
Basic Policy on Internal Control

The Daiei Kankyo Group

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Daiei Kankyo Group (hereinafter referred to as the “Group”), which is comprised of Daiei Kankyo Co., Ltd. (hereinafter referred to as the “Company”) and its subsidiaries shall set up a system with the aim of ensuring the proper and efficient execution of operations. To embody its management philosophy, the Group shall establish an internal control system in order to manage the Group as an organization, formulate internal rules, provide information, and monitor execution of operations properly in accordance with the following basic policy.

In this policy, “President,” “Director,” “Audit & Supervisory Committee Member,” “Auditor,” and “Staff” refer to the president, director, audit committee member, auditor, and staff of each company belonging to the Group. “Subsidiary” refers to a subsidiary belonging to the Group.

1. System to ensure the appropriateness of operations of the corporate group

- (1) In order to establish a governance system as a group, we have determined the department in charge of subsidiary management, its authorities, and the directors in charge of subsidiary management.
- (2) We have established the Affiliate Company Management Rules to clarify our basic policies on the management of subsidiaries, and the subsidiary management departments receive prior approval and reports on important management matters from each subsidiary.
- (3) The directors in charge regularly report to our Board of Directors on the status of business execution, financial conditions, and other matters.
- (4) Our Audit Office conducts audits of subsidiaries.
- (5) We have established systems through which to contact the Company in the event of a crisis.

2. System to ensure that the execution of duties by directors and staffs complies with laws and regulations and the Articles of Incorporation

- (1) In addition to establishing the Daiei Kankyo Group Business Conduct Guidelines as specific standards of conduct to be observed by directors and staffs, we carry out our business activities in compliance with our Articles of Incorporation, the Risk Management and Compliance rules, and other internal rules and regulations. In particular, in order to prevent any kind of relationship with anti-social forces, we have established the Rules for the Elimination of Antisocial Forces and other regulations to ensure that the entire company takes a resolute and unified stance against such organizations.
- (2) We have established the Whistleblower System Rules as an internal reporting system in the event that any violation of laws, regulations, or the Articles of Incorporation is discovered. As well as building an internal reporting system, we ensure that all officers and employees are thoroughly

informed through annual training programs, etc.

- (3) In the event that a director discovers a significant fact concerning a serious violation of laws, regulations, or other internal rules, he or she shall immediately report the matter in question to the Company's Audit & Supervisory Committee (or to an Auditor in the case of subsidiaries to which Auditor is assigned). In addition, he or she shall also report the matter in question to the Company's Board of Directors (or to the subsidiary's Board of Directors and the Company's Board of Directors in the case of subsidiaries) without delay (for subsidiaries that do not have a Board of Directors, he or she shall immediately report it to the subsidiary's president and the Company's Board of Directors without delay).
- (4) We have established an Audit Office independent of the audited divisions of the Group thereby maintaining an internal audit system.

3. System to ensure the efficient execution of duties by Directors

- (1) In addition to stipulating matters concerning the operation of the Board of Directors in the Rules of the Board of Directors, we hold meetings of the Board of Directors on a monthly basis, as well as extraordinary meetings as necessary.
- (2) We have established the Rules of Administrative Authority to stipulate decision-making matters that are reserved for the Board of Directors and those that are delegated to the President, executive officer, and general managers of divisions.

4. System for the storage and management of information related to the execution of duties by directors

We store and manage important documents and information related to management, confidential information, and personal information for a specified period of time in accordance with laws, regulations, and the Document Handling Rules.

5. Basic stance on eliminating antisocial forces and the status of development of such measures

- (1) The Group shall not have any involvement with antisocial forces that threaten social order and sound corporate activities, and shall take a resolute stance against any unreasonable demands from such antisocial forces.
- (2) The General Affairs Department of the Business Administration Division plays a central role in promoting the development of internal systems for the elimination of antisocial forces in cooperation with outside professional organizations such as lawyers and the police, as well as in the collection of information.

6. Rules and other systems for managing risk of loss

- (1) We carry out risk management in an effective and comprehensive manner under a consistent policy based on the Risk Management and Compliance Rules.
- (2) We have formulated the Internal Control Rules for Financial Reporting as a means of establishing internal control over the financial reporting of the Group, thus ensuring the reliability of our financial reporting.

7. System for reporting to Audit & Supervisory Committee members

Directors and staffs report matters related to the performance of their duties when requested to do so by Audit & Supervisory Board members.

8. Matters related to staffs assisting the duties of Audit & Supervisory Committee members and matters related to the independence of staffs from directors

The Audit & Supervisory Committee assigns staffs to assist the duties of Audit & Supervisory Committee members in accordance with the Rules of the Audit & Supervisory Board.

9. Other systems to ensure that audits by Audit & Supervisory Committee members are conducted in an effective manner

- (1) Audit & Supervisory Committee members attend important meetings, exchange opinions with the president, and collaborate with the accounting auditor in order to understand the processes by which important decisions are made and the state of execution of duties.
- (2) Audit & Supervisory Board members conduct timely on-site inspections of the various departments, offices and the Group subsidiaries in cooperation with the Company's Audit Office.

10. Responsible Department

The management of this basic policy shall be the responsibility of the Company's Business Administration Division.

11. Revision and Abolition

Revision and Abolition of this basic policy shall be conducted in accordance with the separately established the Regulation on Management Rules.

Supplementary Provision

Established on April 27, 2020

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