

## **Basic Policy on Internal Control**

Under the KITZ' Statement of Corporate Mission, Long-term Management Vision, and Action Guide, which are elements of the corporate philosophy system (hereinafter collectively referred to as the "Corporate Philosophy System") of the corporate group consisting of the Company and its subsidiaries (hereinafter referred to as the "KITZ Group"), in order to make our business foundation sound and strong, we will design and operate the following structure to ensure the appropriateness of KITZ Group's operations and strive for continuous improvement.

### **1. Structure for ensuring that the execution of duties by the Senior Executive Officers and employees of the Company and Directors and employees of its subsidiaries complies with laws and regulations and the Articles of Incorporation**

- (1) We will thoroughly disseminate the Corporate Philosophy System to all officers and employees working in the KITZ Group around the world.
- (2) We will establish a C&C Management Committee chaired by the Representative Executive Officer & President as an organization to practice and supervise the compliance management of the KITZ Group. In addition, we will establish a promotion supervisory division and make efforts to enhance group compliance management and group risk management by providing education and training for employees based on the basic concept of compliance management, and by confirming the effectiveness thereof.
- (3) We will establish a Compliance Code of Conduct that must be observed by the KITZ Group's officers and employees.
- (4) We will establish a help desk (hereinafter referred to as the "Compliance Helpline") for receiving reports or consultations from our Senior Executive Officers and employees as well as the Directors, Auditors, and employees of subsidiaries regarding violations of laws and regulations, serious violations of internal regulations, and other compliance violations at the Company and its subsidiaries and will also establish a KITZ Group's common help desk at a law firm. Furthermore, we will strictly protect the privacy of information providers and ensure that they are not treated disadvantageously due to the provision of information.
- (5) We will disseminate information about the Compliance Code of Conduct and Compliance Helpline to the KITZ Group's officers and employees through the Compliance Guidebook prepared in the languages of the countries in which each KITZ Group company is located, the company intranet, compliance education, or otherwise.
- (6) The Senior Executive Officers in charge of compliance will report the whistleblowing content and its investigation results to the Audit Committee as well as the Board of Directors in accordance with the

Compliance Helpline Regulations.

- (7) When the whistleblowing desk established by the Audit Committee receives reports and consultations about violations of laws and regulations that are suspected of involvement of the KITZ Group's management executives, such as Directors, Senior Executive Officers, and Auditors that have the potential to seriously impede the management of the KITZ Group, we will, based on a request from the Audit Committee, cooperate with the investigation, provide information, and provide other necessary support or implement the necessary measures to resolve the problem, as well as implement measures to make corrections and prevent recurrences.
- (8) We will establish an Internal Audit Office that is under the direct control of the Representative Executive Officer & President and, based on the Internal Audit Regulations, smoothly and effectively conduct internal audits regarding the "effectiveness and efficiency of business operations," the "reliability of reporting (financial reporting etc.)," the "compliance with laws and regulations related to business activities," the "safeguarding of assets" as well as the "evaluation of the effectiveness of the corporate governance process," the "evaluation of the effectiveness of risk management in business activities, and contribution to the improvement of risk control systems of the Company and its consolidated subsidiaries."
- (9) In order to ensure the "reliability of reporting (financial reporting etc.)" of the Company and its consolidated subsidiaries, the Internal Audit Office will regularly evaluate the design and operation status of the internal control system related to financial reporting, and based on that evaluation, implement continuous improvement activities.
- (10) The General Manager of the Internal Audit Office will report plans, results, and other necessary information regarding internal audit of the Company and its subsidiaries to the Representative Executive Officer & President, the Audit Committee, Senior Executive Officers, and the presidents of the subsidiaries.
- (11) Senior Executive Officers, Divisional Supervisors, and the presidents of the subsidiaries, upon receiving the pointing out of problems based on the internal audit results from the General Manager of the Internal Audit Office, will promptly consider and implement improvement measures.
- (12) The General Manager of the Internal Audit Office will, as necessary, attend the Board of Directors meetings and prepare a system that allows for directly reporting on the implementation status and results of internal audit of the KITZ Group.
- (13) We will dispatch Directors and Auditors to major subsidiaries to supervise the execution of duties by the Directors of the subsidiaries.
- (14) In the Board of Directors Regulations, Authority Regulations, Approval Regulations, Group Company Management Regulations, and other related regulations (hereinafter collectively referred to as the "Group Company Management Regulations"), we will ensure the appropriateness of operations at our subsidiaries by clarifying the important matters that we approve of our subsidiaries.

- (15) When transactions are conducted among companies within the KITZ Group, we will ensure that they are fair and reasonable in light of laws, accounting principles, and other social norms.
- (16) We will respond resolutely and organizationally to antisocial forces and other related organizations that threaten social order and safety, in cooperation with lawyers and other experts and the police. Additionally, in order to fulfill our social responsibility as the KITZ Group, we will continue to implement initiatives to eliminate antisocial forces.

