

RYODEN CORPORATION

Basic Policy on the Internal Control System

1. Systems to ensure that the execution of the duties of directors and employees complies with laws and regulations and the articles of incorporation

- (i) As the Company regards thorough compliance as a management issue of the greatest importance, it shall establish regulations on compliance and ensure that all directors and employees of the Company and the Group are thoroughly informed and educated about such regulations.
- (ii) To strengthen and broaden the internal control systems of the Company and the Group, the Company shall establish a "Risk Management Supervisory Committee," chaired by the president and director, which supervises the status of activities related to internal controls.
- (iii) To ensure full compliance in business activities, the Company shall establish an "Ethics and Compliance Committee," chaired by the executive officer in charge of ethics and compliance. This Committee regularly determines and implements measures to promote compliance, and the Internal Audit Division audits the compliance status of the Company and the Group.
- (iv) The Company shall establish "Ryoden Group Guidelines for Action," which stipulates a resolute stance against anti-social forces, and shall ensure all directors and employees of the Company and the Group strictly abide by the guidelines, and shall establish an appropriate framework for this purpose.
- (v) A director or employee of the Company and the Group who notices or suspects a compliance violation can report the incident using the hotline system, and no disadvantageous treatment shall be accorded to the person who reports the incident.
- (vi) The Risk Management Supervisory Committee shall report the activities of the hotline system to the Executive Committee and the Board of Directors, and the Board of Directors shall supervise the operational status of the hotline system.
- (vii) The Risk Management Supervisory Committee shall share information with the Internal Audit Division on the status of its activities and identified risks, and shall implement effective risk management.

2. Systems regarding retention and management of information in relation to the execution of the duties of directors

In accordance with internal regulations, the Company shall appropriately retain and manage such documents that are required to be stored by laws and regulations and important documents, as well as other related materials (including electromagnetic

records), and shall maintain a system that allows access to such information when necessary.

3. Rules and other systems related to management of the risk of loss

The Company shall establish "Business Risk Verification Regulations" relating to business risks of the Company and the Group, and the Business Risk Committee, chaired by the executive officer in charge, shall identify risks and implements countermeasures based on the likelihood of occurrence and the degree of impact. The Committee also reports the status of risk management to the Risk Management Supervisory Committee to ensure multifaceted risk management by the Company and the Group.

4. Systems to ensure that the execution of the duties of directors is performed efficiently

- (i) The Company shall hold a regular meeting of the Board of Directors once a month to make decisions on important matters and to supervise the execution of each director's duties. In addition, in order to further strengthen the functions of the Board of Directors and make them more efficient, matters to be submitted to the Board of Directors shall be deliberated in advance at the Executive Committee.
- (ii) The Board of Directors shall establish the division of duties and authority of each organization, clarify the authority and responsibilities of each organization, and establish a system for the proper and efficient execution of duties.
- (iii) In order to ensure the effectiveness of efficiency, the Company and each of the Group company shall clearly set the planned values for each business year, and manage the status of their execution.

5. Systems to ensure proper business activities in group companies

- (i) The Company shall require each Group company to report to the Company in advance or seek approval for important matters regarding the Group companies.
- (ii) The corporate auditors in each Group company, the Company's corporate auditors and the Internal Audit Division, shall share information and work together to conduct audits of the Group companies to ensure the appropriateness of the operations of the corporate group.

6. System for ensuring the appropriateness of financial reporting

In order to ensure the appropriateness and reliability of financial reporting by the Company and the Group, the Company shall establish the FIEA Internal Control Evaluation Committee, chaired by the executive officer in charge, and its effectiveness shall be regularly evaluated.

7. Particulars relating to employees who have been requested by corporate auditors to assist with the duties thereof

When deemed necessary by the corporate auditors, employees shall be assigned to assist the corporate auditors upon consultation with the directors.

8. Particulars regarding independence from the directors of the Company of employees appointed to assist with the duties of auditors and ensuring the effectiveness of instructions given by auditors to such employees

- (i) In the event that employees are appointed to assist the auditors, the auditors and directors shall discuss matters related to the personnel rights of such employees in advance.
- (ii) Such employees shall exclusively follow the instructions and orders of the corporate auditors.

9. Systems for directors and employees to report to corporate auditors and other systems related to reporting to corporate auditors

- (i) Directors and employees of the Company and the Group shall report to the Board of Corporate Auditors the deliberations at important meetings, the results of internal audits, and other important matters concerning the execution of business of the Company and the Group, and shall report to the Board of Corporate Auditors without delay any matters that may have a material impact on the business of the Company and the Group.
- (ii) The department in charge of the Company's hotline system shall regularly report to the Company's corporate auditors on the status of whistleblowing by directors and employees of the Company and the Group.
- (iii) When requested by each corporate auditor to report on matters concerning the execution of their duties, the directors and employees of the Company and the Group shall promptly report on such matters.
- (iv) The Company shall not treat in a disadvantageous manner any director or employee of the Company or the Group who makes a report to the Company's corporate auditors by reason of such report.

10. Other systems to ensure that audits by the corporate auditors are performed effectively

- (i) The Board of Corporate Auditors and each corporate auditor may enter into contracts with attorneys, certified public accountants, and other advisors as necessary for the performance of their duties.
- (ii) Corporate auditors shall exchange information with accounting auditors and corporate auditors of the Company's group companies and collaborate with them to ensure the effectiveness of audits of the Company and the Group.

(iii) When a corporate auditor requests the advance payment or reimbursement of expenses that arise with regard to execution of the duties thereof, the Company shall promptly process such expenses or obligations, unless such expenses or obligations are deemed not necessary for the performance of the corporate auditor's duties.

(Revised on December 23, 2022)