

## **Systems for Ensuring Proper Business Activities and Operation of the Systems**

### **1. Basic Approach to the Development of Internal Control Systems**

In accordance with this policy established by the Board of Directors, the Company assesses the contents of the Group's internal control system and its operation, and takes improvement measures. The Board of Directors also confirms the operation of the internal control systems established through reports from Representative Executive Officer & Co-President, and endeavors to supervise the Representative Executive Officer & Co-President to ensure that the system is reviewed in light of changes in the business environment.

### **2. Matters concerning execution of duties by Executive Officers**

#### **(1) Ensuring efficiency**

- (a) The Company's Board of Directors has delegated important decisions related to business execution to the two Representative Executive Officers & Co-Presidents, and clarified that each Co-President shall be responsible for global business operations or execution of M&A strategy and corporate functions, including financial policy and financing, and that the Managing Executive Officer and GC shall be responsible for supporting governance (including internal controls) of group management under the Co-President structure, ensuring efficiency in execution.
- (b) Representative Executive Officer & Co-President delegates authority to the Partner Company Groups based on "trust" while respecting their independence and autonomy, and they ensure that each Partner Company Group can concentrate on business management while operating their own internal control systems.
- (c) The Board of Directors receives reports on the status of the execution of duties from the Representative Executive Officer & Co-President on a regular or as-needed basis, and it deliberates appropriately on the implementation of important matters and the medium-term plan, and so forth, as well as advising the Representative Executive Officer & Co-President on such matters.

#### **(2) Storage and management of related information**

The Company has strengthened its information management system by reviewing its internal rules for matters such as information management, information security, and prevention of insider trading to ensure greater effectiveness. In addition, the Company appropriately stores and manages various information related to the execution of duties, such as minutes of the Board of Directors meetings and other important meetings, as well as electromagnetic records of electronic approvals, and has established and operates a database that Directors can access as needed.

### **3. Matters relating to ensuring proper business activities in the corporate group**

#### **(1) Group management system**

- (a) The Company ensures the fairness and appropriateness of its relationship with the Controlling Company by clearly stating in its Board of Directors Rules and Corporate Governance Policies that when the Company enters into a transaction with the Controlling Company, it must obtain approval from the Board of Directors, of which the majority are Independent Directors, or the Special Committee, and so forth. There were no such transactions in FY2022.
- (b) In accordance with the Basic Policies of Global Risk Management, the Company receives reports on the results of self-inspections on risk management by each Partner Company Group once a year, and the Representative Executive Officer & Co-President oversaw these risk management activities to ensure proper business activities in the entire Group.
- (c) The Company's Representative Executive Officer & Co-President supervised the execution of businesses of important subsidiary companies by participating in their important meetings such as the Board of Directors and the Executive Committee as necessary.
- (d) In evaluating the head of the Partner Company Group, the Company took into consideration financial factors and non-financial factors such as fulfilment of its responsibilities related to internal control, and it made appropriate decisions regarding the election and dismissal.
- (e) The Audit Department oversees the effectiveness of the Group's internal control system through analysis of the results of material risk assessments related to the internal control system by each site and internal audit reports on material risks by the regional internal Audit Departments.

## **(2) Risk Management System**

- (a) In accordance with the Basic Policies of Global Risk Management, the Company receives reports on the results of self-inspections on risk management by each Partner Company Group once a year, and the Representative Executive Officer & Co-President, who oversees risk management, reported the results of these inspections to the Board of Directors.
- (b) In accordance with the Basic Policies of Global Risk Management, the Company receives reports on incidents with certain degree of influence from each Partner Company Group in a timely manner, and it responded appropriately.
- (c) The Company receives reports on the results of self-inspections of risk management by each Partner Company Group and encouraged each Partner Company Group to improve and develop an effective internal control system. There were no matters to be deliberated by the Global Risk Management Committee during the current fiscal year.