## **2. Structure for storing and managing information related to the execution of duties**

- (1) We will appropriately preserve and manage information in important documents (including electromagnetic records) related to the execution of duties by Senior Executive Officers in accordance with laws and regulations as well as internal regulations.
- (2) Senior Executive officers and Divisional Supervisors shall build and design a structure for appropriately storing and managing information on important documents (including electromagnetic records) related to the execution of duties by Directors at subsidiaries in accordance with laws and regulations and the internal regulations of the relevant subsidiaries, and supervise its operation.
- (3) Based on our information security policy regarding the creation, use, and management of information and our personal information protection policy, we will ensure the appropriate storage and management of information and prevent leaks and inappropriate use of information. Additionally, the Information Security and Personal Information Protection Committee will comprehensively manage the information security of the KITZ Group and provide supervision over information security.
- (4) Based on internal regulations, we will keep important documents, such as approval documents, of the Representative Executive Officer and the Board of Senior Executive Officers available for viewing by Directors as necessary.

## **3. Regulations and other structures regarding the management of the risk of loss in the KITZ Group**

- (1) The Board of Directors will establish a risk management structure for the KITZ Group, establish a Basic Policy on Risk Management, and supervise its operation.
- (2) The Board of Directors will establish a Risk Committee chaired by an Outside Director as a voluntary organization whose purpose is to assist the Board of Directors in supervising the risk management of the KITZ Group and contribute to the sophistication of risk management as an integral part of the management strategy.
- (3) We will establish a supervisory division in charge of risk management and will work to enhance group risk management based on the Basic Policy on Risk Management.
- (4) The Board of Senior Executive Officers will, based on the Basic Policy on Risk Management, identify, analyze,

and evaluate risks in the business execution of the KITZ Group, and consider and implement countermeasures.

- (5) We will establish committees for sustainability promotion, internal control, compliance, crisis management, risk management, investment and loans review, and the various other functions under the direction of the Representative Executive Officer & President to appropriately manage and evaluate the risks of the KITZ Group, and perform checks, improvements, and other necessary controls.
- (6) The Internal Audit Office will evaluate the KITZ Group's risk management process.

#### **4. Structure for ensuring that the duties are efficiently executed by the Senior Executive Officers of the Company and Directors of its subsidiaries**

- (1) The Board of Directors will decide on important matters stipulated in the Board of Directors Regulations in addition to those stipulated by laws and regulations or the Articles of Incorporation.
- (2) The Board of Directors will determine matters to be delegated to Senior Executive Officers among decisions related to business execution, aiming to speed up and improve the efficiency of decision-making.
- (3) The Board of Directors will determine the chain of command and division of duties for Senior Executive Officers.
- (4) The Board of Directors will receive reports from Senior Executive Officers regarding the status of business execution at least once every three months in principle and supervise them.
- (5) The Board of Directors will establish a Board of Senior Executive Officers that is composed of all Senior Executive Officers and presided over by the Representative Executive Officer & President appointed by the Board of Directors.
- (6) Of the matters delegated by Board of Directors to Senior Executive Officers, matters delegated to all Senior Executive Officers will be determined by the Board of Senior Executive Officers meetings, and matters delegated to the Representative Executive Officers will be determined by the Representative Executive Officers.
- (7) The Representative Executive Officer & President will establish a Management Conference to receive reports on business execution from Senior Executive Officers and Divisional Supervisors, as well as confirm and coordinate the progress of the Medium-term Management Plan and the Annual Management Plan.
- (8) In order to speed up and improve the efficiency of decision-making and clarify the decision-making process, we will establish and operate Authority Regulations and Approval Regulations that define the authority and responsibility of each Senior Executive Officer and employee.
- (9) We will establish the financial policy of the KITZ Group, strengthen financial governance, and supervise and manage funds, foreign exchange, and financial institution transactions in the KITZ Group.
- (10) In order to supervise the management of subsidiaries, we will appoint the manager in charge of each

subsidiary (hereinafter referred to as the "Subsidiary Manager").

- (11) In addition to serving as a Director of the applicable subsidiary, the Subsidiary Manager will also approve important matters related to the execution of business of the applicable subsidiary.

#### **5. Structure for reporting matters related to the execution of duties by Directors and employees of subsidiaries to the Company**

- (1) The President & CEO of each subsidiary will report to the Representative Executive Officer & President of the Company regarding important matters related to the management status of the relevant subsidiary in accordance with the Group Company Management Regulations.
- (2) Directors and employees of each subsidiary will report important matters related to the execution of duties to the Subsidiary Manager.
- (3) Based on the Accounting Regulations and Consolidated Accounting Detailed Regulations, we will, by ensuring timely and appropriate reporting from our subsidiaries, accurately grasp the financial status and business results of the KITZ Group and appropriately maintain and manage consolidated accounting policies.

