

Basic Policy for Developing an Internal Control System

1. System to ensure that the execution of duties by our directors, executive officers and employees complies with the laws and regulations and the Articles of Incorporation
 - (1) The Board of Directors shall make decisions on important management matters in accordance with laws and regulations, the Articles of Incorporation, and the Regulations Governing the Execution of Directors, and shall also supervise the execution of duties by directors.
 - (2) The Internal Audit Office, which reports directly to the representative director and president, conducts regular internal audits of the status of compliance with laws and regulations, the Articles of Incorporation, and internal regulations with respect to overall operations in accordance with the Internal Audit Regulations, and the appropriateness of procedures for the execution of duties, based on the plans for audits prepared, and reports the results to the representative director and president and the corporate auditors.
 - (3) Enhance the compliance system through the activities of the Compliance Committee, the Internal Control Committee, the Legal and Licensing Division, and the Internal Audit Office.
 - (4) As part of its compliance activities, the Company provides internal directors and executive officers with annual compliance-related training by outside experts, and makes it mandatory for newly appointed internal directors and executive officers to receive special training.
 - (5) Prepare various regulations and standards linked to the Code of Conduct, such as the Basic Policy on Sustainability, the Corporate Code of Conduct, Labor Regulations, Compliance Regulations, timely disclosure of important information and the Regulations for Preventing Insider Transactions, and make them known to all concerned.
 - (6) In the event that directors, executive officers, employees of the Company and its subsidiaries discover any conduct that violates laws and regulations, the Articles of Incorporation, or various internal regulations, the Company shall establish the Compliance Hotline System (Sanyo Alarm System) that enables reporting to the Company through the whistleblowing hotline within the Company or through an external consulting lawyer, in addition to reporting through the organizational structure, to promptly report to the management team and the corporate auditor, including the representative director and president, and to the chairman of the Compliance Committee.

(7) The entire organization will take a firm stance toward anti-social forces and organizations that threaten the order and safety of civil society, and develop a system to maintain policies that do not involve these forces or organizations at all.

2. System for information storage and management pertaining to the execution of duties by the directors of the Company

The Board of Directors shall prepare and retain the minutes of the Board of Directors meetings, the minutes of the Management Meetings, the minutes of the Executive Committee meetings, the approval documents, various application forms, and contract documents, etc. related to the execution of duties or decision-making by the directors in accordance with the provisions of the document retention rules, and shall establish a management system for these documents.

3. Regulations and other systems for managing the risk of loss

(1) Risks related to our business include "criminal risks," "PL related risks," "operating risks," "labor management risks," "market risks," and "disaster risks." Various regulations and manuals to prevent losses based on such risks shall be formulated, and internal awareness and training on risk management through the Compliance Committee or the Internal Control Committee shall be conducted. In addition, the Internal Audit Office shall monitor the status of such loss prevention measures in order to ensure that they function effectively.

(2) The names and roles of the Committees, etc. concerning the management of the risk of loss are as follows.

“Compliance Committee”

The committee meets quarterly to share perceived concerns about various legal risks and to resolve issues as appropriate. In addition, from the viewpoint of ensuring transparency about discussion content from a third-party perspective, the Board of Corporate Auditors shall attend the meetings and share information with outside officers or external lawyers as necessary, in order to develop a system to obtain appropriate advice on problems.

"Internal Control Committee"

Analyze and assess the risk of a crisis, and prepare the infrastructure to take appropriate measures in the event of a crisis from normal times. Specifically, the Internal Audit Office shall verify the results of internal control tests and analyze them, and the Committee shall formulate countermeasures in order to foster a sound corporate culture that can withstand risks and ensure appropriate business operations.

"Risk Management Committee"

When a risk of loss occurs, the Risk Management Committee responds according to the type of risk in accordance with the Risk Management Regulations.

In the event of an occurrence of "criminal risk," "PL related risk," "operating risk," "labor management risk," "market risk," and "disaster risk," etc., a countermeasure headquarters shall be organized by the relevant divisions designated for each type of risk, and an appropriate control system shall be established and operated. In addition, in the event of a new risk other than the above, the chairman of the Risk Management Committee shall establish a separate task force as necessary, and establish and operate an appropriate management system.

