department responsible for it, and develops the IT governance system of the Group.

(Overview of operational status)

- The Board, in accordance with the Articles of Incorporation, Corporate Governance Guideline,
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and Regulations of the Board, appropriately carries out management oversight of the Group's execution of operations.

- Discussions are carried out at HMC regarding matters related to the execution of importation operations of the Group.
- In accordance with the Group IT Governance Regulations, the Company implements IT governance across the Group through deliberation and monitoring regarding the status of IT management of Group companies by SBUs, with the IT Committee playing the leading role.

#### **5. Systems to ensure the properness and reliability of financial reports**

- (1) The Company stipulates basic policy of internal control over financial reporting by the Group to ensure properness and reliability of financial reporting.
- (2) The Company establishes a department primarily responsible for internal control over financial reporting and another department in charge of evaluating it to ensure effectiveness of internal control over financial reporting.
- (3) The department that evaluates internal control over financial reporting periodically reports the evaluation results of the internal control over financial reporting to the Board, etc.

(Overview of operational status)

- The Company determines the scope of internal control evaluation, updates relevant documents, evaluates the design and implementation of internal control, corrects any inadequacies identified, and reports the results to the Board.

#### **6. Storage and management systems of information related to performance of duties by directors and executive officers**

The Company stipulates rules regarding the storage of documents, etc., in accordance with which it appropriately stores and manages important documents, etc. that contain information regarding performance of duties by the directors and executive officers such as minutes of important meetings. Furthermore, it shall make these documents etc. readily available for timely inspection when requested by directors or the Supervisory Committee.

(Overview of operational status)

- The Company has stipulated storage period of important documents in accordance with Document Management Regulations and carries out appropriate storage and management.
  - By establishing an information infrastructure for directors, the Company developed an environment where directors can access briefing materials and meeting minutes of the Board, HMC, and other committees, whenever necessary.
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## **7. Systems regarding performance of duties of the Supervisory Committee**

### **7-1. Matters regarding assigning employees to support the duties of the Supervisory Committee**

Based on a request from the Supervisory Committee, the Company assigns dedicated employees as required to support its duties. Support employees receive daily instructions from the Supervisory Committee, but not from directors who are not Supervisory Committee members or executive officers.

Furthermore, personnel changes, performance reviews, disciplinary actions, etc. of support employees shall take place with the consent of the Supervisory Committee.

### **7-2. Systems for making reports to the Supervisory Committee**

- (1) Directors, executive officers, and employees of the Group report on the status of business and internal controls as requested by the Supervisory Committee or a person who was instructed by the Supervisory Committee. Internal audit departments report on the results, etc. of internal audits.
- (2) Directors, executive officers, and employees of the Group shall promptly notify the Supervisory Committee if they notice major infringements of laws and ordinances, the Articles of Incorporation, illicit conduct, or facts that will cause significant damage to the Company or may put the Company at such risk.
- (3) When directors, executive officers, and employees of the Group notice facts that will cause significant damage to the Company or may put the Company at such risk, said facts should be promptly reported to the department in charge as stipulated by the Group. When the department in charge receives a report from directors, executive officers, and employees, a report should be promptly made to the Supervisory Committee.
- (4) The Company ensures that the scope of the whistleblower system includes the Group. An appropriate system should be firmly established to report major compliance issues to the Supervisory Committee including violations of laws and ordinances, the Articles of Incorporation, and internal rules of the Group.
- (5) The Group explicitly states in its internal rules that directors, executive officers, and employees shall not be treated disadvantageously in performance reviews or be subject to disciplinary actions or other disadvantageous treatment due to reports made to the Supervisory Committee or to the internal whistleblower hotline.

### **7-3. Other systems to ensure that Supervisory Committee audits are performed effectively**

- (1) When it deems necessary, the Supervisory Committee may request directors (except directors who are Supervisory Committee members), executive officers, and important employees to report
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to the committee. The Supervisory Committee may also request periodic exchange of opinions with the Representative Director, President and CEO, internal audit departments, and external auditors.

(2) When the Supervisory Committee or a person who was instructed by the committee requests for prepayment or reimbursement of expenses, etc. which occur in the course of performing the duties, the Company shall comply with the request except in cases where it can be demonstrated that said expenses etc. did not occur in the course of performing the duties of the Supervisory Committee.

(Overview of operational status)

- As a framework to support the duties of the Supervisory Committee and Supervisory Committee members, the Company has assigned a dedicated employee independent of the management division. The said employee is placed under the Supervisory Committee and personnel transfer, appraisal, and disciplinary actions, etc. regarding the employee are carried out upon obtaining the consent of the Supervisory Committee.
- The Supervisory Committee receives reports from directors, executive officers, and employees on the status of business operations, internal control, and other reportable matters.
- Full-time members of the Supervisory Committee regularly exchange information with all of the company auditors of core SBU companies.
- The contents of the matters reported to the whistleblower hotline by officers and employees of the Group companies are reported to the Supervisory Committee.
- In order to protect employees from ill treatment as a result of reporting to the Supervisory Committee or the whistleblower hotline, the Company has included an explicit provision to that effect in the Whistleblower Hotline Rules and put in place a system for checking to ensure that whistleblowers are not made subject to any ill treatment after reporting or blowing the whistle.
- In accordance with the basic policy, the Company has adopted an expense settlement system similar to the internal departments for the expenses incurred upon execution of duties by the Supervisory Committee members, and shoulders such expenses appropriately based on requests by the Supervisory Committee.

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