#### **6. Matters related to employees who assist the Audit Committee in its duties and their independence from Senior Executive Officers and matters related to ensuring the effectiveness of the Audit Committee's instructions to employees**

- (1) We will establish an Audit Committee Office under the direct control of the Audit Committee as an organization to assist the duties of the Audit Committee and Audit Committee Members.
- (2) We will assign full-time employees in the Audit Committee Office who are capable of assisting the duties of the Audit Committee and the Audit Committee Members (hereinafter referred to as "Standing Full-Time Office Members").
- (3) If deemed necessary by the Audit Committee, we will have all employees belonging to the Internal Audit Office concurrently serve as members of the Audit Committee Office on a temporary basis (hereinafter referred to as "Temporary Office Members," and Standing Full-Time Office Members and Temporary Office Members are hereinafter collectively referred to as "Audit Committee Office Members"), and under the direction of the Audit Committee, we will ensure a structure that allows them to directly and preferentially give instructions regarding additional investigations related to internal audit and investigations into serious legal violations.
- (4) We will ensure independence of Audit Committee Office Members from business execution when these members perform their duties.
- (5) Directors (excluding Audit Committee Members) and Senior Executive Officers will not issue directions or orders when Audit Committee Office Members assist the Audit Committee with its duties.

- (6) Standing Full-Time Office Members will perform their duties in accordance with the instructions of the Audit Committee and the Audit Committee Members, as well as perform secretarial duties of the Audit Committee. In addition, Standing Full-Time Office Members may concurrently serve as Auditors of subsidiaries.
- (7) We will determine matters on personnel affairs of Standing Full-Time Office Members after obtaining the consent of the Audit Committee in advance. Additionally, the Audit Committee will conduct personnel evaluations of Audit Committee Office Members.

**7. Structure in which Directors (excluding Audit Committee Members), Senior Executive Officers, and employees of the Company, and directors, auditors, and employees of its subsidiaries, or persons receiving reports from these persons can make reports to the Audit Committee of the Company, and structure for ensuring that those who have made reports to the Audit Committee are not treated unfavorably due to the fact that they have made such reports**

- (1) Directors (excluding Audit Committee Members), Senior Executive Officers, and employees of the Company and directors, auditors, and employees of its subsidiaries or persons receiving reports from these persons will promptly report to the Company's Audit Committee any facts that violate laws and regulations or the Articles of Incorporation, any fraudulent acts, or any other facts that may seriously impede or cause significant damage to the Company's management.
- (2) Directors (excluding Audit Committee Members), Senior Executive Officers, and employees of the Company and directors, auditors, and employees of its subsidiaries or persons receiving reports from these persons will, when requested by the Audit Committee to make reports, promptly make reports to the Audit Committee in accordance with laws and regulations and the Audit Committee Regulations.
- (3) We will not treat Directors (excluding Audit Committee Members), Senior Executive Officers, and employees of the Company and directors, auditors, and employees of its subsidiaries or persons receiving reports from these persons disadvantageously due to the fact that they have made reports to the Audit Committee.

**8. Procedures for advance payment or reimbursement of expenses arising from the execution of duties by Audit Committee Members and other matters related to policies on the disposal of such debts**

- (1) If we receive requests for advance payment or reimbursement of expenses associated with the execution of duties by the Audit Committee and Audit Committee Members, we will promptly respond to such requests, unless the requests are deemed not to be related to the execution of duties by the Audit Committee or the relevant Audit Committee Members.
- (2) We will bear the remuneration for experts such as lawyers and other expenses associated with the execution of duties by the Audit Committee and Audit Committee Members, including those paid in advance.

**9. Other structure for ensuring that the Audit Committee conducts audit effectively**

- (1) We will ensure the effectiveness of audit by having Directors (excluding Audit Committee Members), Senior Executive Officers, and employees of the Company and directors, auditors, and employees of its subsidiaries respond to investigations and on-site audit by the Audit Committee.
- (2) We will ensure that the Audit Committee has opportunities to sufficiently exchange opinions with our Directors (excluding Audit Committee members), Senior Executive Officers, Financial Auditors, and other necessary persons.
- (3) The Representative Senior Executive Officer & President will regularly exchange opinions on management issues and other matters with the Audit Committee.
- (4) The General Manager of the Internal Audit Office will strive to work closely with Financial Auditors and Audit Committee Members at the three-way audit meeting presided over by the Audit Committee.
- (5) We will ensure that Audit Committee Members have opportunities to attend important meetings and express their opinions.
- (6) The Audit Committee will regularly exchange information and opinions with Auditors of subsidiaries in order to ensure the effectiveness of audit throughout the Group from the perspective of consolidated management. In addition, we will ensure opportunities to collaborate with Auditors of subsidiaries and collect information from employees of subsidiaries at the request of the Audit Committee.
- (7) Audit Committee Members may utilize lawyers, certified public accountants, and other experts if deemed necessary for the performance of duties by the Audit Committee.