"Legal and Licensing Division"

Acting as a counter department to play a role in resolving the risk in the event of a compliance risk. Determine whether or not to call the Risk Management Committee based on the significance of the risk, and implement a prompt and appropriate response. It also functions as a counter department for the Compliance Hotline System (Sanyo Alarm System).

"Internal Audit Office"

Conduct internal control tests based on the Financial Instruments and Exchange Act, carefully examine the results of the tests, and if there are problems, monitor the crisis management system by urging the relevant departments to pay attention, etc.

4. System to ensure the reliability of our financial reports
 - (1) Establish the necessary systems to ensure the appropriateness of financial information and to prepare and disclose reliable financial reports.
 - (2) Internal Audit Office shall ensure the reliability of our financial reports by auditing the operation of our internal control system over financial reports.

5. System to ensure that the director's duties are executed efficiently
 - (1) Formulate a medium-term management plan and annual business plan on a consolidated basis and promote various measures.
 - (2) Clarify the responsibilities of directors in accordance with the directors' operating regulations, and seek efficiency in organizational management and business promotion.
 - (3) The Management Meeting, which is composed of directors (excluding outside directors) and persons appointed by the Board of Directors, conducts multifaceted examinations and makes decisions on important matters affecting the Company.
 - (4) Business execution authority is delegated to executive officers appointed by the Board of Directors for efficient management of operations.

6. System to ensure the appropriateness of operations in the corporate group consisting of the Company and subsidiaries

- (1) System to report matters pertaining to the execution of duties by directors, etc. of subsidiaries to the Company and system to ensure the efficient execution of duties by said directors, etc.
 - In order to ensure the appropriateness of the Group's business operations, divisions under our jurisdiction and persons responsible for each subsidiary shall be appointed in accordance with the affiliated company management regulations, and dispatch as necessary the managers or members of the relevant divisions as officers to manage the efficient execution of duties by directors, etc. of subsidiaries, and develop a system in which important matters are appropriately reported to the Board of Directors.
 - (2) Regulations and other systems for managing the risk of loss of subsidiaries
 - Each subsidiary's division under our jurisdiction and the person responsible for it shall systematically conduct ongoing controls to assess and respond to risks related to the operations of the subsidiary and establish and maintain a system in which important information regarding such risks is reported to the Board of Directors in a timely manner. In addition, the Legal and Licensing Division of the Company shall collaborate together to review the conclusion of important agreements, etc., as appropriate.
 - (3) System to ensure that directors, etc. and employees of subsidiaries perform their duties in compliance with laws and regulations and the Articles of Incorporation
 - In order to enhance the compliance system of subsidiaries, our Internal Audit Office shall monitor the risk management system of subsidiaries as well as conduct sufficient information exchange and interviews for ensuring proper transactions and accounting procedures. In addition, a system shall be established to ensure the appropriateness of operations equivalent to ours by having our corporate auditors involved in the audits of subsidiaries, or by having our full-time corporate auditors concurrently serve as corporate auditors of subsidiaries as necessary.
 - In order to prevent violations of laws and regulations and the Articles of Incorporation, in the event that whistleblower is received from employees of subsidiaries, etc., appropriate response shall be made in accordance with the Compliance Hotline System Regulations (Sanyo Alarm System Regulations).
7. Matters concerning employees in the event that the corporate auditors request the appointment of employees to assist in their duties
- (1) In accordance with the Corporate Auditor Audit Standards and the Regulations of the Board of Corporate Auditors, in the event of a request by an auditor, an employee who shall assist the duties of the auditor (hereinafter referred to as "assistant employee") shall be appointed from among the employees and assigned to assist the auditor.

- (2) In the event that an assistant employee requests the provision of information or materials necessary for an audit as instructed by the auditor, the directors, executive officers, and employees shall cooperate in promoting the performance of the assistant employee, such as promptly providing such information.

