

Basic approach to internal control systems(May 2, 2017)

1. Basic approach to internal control systems and status of establishment

With regard to the establishment of system to ensure the execution of duties by directors of the Company and Group Companies in accordance with laws and regulations and the Articles of Incorporation, the Company and its Group are aware that enhancing corporate governance is an important management issue and our fundamental policy is ensuring compliance with corporate ethics and laws and regulations and reinforcing internal control systems while maintaining the soundness, efficiency, and transparency of management and raising corporate value.

To achieve such compliance, the Company has established Rules on Officers applicable to directors and the Board of Directors Rules applicable to the Board of Directors. To ensure appropriate management, the directors monitor each other's status of execution of duties at regularly-held Board of Directors meetings and at extraordinary meetings held on a dynamic basis as necessary. The Company has also established Organization Rules, Rules on the Allocation of Work Duties, Rules on Work Authority, and Rules on Internal Approval, clarifying the scope of authority of each director and ensuring that mutual supervision by directors is effective.

In addition, the Company established an Audit Office under the direct authority of the President & COO. The Audit Office works in collaboration with the Business Administration Department which is the Company's legal affairs division, to monitor the status of compliance with laws and regulations, the Articles of Incorporation, and other internal rules. The Company also has an Supervisory Board, and the Supervisory Board members including outside members conduct detailed audits regarding the execution of duties by the directors. The Company also established a CSR Promotion Committee (Corporate Social Responsibility Promotion Committee) chaired by the President & COO and established Information Disclosure Committee, Risk Management Committee, and Compliance Committee and Personal Information Management Committee as subordinate organizations. These organizations work to normalize decision-making and the execution of business operations throughout the Group.

2. The systems for the preservation and control of information relating to the execution of duties by directors

Information relating to the execution of duties by directors is appropriately and accurately controlled and preserved according to the qualities of the recording media in accordance with the Document Control Rules, which set forth the standards on the preparation and retention of documents, and the Document Control in Handling Manual, which sets forth detailed provisions on document retention procedures and periods.

3. Rules and other systems relating to control of the risk of loss

Potential risks that the Group faces include matters relating to economic conditions, exchange rates, country risks, price competition, product procurement capabilities, internal brand risks, legal regulation, market risks, major litigation, severance pay obligations, personal information, accidents, the environment, and information management. Responding divisions have been set for each risk and necessary and appropriate systems have been established to control risks under the authority of risk control officers and managers in each division.

If any of the risks mentioned above should occur, the corresponding responding divisions will immediately take necessary and appropriate responsive measures to minimize the

occurrence of damage under the direction of the risk control officers and managers. In addition, with the establishment of the Risk Management Committee as a subordinate organization to the CSR Promotion Committee, the Company established a system to respond promptly and appropriately to risks foreseen by the Group.

4. Systems for ensuring the efficient execution of duties by the directors of the Company and Group companies

The foundations of systems for ensuring the efficient execution of duties by the directors of the Company and Group companies are periodic meetings of the Board of Directors and extraordinary meetings of the Board held when necessary. Meetings of the Management Meeting, which is made up of members on the director and higher level, are held prior to meetings of the Board of Directors with regard to important matters that are within the scope of duties of the directors to conduct prior deliberations so that the Board can engage in enhanced deliberations and make prompt decisions.

The Company also introduced an executive officer system to separate management decision-making functions from operational execution functions and is creating systems to make timely responses. In addition, having an appropriate number of directors allows for adequate deliberation and appropriate and timely decision making.

With regard to specific execution of duties, the Board of Directors sets company-wide targets, formulates medium-term management plans to achieve those targets, and establishes necessary and appropriate systems for the execution of duties so that each direction and executive officers responsible for business divisions can carry out those plans.

In addition, The Company has also established Organization Rules, Rules on the Allocation of Work Duties, Rules on Work Authority, and Rules on Management of Affiliated Companies regarding the allocation of work duties, authority, and so on to the directors of the Company and Group companies. These rules provide for the efficient execution of work duties.

5. Systems for ensuring compliance by Company and Group Company employees with laws and regulations and the Articles of Incorporation in the performance of their duties

The Basic Compliance Rules were established as a code of conduct to ensure compliance with laws and regulations and the Articles of Incorporation by employees of the Company and Group companies when executing their duties. To ensure the effectiveness of these rules, the Company also established the Compliance Committee as a subordinate organization of the CSR Promotion Committee, establishing a system that can make appropriate group-wide responses.

