

# Audit Committee Report



**Masataka Mitsuhashi**  
 Independent Director  
 Audit Committee Chairperson

## Contributing to MSV by strengthening the audit system in line with Asset Assembler model

Since its establishment in FY2020, the Audit Committee has been working to improve the Group's audit system through "Audit on Audit," where internal audits of partner companies are fully relied on. At the Group Audit Committee (GAC) meeting, which is held twice a year and attended by people in charge of internal audit of each PCG, we work to raise the overall auditing level through the sharing of best practices and other means, thereby strengthening the cooperative structure between the Audit Department and the internal audit units in each region (see the next page).

We have also established a risk-based global audit system in which the Audit Department assesses the risks of the entire Group through risk assessment surveys to each partner company started in FY2022, while the internal audit units in each region audit and advise on individual risks. In addition, such as introduction of data analytics to each internal audit unit, we contribute to MSV through our audit activities for improving business operation.

Based on its evaluations in FY2021, the Audit Committee has identified issues in the following main areas: (1) the effectiveness of the audit system in the corporate group, (2) the monitoring and verification of the risk management system, (3) the monitoring and verification of financial reporting and information disclosure, (4) the effectiveness of IT governance, and (5) the effectiveness of responding to ESG and SDGs. The Committee is deliberating the implications of these five areas for MSV. In addition, through ongoing interviews with GKP and other senior management, we are furthering our understanding of the situational realities of the workplace, while remaining focused on improving the quality and effectiveness of audits appropriate to our Asset Assembler model.

## Risk-based global audit system

The Company's Audit Department ensures the independence and appropriateness of audits by establishing double reporting lines to the Audit Committee and Representative Executive Officers & Co-Presidents. As the entity in charge of establishing a global internal audit system, the Audit Department supports the audit activities of the Audit Committee and conducts J-SOX evaluations as well as supervises the audit activities conducted by internal audit units in each region. Specifically, on top of analyzing the results of assessments of important risks at each partner company, the Audit Department promotes collaboration among internal audit departments of each partner company to improve the maturity of internal audits for the entire group that contribute positively to MSV. By these methods, we have established an "Audit on Audit" system, where the results of internal audits conducted by each partner company are fully relied on, enabling us to develop an effective global audit system.

