

Basic policy on internal control system

1. System to ensure efficient execution of duties by directors of the Company and its subsidiaries

The Company and its subsidiaries with the Board of Directors hold a monthly Board of Directors meeting to decide matters prescribed by laws and regulations and important management issues. In addition, with an aim to ensure efficient execution of duties by the directors, the Company and its subsidiaries also hold Group Management Committee meetings on a regular basis to receive reports on basic matters related to business execution and make flexible decisions on important matters related to business execution.

For the execution of duties by directors of the Company and its subsidiaries, we develop company-wide targets, including the Medium-Term Management Plan and annual budget, taking into consideration future business environment, and each division develops and carries out specific measures to achieve these targets.

2. System to ensure that execution of duties by directors and employees of the Company and its subsidiaries complies with laws and regulations and the Articles of Incorporation

The Company and its subsidiaries have the Compliance/Risk Management Rules to ensure that execution of duties by directors and employees complies with laws and regulations and the Articles of Incorporation. The Compliance/Risk Control Committee, chaired by the President and Representative Director, Executive Officer of the Company and comprised of directors and our subsidiaries' presidents, etc. holds meetings regularly and receives reports from division managers on respective businesses to understand issues and implement necessary measures.

We also have the Whistleblower Rules and ensure any violation or potential violation by directors and employees of laws and regulations and the Articles of Incorporation will be reported to the whistleblower office. In addition, we have developed the Hoosiers Group Action Guidelines to ensure compliance with laws and regulations, etc. by directors and employees of the Company and its subsidiaries.

3. Rules and other systems to manage potential risk of loss in the Company and its subsidiaries

We have the Compliance/Risk Control Rules to manage risks, etc. of loss in the Company and its subsidiaries. The Compliance/Risk Control Committee holds meetings regularly and receives reports from division managers on respective risks, etc. of loss to understand issues and implement necessary measures.

We also have the Internal Audit Rules and the internal audit division, which directly reports to the President and Representative Director, Executive Officer and is responsible for internal audit

work, to perform internal audit on a regular basis. In case any risk of loss is identified by an internal audit, its nature and the extent, etc. of potential loss will be reported to the President and Representative Director, Executive Officer immediately, who then gives directions to each division to take necessary measures.

Under the direction of the officer in charge of compliance and risk management, the legal division mainly takes charge of identifying significant cross-organizational risks within the Group, and countermeasures against the risk of loss are implemented based on the deliberation at the Compliance/Risk Control Committee chaired by the President and Representative Director, Executive Officer.

4. System to store and manage information on execution of duties by directors of the Company and its subsidiaries

The information and documents on execution of duties by directors of the Company and its subsidiaries are properly stored and managed (including disposition) in accordance with the Document Management Rules, the Information Security Management Rules, and other relevant management manuals, etc.

5. System to ensure proper operations of the Hoosiers Group composed of the Company and its subsidiaries

In the Hoosiers Group which is composed of the Company and its subsidiaries, directors and employees of the Company and its subsidiaries ensure proper operations by following the Hoosiers Group Action Guidelines. Also, the Group Management Committee and the Compliance/Risk Control Committee receive reports from division managers on respective business and give instructions as needed to ensure proper operations.

6. System regarding design and operation of internal control over financial reporting

To ensure reliable financial reporting of the Company and its subsidiaries and effective and proper filing of the internal control report required by the Financial Instruments and Exchange Act, we have in place an internal control system for financial reporting and a system to operate it under the direction of the President and Representative Director, Executive Officer. The Board of Directors is responsible for supervising the design and operation of internal control system for financial reporting and monitors the status of design and operation.

7. Matters concerning employees assigned to assist the duties of the Audit & Supervisory Committee and matters concerning ensuring of effectiveness of instructions to such employees in case the Audit & Supervisory Committee makes a request for such assignment

Although there are no employees assigned to assist the duties of the Audit & Supervisory Committee, we are prepared to assign staff for the Audit & Supervisory Committee upon request. In such case, the assigned staff shall follow the instructions of the Audit & Supervisory Committee and shall not be subjected to instructions of directors (excluding the directors who are Audit and Supervisory Committee members and other employees.

8. System for reporting to the Company's Audit & Supervisory Committee from directors and employees of the Company and its subsidiaries or those who received reports from them and auditors of our subsidiaries

Directors and employees of the Company and its subsidiaries or those who received reports from them and the auditors of our subsidiaries shall immediately report to the Company's Audit & Supervisory Committee when they find any facts that may cause substantial damages to the Company and its subsidiaries and when the Audit & Supervisory Committee request a report.

9. System to ensure that persons who made a report to the Audit & Supervisory Committee will not receive unfair treatment because of such report

The Company prohibits any unfair treatment to directors/employees of the Company and its subsidiaries who made a report to the Audit & Supervisory Committee because of such report and ensures that directors and employees of the Company and its subsidiaries are aware of it.

10. Matters concerning procedures to prepay or reimburse expenses arising from execution of duties by the directors who are Audit and Supervisory Committee members and a policy for treatment of expenses or obligations arising from execution of other duties

When the directors who are Audit and Supervisory Committee members request for prepayment or reimbursement of expenses arising from execution of their duties, the Company shall pay these expenses or settle obligations promptly unless they are considered unnecessary for execution of duties by the directors who are Audit and Supervisory Committee members.

11. Other systems to ensure effective performance of audit by the Audit & Supervisory Committee

The directors who are Audit and Supervisory Committee members perform audit for legality and appropriateness of business execution by attending important meetings such as the Board of Directors meetings and the Group Management Committee to understand the important decision-making process and the business execution status, as well as reviewing important approval documents and important documents related to business execution and seeking explanations on them from directors or employees as needed. They also monitor the internal control of the Company in coordination with the internal audit division and accounting auditor, as well as identify

issues and make recommendation for improvement on a daily basis to make the audit function more effective and appropriate. In addition, we also secure routes allowing the internal audit division which directly reports to the President and Representative Director, Executive Officer to directly report to the Audit & Supervisory Committee and the Board of Auditors.

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