In addition, the Company established an Audit Office under the direct authority of the President & COO. The Audit Office works in collaboration with the Business Administration Department, which is the Company's legal affairs division, to monitor the status of compliance with laws and regulations, the Articles of Incorporation, and other internal rules. The Company has also established an internal reporting (whistleblowing) system that allows employees to directly and anonymously report conduct by the Company or Group companies in violation of laws and regulations or the Articles of Incorporation to the Founder & CEO, President & COO, Supervisory Board members, the CSR Promotion Committee, or the Sexual Harassment Investigation and Countermeasures Committee.

6. System to ensure the appropriateness of business operations by the corporate group comprising the Company and its affiliated companies

The Company established the Rules on Management of Affiliated Companies to ensure appropriate business operations by affiliated companies and conducts control in accordance

with those rules. Also, coordination among Group companies and key decisions require deliberation and decisions by the Company's Management Meeting and Board of Directors. In addition, the Company's Audit Office works in collaboration with the Business Administration Department, which is the Company's legal affairs division, to achieve overall uniformity in Group business activities, conducts audits regarding the appropriateness of those business activities and compliance with laws and regulations and the Articles of Incorporation and so on, and indicates improvements to be made in business activities. Furthermore, Group companies submit all minutes of their Board of Directors meeting to the Company and make monthly reports on business activities, status of budget implementation, and important matters relating to ensuring the appropriateness of business activities.

7. Matters relating to employees supporting the work of Supervisory Board members

The Company's Rules on the Allocation of Work Duties include provisions relating to employees who assist Supervisory Board members in the performance of their duties. Supervisory Board members cause employees, , to support them in the performance of audit operations, focusing on work in the Audit Office, as necessary.

8. Matters relating to the independence from the directors of employees supporting the work of Supervisory

Board members and matters relating to ensuring the effectiveness of indications by Supervisory Board members to employees The Company's Rules on the Allocation of Work Duties provide that in cases where an employee is affiliated with the Audit Office and other departments that assist Supervisory Board members in the performance of their duties, only Supervisory Board members have the authority to issue instructions and orders relating to that work. In cases of transfer, evaluation, and disciplinary disposition of such employees, the consent of the Supervisory Board is required.

9. Systems for directors and employees of the Company and Group companies to report to Supervisory

Board members and other systems for reporting to Supervisory Board members If a Company director discovers facts that present a risk of causing substantial damage to the Company, such a director must immediately report those facts to the Supervisory Board pursuant to the Rules on Corporate Officers, and the Company has established systems for timely and accurate reporting to the Supervisory Board.

If an employee of the Company, director or employee of a Group company discovers facts in violation of laws and regulations or the Articles of Incorporation or discovers facts that present a risk of causing substantial damage to the Company or the respective Group company, such director or employee must immediately report to the Supervisory Board in accordance with the Rules on Work Authority, and the Company has established systems that enable employees to make reports directly to the Supervisory Board.

10. Systems for ensuring that the persons who make reports to the Supervisory Board are not subject to disadvantageous treatment as a result of making such reports

Reports made via the internal whistleblowing system can be made anonymously and through the use of a post office box. Since reporting individuals cannot be identified, there is a system in place to prevent disadvantageous treatment of persons making reports.

11. Matters relating to procedures for advance payment or reimbursement of expenses arising in the course of Supervisory Board members performing their duties and policies regarding handling of expenses or obligations arising in the

course of Supervisory Board members performing their duties

When requests are made by Supervisory Board members for advance payment of expenses or for reimbursement of expenses paid or obligations incurred, except in cases where it can be established that those expenses and so on did not arise in the course of Supervisory Board members performing their duties, the Company shall comply with such requests.

12. Other systems for ensuring effective implementation of audits by Supervisory Board members

The Company's Supervisory Board members are required to attend Board of Directors meetings and other important internal meetings and must express their opinions as necessary. Also, the Company established an Supervisory Board and operates that board appropriately in accordance with the Supervisory Board Rules.

The Company also established Supervisory Board Member Audit Standards setting forth the optimal audit structure for each board member, audit standards, and conduct policies for Supervisory Board members, ensuring the effectiveness of audits conducted by Supervisory Board members.