## Coordination with Accounting Auditor and local audit firms

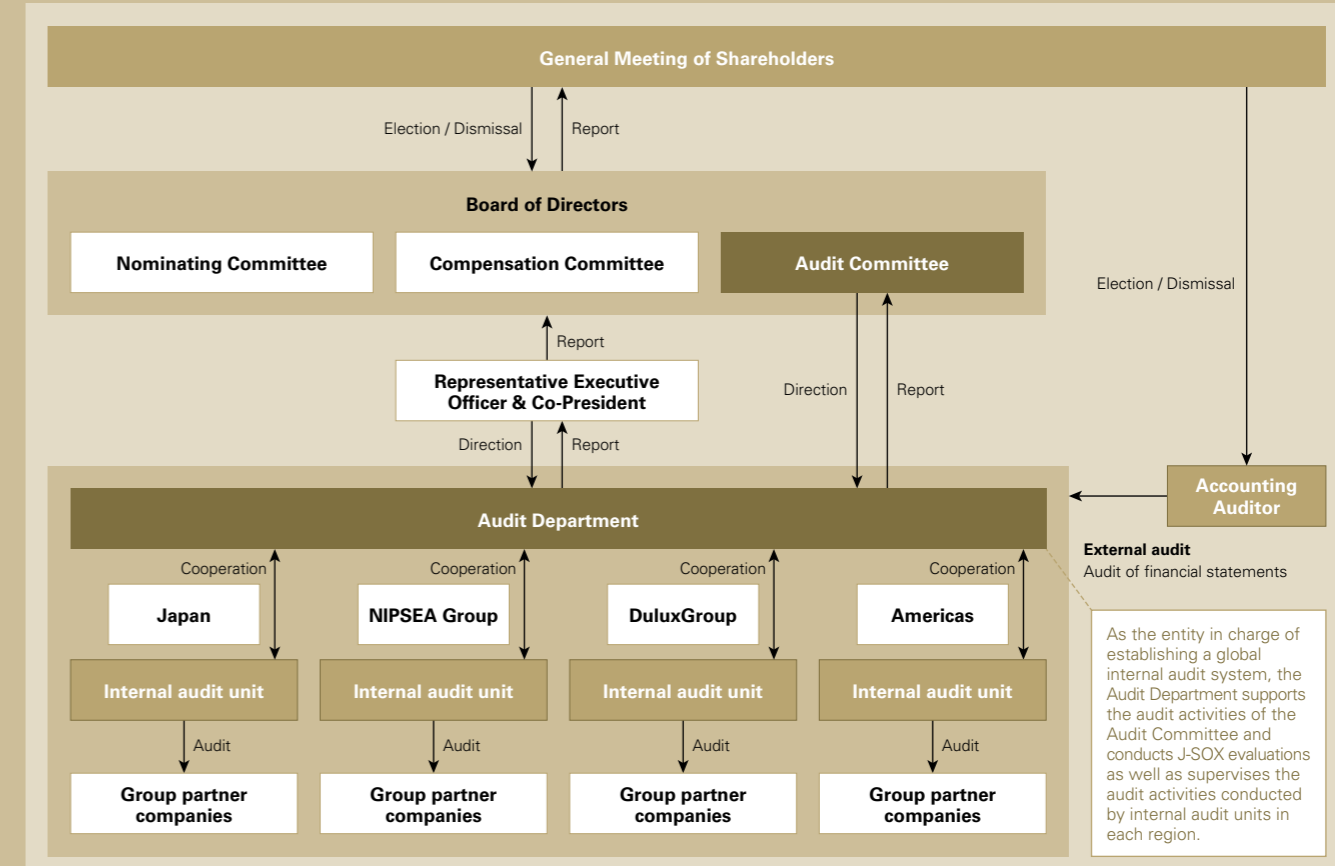
The Audit Committee monitors and verifies whether the Accounting Auditor conducts appropriate audits while maintaining its independent position. The status of the execution of duties is checked at the Three-Party Audit Meeting held on a regular basis. Relevant matters of concern are shared as needed to ensure close and organic coordination. Particularly with regard to Key Audit Matters (KAM), which we began adopting in FY2021, the Company held discussions with the Accounting Auditor on items that involve significant management decisions, including accounting estimates, and items likely to have a significant impact on financial statements, and confirmed the appropriateness and consistency of information disclosure.

The Audit Committee also conducts direct interviews with local audit firms in charge of accounting audits of major overseas partner companies. The committee discusses audit findings at the partner companies,

financial and tax risks, and the status of communication between local management and the Company's Accounting Auditor to identify risk factors and confirm the performance of duties by local audit firms.

In Japan, the Audit Committee holds regular meetings with corporate auditors of partner companies to share information and exchange opinions on issues identified through audits and other matters. Through these and other activities, the Audit Committee is working to further improve the effectiveness of our activities.

## "Audit on Audit" Group audit system



<b>Chairperson</b>	Masataka Mitsuhashi (Independent Director)	<b>Number of meetings held</b>	FY2021 (from late March 2021 to early March 2022) 16 FY2022 (from late March 2022 to early May 2022) 3
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**Role of the Committee**  
 Conduct audits on the execution of duties by Executive Officers and Directors, prepare audit reports, and determine the content of proposals regarding the election, dismissal and refusal of reelection of Accounting Auditor to be submitted to the General Meeting of Shareholders.

- Main activities**
- The Audit Committee:
- Prepared audit reports based on the results of audits on the status of execution of duties by the Executive Officers and Directors and other factors.
  - Resolved the content of proposals regarding the election, dismissal and refusal of reelection of Accounting Auditor to be submitted to the ordinary general meeting of shareholders.
  - Conducted audits concerning financial results and the ordinary general meeting of shareholders.
  - Shared best practices (e.g., cases, audit findings, risk management, background of selecting audit themes) at Group Audit Committee (GAC).

