

## **Basic Policy for Establishment of Internal Control System**

**Systems to ensure that the execution of the duties by directors complies with laws and regulations and the Articles of Incorporation**

**Other systems to ensure the appropriateness of operations**

**( 1 ) Systems to ensure that Directors and employees execute their duties in accordance with laws and regulations and the Articles of Incorporation**

- 1 ) Based on the NAGASE Group's concept that we recognize our responsibility to society and maintain the highest standards of integrity, we have taken several actions to establish and maintain a compliance system. These actions are based on the Basic Compliance Policy set forth by the parent company and working to make the system one that ensures all officers and employees conduct corporate activities in accordance with the NAGASE Group Code of Conduct.
- 2 ) We established the Risk Management and Compliance Committee, which is composed of directors and employees who make all decisions related to risk management and compliance. When necessary, we appoint outside experts to prevent violations of laws, regulations, and the Articles of Incorporation.
- 3 ) For individual cases, decisions are made for each after a multifaceted assessment from a professional perspective, including from the perspective of legality, and based on pre-established internal rules and regulations.
- 4 ) In the event that the Company or its subsidiary becomes aware of a problem, such as a violation of laws or regulations, a process of prompt reporting, communication, and consultation is commenced with supervisors and relevant departments and then reported to the Risk Management and Compliance Committee, which immediately reports the matter to the board of directors, the Audit & Supervisory Board members and its parent company's Risk Management and Compliance Committee. In addition, the Risk Management and Compliance Committee has established a contact point so officers and employees, including those from its subsidiaries, can directly issue reports and engage in consultations using the internal reporting system. This system is in place to prevent the neglect of or inaction against violations of laws, regulations, and the Articles of Incorporation arising from director or employee duties.
- 5 ) The Company strives to raise awareness of legal compliance among officers and employees, including those at its subsidiaries, through training sessions conducted by outside experts and other means, and to ensure the permeation of the NAGASE Group's Management Philosophy of said officers and

employees.

- 6 ) The Company's Operational Audit Team conducts internal audits of the execution of director and employee duties in accordance with the Internal Operational Audit Regulations.

**( 2 ) Systems for retaining and managing information relating to the execution of duties by Directors.**

In accordance with internal rules and regulations, information related to the execution of director duties is recorded, either in writing or electronically, and stored and managed. Directors and Audit & Supervisory Board members have access to these materials at all times.

**( 3 ) Rules relating to management of loss-related risks and other systems**

- 1 ) The Risk Management and Compliance Committee has been established as an organization for the comprehensive management of risk of loss for the Company and its subsidiaries, and a system has been created defining the committee's functions and authority, clarifying roles and responsibilities.
- 2 ) With regard to individual risks related to the Company and its subsidiaries' business activities, the respective departments in charge are responsible for establishing rules and guidelines, conducting training programs, preparing and distributing manuals, and etc.
- 3 ) For any newly arising risk, the Company promptly appoints a responsible department for addressing the risk, and establishes an emergency response system ensuring prompt and appropriate communication of information in the event of an emergency within the Company and its subsidiary.

**( 4 ) Systems for ensuring the efficient execution of duties by Directors**

- 1 ) The Company has defined the clearly defined the board of directors as the body that determines management policies and strategic decision-making, as well as the body that oversees business execution. In principle, the board meets on a monthly basis and holds other meetings on an ad-hoc basis as necessary.
- 2 ) The Operation Chiefs Meeting, consisting of full-time directors, operational general managers, divisional general managers, and some members of the Corporate Planning Department, is held monthly as a general rule to discuss important matters, such as management issues, management and business strategies, and investment projects for supporting management decision-making.

- 3 ) Under the organizational operations rules and divisions of work responsibilities stipulate the respective responsible persons, their responsibilities, and procedures for execution.

**( 5 ) Systems for ensuring the proper implementation of business by the corporate group comprising a stock corporation and its subsidiaries**

- 1 ) Systems for reporting to the Company on matters pertaining to the execution of duties by directors, etc., of subsidiaries
  - a. Operating standards have been defined between the Company and its subsidiaries, creating a system that requires approval or reporting to the Company after decisions are made by the subsidiaries regarding certain matters.
  - b. In principle, the Company dispatches officers to its subsidiaries to monitor proper operations.
- 2 ) Rules and other systems to manage the risk of loss by subsidiaries

The Company's Risk Management and Compliance Committee serves as the core driver for managing risks of the Company and its subsidiaries to deliberate and make determinations on issues and measures related to the promotion of risk management, and deliberate and make determinations on important matters related to compliance for the Company and its subsidiaries.
- 3 ) Systems to ensure subsidiary directors execute duties efficiently