## **(3) Compliance System**

- (a) Based on the Global Code of Conduct, the Company requires the Officers and Employees of the Group to comply with such Code of Conduct when they conduct businesses, monitors whether a compliance system is in place for each Partner Company Group through annual self-inspections, and the Co-President points out and provide guidance if there are any problems.
- (b) In order to ensure appropriate financial reporting and so forth, the Company has evaluated the internal controls related to its financial reporting, and has ensured their appropriateness.
- (c) In accordance with the Global Basic Policies of Whistleblowing Hotline, which stipulates the general conditions for whistleblowing contact points to be established, the Company has established whistleblowing contact points available to employees at each Partner Company Group. The status of operation of these contact points is reported annually by each Partner Company Group to the Company.

## **4. Matters concerning the execution of duties by the Audit Committee**

### **(1) Establishment of Assisting Department and Securing Independence**

- (a) The Company designates the Audit Department with dual reporting to the Representative Executive Officer & Co-President and the Audit Committee as an organization to assist the duties of the Audit Committee, serving the function of the secretariat. Under the instruction of the Audit Committee, the Audit Department assists the Audit Committee in its audit activities, including investigation, analysis, and reporting of matters to be audited, and also oversees the audit activities conducted by the regional internal audit organizations to establish a global internal audit system.
- (b) The Company's "Audit Committee Rules" stipulate the authority of the Audit Committee to consent to matters related to personnel authority of the General Manager of the Audit Department, the basic policies, audit plans, and budgets of the Audit Department, and stipulate that the instructions of the Audit Committee regarding audits prevail over those of the Representative Executive Officer & Co-President.

### **(2) Reporting system to the Audit Committee**

- (a) The Audit Committee actively exchanges opinions with Directors, Executive Officers, and others to confirm the status of issues to be addressed by the Company and the execution of their duties, and receives regular reports on audit results from each regional Internal Audit Department and from the Audit & Supervisory Board members of Partner Company Groups in the Japan region.
- (b) In accordance with the Basic Policies of Global Risk Management, the Company has established a system whereby the Officers and Employees of the Group who become aware of any situation (including violation of laws and regulations and serious accidents) that may cause serious damage to the business or property of the Group report such situation to the Audit Committee and each regional Internal Audit Department, without delay.
- (c) The Audit Committee holds Three-Party Audit Meetings, which are attended by the Accounting Auditor and the General Manager of the Audit Department, on a regular basis to share information and exchange opinions on matters such as issues identified through audits. The Audit Committee also directly interviews local audit firms in charge of accounting audits of major overseas Partner Companies to discuss audit findings, financial and tax risks, and the status of communication between local management and the Company's Accounting Auditor, in order to understand risk

factors and confirm the status of execution of duties by local audit firms.

- (d) The Company has established the “Global Basic Policies of Whistleblowing Hotline” and ensures that no disadvantageous treatment is given to any person who reports to the Audit Committee or the Audit Department, or through the whistle-blowing system.

**(3) Ensuring the effectiveness of the audits by the Audit Committee**

- (a) The Audit Committee holds regular meetings with Representative Executive Officer & Co-President, and exchanges opinions with regard to matters such as issues to be addressed by the Company, the status of the audit environment, and important audit matters.
- (b) The Audit Committee regularly receives the reports of the results of audits conducted by each regional Internal Audit Department, shares information and exchanges opinions on issues identified through audits through the Group Audit Committee, which brings together the Audit Department and the heads of the Internal Audit Departments of major domestic and overseas subsidiary companies and regular meetings with the Audit & Supervisory Board members of Partner Companies in the Japan region. Through these and other activities, the Audit Committee is working to improve and strengthen the Group-wide audit system, establish an “Audit on Audit” that relies on the results of audits conducted at each site, and improves the effectiveness of audits.
- (c) Audit Committee members and the General Manager of the Audit Department, who are selected by the Audit Committee, audit the appropriateness of the management decision-making process by attending meetings that the Audit Committee members deem important or reviewing minutes of these meetings, and checking important decision-making records and so forth, as necessary.
- (d) As for expenses necessary to execute duties of the Audit Committee, the Company responds to a payment promptly after the request of payment is made so that their activities are conducted without any constraints.