8. Matters concerning the independence of assistant employees from the directors of the Company and matters concerning the ensuring of the effectiveness of instructions to assistant employees of the Company's auditors;
 - (1) No assistant employee shall be directed or ordered by the director or the supervisor of the organization to which the assistant employee belongs.
 - (2) In accordance with our Audit Standards and the Regulations of the Board of Corporate Auditors, matters concerning personnel changes and employment conditions for assistant employees shall be discussed in advance with the corporate auditors.

9. System for reporting to our corporate auditors
 - (1) Our directors, executive officers, and employees shall, at the request of the auditors, report to the auditors on the following matters in a timely manner.
 - ① Regular Reporting Matters
The status of management, the execution of business, the financial condition, and the results of audits conducted by the Internal Audit Office.
 - ② Extraordinary Reporting Matters
Facts that may cause substantial damage to the Company, serious facts that are illegal or violate laws and regulations, Articles of Incorporation, or various internal regulations with regard to the performance of duties by directors, executive officers, and employees, facts reported under the Compliance Hotline System (Sanyo Alarm System), and facts related to material lawsuits, disputes, and administrative dispositions, etc.
 - (2) The Company's representative directors exchange opinions with the corporate auditors on necessary matters at regular meetings.
 - (3) Establish a system that enables directors, corporate auditors and employees of our subsidiaries to report directly to the corporate auditors, by having our corporate auditors participate in the audits of subsidiaries, or by having our full-time corporate auditors concurrently serve as corporate auditors of subsidiaries, as necessary. In addition, the contents of reports made by employees of subsidiaries based on the Compliance Hotline system (Sanyo Alarm System) shall be compiled by our Legal and Licensing Division, which serves as the counter department for this system, and periodically reported to our corporate auditors.

10. System to ensure that the person who has made the report set forth in the preceding paragraph does not receive disadvantageous treatment by reason of such person's having made the report
 - (1) Prohibit giving unfavorable treatment to officers and employees of the Company and subsidiaries who have reported to the corporate auditors due to the fact that they have reported to them, and to make all officers and employees of the company and subsidiaries aware of this.
 - (2) The Compliance Hotline System Regulations (Sanyo Alarm System Regulations) stipulate that the protection of whistleblowers shall be a priority, and prohibit to treat unfavorably the whistleblowers under the said regulations from being treated unfavorably on the grounds that they have made such notification.

11. Matters concerning the procedures for advance payment or reimbursement of expenses arising from the execution of the duties of the corporate auditors and any other matters concerning the policy for processing of expenses or debts arising from the execution of such duties; Provide an annual budget for expenses deemed necessary for the execution of duties by the Board of Corporate Auditors, and shall promptly appropriately process such expenses or debts when requested by the corporate auditors with respect to expenses incurred by the corporate auditors in the execution of their duties.

12. Other systems to ensure that audits by the corporate auditors are conducted effectively
 - (1) In addition to attending the following important meetings, the corporate auditors may inspect the following important materials regarding business execution.
 - ① Meetings attended by the corporate auditors
Important meetings such as the Board of Directors, Management Meeting, Executive Committee/Monthly Performance Confirmation Meeting, Budget Formulation Meeting (including Subsidiary Budget Meeting), Internal Control Committee, Compliance Committee and Sustainability Committee.
 - ② Materials that can be viewed by corporate auditors
Decisions made by the representative director, those related to legal compliance, those related to risk management, those related to internal audits, those related to changes in significant accounting policies, those related to significant lawsuits and disputes, those related to significant accidents, complaints and problems, and other documents related to important decisions.
 - (2) Directors shall establish an environment in which the corporate auditors can obtain appropriate advice from legal, accounting, and other specialists so that the corporate

auditors can conduct their audits effectively, and promote a system of cooperation between the corporate auditors, the Internal Audit Office, and the accounting auditors.

13. Revision or abolition of this policy

In the event that it becomes necessary to review this policy, it shall be revised by a resolution of the Board of Directors.

Established May 26, 2006

Revised June 19, 2009

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Revised August 28, 2015

Revised July 30, 2024

Or more