

Basic Policy on Establishing an Internal Control System

(Resolution of the Board of Directors on October 28, 2021)

The following stipulates basic policy on developing the internal control systems of the Company and its subsidiaries (referred to collectively as the “Group,” hereinafter), pursuant to Article 362, paragraph 4, item 6 of the Companies Act, as well as the items of Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act.

- (1) Systems to ensure that the execution of the duties of directors and employees of the Company and its subsidiaries comply with laws and regulations, and the Articles of Incorporation
 - ① The Group has established the Furukawa Company Group’s Charter of Corporate Conduct and the Furukawa Company Group’s Code of Conduct for Officers and Employees, which constitute codes of conduct for the Group’s officers and employees and standards of behavior, and accordingly aims to engage in corporate activities that contribute to society across a wide variety of fields in a manner that fulfills its corporate responsibility to society extending beyond legal compliance. The Group engages in efforts to practice sustainability and CSR by assigning compliance officers to each Group company and establishing Sustainability Promotion Meeting to promote these initiatives.
 - ② Each Group company draws up and appropriately administers regulations of the Board of Directors and other such rules that comply with laws and regulations such as the Companies Act, and the Articles of Incorporation, in order to ensure that the Group’s Board of Directors and employees execute their duties legally.
 - ③ The Compliance Committee draws up basic compliance policies for the Group’s officers and employees, and otherwise establishes and maintains compliance systems.
 - ④ The Group stringently addresses compliance violations involving the Group’s officers and employees, pursuant to the Furukawa Company Group Compliance Regulations, and has furthermore established an internal reporting system which it strives to operate effectively.
 - ⑤ The Company has established the Internal Audit Department as an internal auditing body of the Group, which carries out audits regarding matters such as the management status of the Group’s business activities overall and the legality and effectiveness of its business execution.

- ⑥ The Group has adopted its Internal Control Reporting System pursuant to the Financial Instruments and Exchange Act. Accordingly, the Group develops, administers, and evaluates internal controls pertaining to financial reporting, with the Company's Accounting Department acting as the department in charge of management and administration, and the Company's Internal Audit Department acting as the department in charge of evaluation.
- ⑦ The Group is not associated with antisocial forces, pursuant to the Furukawa Company Group's Code of Conduct for Officers and Employees.

(2) Systems related to the retention and management of information pertaining to the execution of the duties of Directors of the Company

The Group stores and manages its information pertaining to the execution of duties by Directors (documents and electromagnetic records), such that includes minutes, documents related to approval, and other such documents of meetings of the Board of Directors and the Management Council, pursuant to laws and regulations, internal regulations, and other such rules.

(3) Rules and other systems for managing risk of loss to the Company and its subsidiaries

- ① The Group recognizes that managing risk of loss ("Risk," hereinafter) constitutes an important matter with respect to conducting its business activities, and accordingly seeks to understand and examine Risk inherent in its business activities while also taking steps that involve preventing Risk, addressing Risk that materializes, and taking corrective action.
- ② The Risk Management Committee strives to ensure enterprise risk management by comprehensively examining the formulation of policies, development of systems, and countermeasures related to the Group's risk management.
- ③ Important matters for facilitating understanding and managing the Group's Risk are stringently deliberated and decided by either the Company's Board of Directors or its Management Council.
- ④ The Group has respectively established the Environmental & Safety Management Committee and the Quality Assurance Committee, which expertly deliberate on and examine matters regarding the Group's environmental safety and product safety, and otherwise take countermeasures in that regard.
- ⑤ The Internal Audit Department conducts internal audits of the Group to ensure its effectiveness with respect to addressing and managing Risk inherent in business activities.

(4) Systems for ensuring that Directors of the Company and its subsidiaries execute their duties effectively

- ① The Company employs an executive officer system which promotes effective management by accelerating decision-making and clarifying responsibilities. The Company's Board of Directors and its Management Council deliberate on and resolve important managerial matters of the Group, and otherwise make decisions through referring to the Board of Directors or its Management Council, and President's approval according to the importance thereof, pursuant to regulations of the Company's Board of Directors, regulations of the Company's Management Council, and the Furukawa Company Group Administrative Regulations.
- ② Based on business plans determined by the Board of Directors, the Group's Directors, executive officers, and other employees execute tasks to achieve such goals, and accordingly report on such execution at meetings of the Company's Board of Directors and its Management Committee.

(5) Systems for reporting to the Company on matters pertaining to execution of duties by Directors of subsidiaries

- ① With respect to subsidiaries that are core operating companies, the presidents of each such company report on the business execution of the respective divisions at meetings of the Company's Management Committee every month.
- ② With respect to subsidiaries other than those that are core operating companies, the presidents of core operating companies or heads of Company divisions responsible for the relevant subsidiary report on business execution of respective divisions at meetings of the Company's Management Committee every month.
- ③ Presidents of subsidiaries report to heads of Company divisions responsible for the relevant subsidiary regarding certain matters of business execution and urgency, pursuant to the Furukawa Company Group Administrative Regulations.

(6) Matters related to ensuring independence of employees who are to assist the Company's Audit & Supervisory Board members in their execution of duties, and ensuring effectiveness of guidance furnished to such employees

- ① The Group has established the Audit & Supervisory Board Secretariat to assist with audits conducted by the Audit & Supervisory Board members. Discussions regarding Secretariat personnel are carried out in advance with the Audit & Supervisory Board members.

- ② Members of the Audit & Supervisory Board Secretariat are to abide by orders and instructions directly furnished by the Audit & Supervisory Board members.
- (7) Systems for reporting to the Company's Audit & Supervisory Board members, by the Company's Directors and employees, and by subsidiaries' Directors, Audit & Supervisory Board members, employees, etc.
- ① The Company's Audit & Supervisory Board members request reports on business execution, as necessary, from the Company's Directors and employees, and subsidiaries' Directors, Audit & Supervisory Board members, and employees, and also request such reports when Audit & Supervisory Board members have conducted a business survey at a Group company office.
 - ② The Company's Audit & Supervisory Board members request occasional reports on details of audits from the Company's Accounting Auditors. They also coordinate with the Company's Accounting Auditors and its Internal Audit Department, particularly with respect to receiving reports on results of audits of Group companies from the Company's Internal Audit Department.
 - ③ Information conveyed through the Internal Reporting System is reported to the Company's Audit & Supervisory Board members by people in charge of consultation sites.
 - ④ The Furukawa Group Compliance Regulations stipulate that whistleblowers must not be subject to dismissal or other forms of disadvantageous treatment as a result of having made an internal report.
 - ⑤ The Group has established a system to ensure that the Group's officers and employees will not incur disadvantageous treatment upon having made a report to the Company's Audit & Supervisory Board members.
- (8) Matters related to policies concerning procedures for advance payment or reimbursement of expenses incurred by the Company's Audit & Supervisory Board members in executing their duties, or other processing of expenses or obligations incurred in executing such duties
- The Company is to budget for expenses necessary for the Audit & Supervisory Board members to execute their duties, and swiftly process such expenses, as requested by the Audit & Supervisory Board members.
- (9) Other systems for ensuring that audits by the Company's Audit & Supervisory Board members are performed effectively

Audit & Supervisory Board members are to attend meetings such as the Board of Directors, Management Council, Management Committee, and the minutes of those meetings and other important documents related to approval are to be made available for inspection by them.