Based on the medium-term management plan and fiscal year budget system, clear targets are assigned, and budget performance management is implemented for the Company and its subsidiaries.
- 4 ) Systems for ensuring the execution of duties by subsidiary directors and employees complies with laws, regulations, and articles of incorporation
  - a. The Company has established a system to ensure that all officers and employees of its subsidiaries conduct their business activities in accordance with the NAGASE Group Code of Conduct by providing education to raise awareness about the code.
  - b. The Company's Operational Audit Team conducts internal audits at the Company and its subsidiaries in accordance with the Internal Business Audit Regulations on an as-needed basis.
  - c. The Risk Management and Compliance Committee has established a contact point so that officers and employees, including those from its subsidiaries, can directly issue reports and engage in consultations using the internal reporting system. This system is in place to prevent the neglect of or inaction against violations of laws, regulations, and the

Articles of Incorporation arising from director or employee duties.

**(6) Matters pertaining to employees when Audit & Supervisory Board members request the appointment of employees to assist them in the execution of their duties**

Upon request from Audit & Supervisory Board members, in order to ensure their auditing effectiveness, the Company appoints employees to support the Audit & Supervisory Board members' work.

**(7) Matters pertaining to ensuring the independence of employees specified in the preceding paragraph from Directors and ensuring the effectiveness of instructions from Audit & Supervisory Board members**

- 1) On the transfer, evaluation, etc. of these employees, the Company consults with Audit & Supervisory Board members and seeks their opinions.
- 2) The Company gives due consideration to the selection of these employees, the duration of their assignment to assist in the duties of Audit & Supervisory Board members, etc., striving to ensure the effectiveness of directions given to these employees.

**(8) Systems for Directors and employees to report to Audit & Supervisory Board members and other systems for reporting to Audit & Supervisory Board members**

- 1) The Company has established a system that enables Audit & Supervisory Board members to constantly monitor the overall management of the Company and its subsidiaries by attending meetings of the board of directors and other important meetings, exchanging information with management, and inspecting approval requests, reports, and other documents.
- 2) The rules of the Risk Management and Compliance Committee stipulate that directors and employees of the Company and its subsidiaries shall report the following matters promptly to an Audit & Supervisory Board member, either via the Risk Management and Compliance Committee or separately.
  - a. Incidence and reporting of compliance issues, such as misconduct or violation of laws, regulations, or the Articles of Incorporation, in connection with the execution of director duties.
  - b. Incidence and reporting of facts that may cause significant harm to the Company.

c. Incidence and reporting of material disclosure items.

**( 9 ) Systems to ensure that a person who makes a report under the preceding item is not subject to any disadvantageous treatment for making such a report**

The Company prohibits any disadvantageous treatment of the Company and its subsidiary director, employee, etc. who makes a report directly to the Company's Audit & Supervisory Board members, and ensures that the Company and its subsidiary is aware of this prohibition and clearly states this in its internal reporting system.

**( 1 0 ) Policy on matters regarding expense prepayments, redemptions, other expenses, or disposition of debt resulting from the execution of duties by members of the company's Audit & Supervisory Board**

When the Audit & Supervisory Board members, in the course of an audit, requests necessary expenses such as for requesting advice from attorneys at law, certified public accountants, or other outside specialists, or outsourcing investigations, appraisals, or other administrative work, such request may not be denied unless the expenses involved are deemed unnecessary or the performance of duties by the Audit & Supervisory Board members

**( 1 1 ) Other systems to ensure that audits are conducted effectively by Audit & Supervisory Board members**

- 1 ) To promote awareness and understanding of the importance and usefulness of their audits, Members of the Audit & Supervisory Board hold regular meetings with the representative director to exchange opinions.
- 2 ) To enable the Audit & Supervisory Board members to perform their auditing duties efficiently and effectively, the Company has in place a system to enable accounting auditors and the Operational Audit Team to closely coordinate and supplement each other.

**Supplementary resolution**

The resolution of the Board of Directors taken today on the establishment of a system to ensure the appropriateness of the business operations of the Company shall be constantly revised in the future to further strengthen the governance system appropriately in accordance with changes in the environment of the Company

Revised by resolution of the Board of Directors on March 12, 2012

Revised by resolution of the Board of Directors on March 13, 2013

Revised by resolution of the Board of Directors on March 11, 2014

Revised by resolution of the Board of Directors on May 15, 2015

Revised by resolution of the Board of Directors on May 18, 2017

Revised by resolution of the Board of Directors on May 22, 2018

Revised by resolution of the Board of Directors on May 27, 2019

Revised by resolution of the Board of Directors on May 27, 2020

Revised by resolution of the Board of Directors on May 28, 2021

Revised by resolution of the Board of Directors on May 26, 2022

Revised by resolution of the Board of Directors on May 29, 2023