

## Basic Internal Control Policies :( Revision 1, January, 2022)

The corporate group comprising Yamabiko and its subsidiaries (hereinafter referred to as the “Yamabiko Group” or the “Group”) shall appropriately fulfill its social responsibilities as a firm based on high ethical values and shall prescribe basic management policies aiming to maximize corporate value. Based on these basic policies, the Company shall promote the development, maintenance, and improvement of its internal control system and seek to prepare systems to ensure appropriate operations covering the whole Group.

### **1. System to ensure that the performance of duties by directors and employees of the Yamabiko Group is in conformity with laws, ordinances and the Articles of Incorporation**

To bolster and enhance corporate governance, the Yamabiko Group shall clearly delineate authority and responsibility on the basis of a management system which appoints corporate auditors.

The directors and employees of the Yamabiko Group shall follow the “Group Compliance and Risk Management Regulations” and related regulations based on our corporate vision and shall endeavor to construct and put into practice an effective compliance posture.

Furthermore, along with enhancing the supervisory function by means of outside directors and outside auditors, the Yamabiko Group shall have its Internal Auditing Department conduct audits, and also shall develop a whistle-blower system globally, including overseas subsidiaries.

### **2. System relating to the management and storage of information concerning the performance of duties by the Yamabiko Group’s directors**

Pursuant to the “Document Management Regulations” and related regulations, the Yamabiko Group shall appropriately store and manage important documents and records relating to the business management and the execution of operations, and shall also put in place a system to allow such documents and records to be easily perused by the directors and corporate auditors.

### **3. Rules and other systems relating to the management of the Yamabiko Group’s risk of loss**

In order to undertake the organized and systematic management of risks which interfere with the execution of the smooth management of the Yamabiko Group,

“Group Compliance and Risk Management Regulations” shall be enacted and, based on these regulations, the Group shall designate parties in charge of risk management and construct an appropriate risk management system in each of their operating units.

Additionally, appropriate compliance risk management shall be put into practice in the Yamabiko Group by organizing a Compliance Risk Management Committee, etc, and a system shall be constructed to limit to the minimum damage arising in emergency situations by means of a review of the BCP (Business Continuation Plan), etc.

#### **4. Systems to ensure the effective undertaking of the performance of duties by the Yamabiko Group’s directors**

Yamabiko shall make important decisions relating to management policies and strategies at the board meetings. The Corporate Management Committee, which shall be composed of directors and principal operating officers and which shall, as a general rule, hold meetings twice a month, shall make prompt decisions appropriate to the execution of operations pursuant to the decisions of the Board of Directors. Operating officers selected from each technical field shall execute the operations of which they are respectively in charge.

With respect to the state of each director’s execution of operations, the Board of Directors shall receive general reports and reports on future efforts, and shall undertake constant monitoring and supervision.

These management organizations shall be firmly operated in compliance with the “Board of Directors Regulations”, the “Corporate Management Committee Regulations”, and the “Operating Officers and Operating Officers Committee Regulations”, and shall clearly make decisions in accordance with the prescribed standards for decision making.

The execution of duties pursuant to the resolution of the Board of Directors shall be appropriately conducted in accordance with the authority and responsibility of the respective organizations and persons in charge pursuant to the “Organizational and Operational Division Regulations”, the “Organizational and Occupational Authority Regulations” and related regulations.

Regulations on division of duties, reporting line, job functions, decision making, and other organizational matters shall be established also for the subsidiaries; each party or person in charge shall appropriately carry out the decisions made in accordance with its / his / her authority and responsibility.

The Yamabiko Group shall develop 3-year mid-term group business plans and

decide priority objectives as well as budget allocations for the respective fiscal years to translate such mid-term business plans into reality.

#### **5. Systems to ensure appropriate operations in the Yamabiko Group**

The Yamabiko Group shall share in common the basic internal control policies and shall endeavor to put into place systems to ensure the appropriateness of operations. Additionally, with respect to the subsidiaries of Yamabiko, their roles, authorities and responsibilities shall be determined pursuant to such regulations as the “Affiliated Company Management Regulations”, and their operations shall be appropriately executed so as to contribute to the optimization of the operations of the Group as a whole. Furthermore, a system shall be developed to have the subsidiaries make regular reports on their business performance, financial status, and other important matters to the Company.

#### **6. Systems to ensure the reliability of financial reporting**

In order to ensure the reliability of financial reporting, the Yamabiko Group shall construct internal controls pertaining to financial reporting and shall seek the appropriate preparation and operation relating to assessments and reports.

#### **7. Matters relating to employees and employees’ independence from directors when corporate auditors request the appointment of employees to assist with their duties**

In the event corporate auditors request the appointment of an employee to assist with their duties, the Board of Directors shall, having consulted with the corporate auditors, select and appoint an employee to assist the corporate auditors. Authority to direct the activities of the appointed employee shall be transferred to the corporate auditors and the determination of matters relating to human resources such as appointments, transfers and evaluations of the said employee shall require the agreement of the corporate auditors.

#### **8. Systems for directors and employees of the Yamabiko Group to report to corporate auditors and systems for other reporting to corporate auditors**

The Yamabiko Group’s directors and employees shall report to the corporate auditors on management decisions and the state of the execution of operations via the Board of Directors, the Operating Officers Committee, the Corporate Management Committee and other important internal committees or through periodic reports and the forwarding, etc. of important documents.

At the same time, they shall promptly and appropriately respond to the corporate

auditors' request for reports on the business or inquiries on the operational and financial status of the Yamabiko Group.

The party in charge of the Yamabiko Group's whistle-blower system shall regularly report to the corporate auditors of Yamabiko on the status of whistle-blowing by the Group's directors or employees.

Furthermore, in the case where a director or an employee of the Group reports an issue through the whistle-blower system, it is clearly stated in the "Group Compliance Consultation Desk Operation Rules" that the consulter must not be given any disadvantages whatsoever, such as acts of retaliation and personnel treatment handling, etc., on the grounds of having consultation, etc.

#### **9. Systems to ensure corporate auditors' effective undertaking of audits**

The representative director and the directors of the Yamabiko Group shall periodically exchange opinions with the corporate auditors and also shall recognize the importance and utility of the corporate auditors' audits and shall proactively cooperate in such audits.

#### **10. Policies on settlement of expenses or liabilities incurred by the execution of duties by the corporate auditors, including procedures for prepayment or repayment of such expenses**

Yamabiko shall appropriate a certain amount of budget every year to pay the expenses incurred by the corporate auditors through the execution of their duties. Moreover, it shall bear the expenses to hire an outside expert chosen by the Board of Corporate Auditors such as a lawyer, when the Board requests that the corporate auditors should have him / her as their adviser, except when deemed unnecessary for execution of their duties.

#### **11. Fundamental point of view and the state of preparations directed at excluding anti-social forces**

Pursuant to the "Group Compliance and Risk Management Regulations", the Yamabiko Group shall cut off all relations with anti-social forces and groups which threaten the order and safety of civil society. Additionally, it shall liaise with the police, the Council for Countermeasures to Prevent Organized Crime, the National Center for the Elimination of *Boryokudan*, attorneys, and other specialist organizations and, having gathered information, shall put in place, as an organization, a posture that takes a resolute stance against anti-social forces.