

To whom it may concern

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(Listed 1st Section TSE: Code 6444)

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Please be advised Sanden Holdings Corporation partially amended “Basic Policy for Internal Control System”, in accordance with the organizational change on June 27, 2019.

Basic Policy for Internal Control System

Sanden Holdings Corporation (Sanden) streamlines the Group’s global Management Structure and sets forth the following policies for implementation by the Group’s Management and Supervision :

1. Structures/systems to ensure that Directors and Employees carry out their operation and practices in full compliance with laws, regulations and corporate by-laws

Recognizing “Compliance” is one of the most important management issues, we clearly declare so in the regulations, and define the Group’s Compliance Management in order to make certain that it is fully implemented, we establish the following structure:

- (1) Compliance shall be a fundamental principle of action in daily operations and practices.
Sanden’s Legal & Administration Division shall be responsible to fully implement and audit Compliance. Important matters related to Compliance shall be discussed and decided at the Management Meeting, the Board of Directors Meeting.
- (2) We shall appoint responsible Compliance officers and persons for each Company, who shall make sure the Company maintains full Compliance.
- (3) The contents of Compliance are described in “The Handbook of Company Principles (Handbook)”. The Legal & Administration Division shall provide education and guidance on Compliance at various levels to Directors, Corporate Officers and Employees on a periodic basis.
- (4) We shall establish and maintain a Whistle-blower System (WBS) through which anyone who finds a problem in Compliance can promptly report it to the Legal & Administration Division. We shall also establish internal and external “hot-lines” so that an employee can immediately and easily report a Compliance issue through the “hot-line”.
- (5) We shall periodically report progress on Compliance promotion activity to the Board of Directors Meeting and the Audit & Supervisory Board(A&SB).
- (6) We shall establish the Internal Audit Division and conduct Compliance audits on a periodic basis.

2. Structures/systems to save and control information related to the execution of the duties of Directors

To fully implement proper storage and control/management of Sanden's documents and electronic data, we shall establish the following system, and clearly stipulate regulations:

- (1) The Legal & Administration Division shall be responsible for documents and electronic data respectively. Each division shall designate persons who shall be responsible for documents and also for electronic data. They shall be accountable for control and management of documents and electronic data, covering their creation, storage and disposal.
- (2) The storage and management of such documents and/or electronic data shall be filed in a manner such that Directors and Audit & Supervisory Board Members (A&SBMs) shall have access, whenever and wherever it is necessary.

3. Structures/systems to manage risks that could lead to losses

We recognize Risk Management as an important management issue. We clearly declare so in the regulations, and define the Group's Risk Management Structure in order to make certain that it is fully implemented, we establish the following structure:

- (1) To ensure full implementation of risk management by identifying overall Enterprise Risks that affect total management control. The Corporate Management Division(Keiei-Kanri Honbu) shall be appointed as the responsible division.
- (2) Each Group Company shall be responsible for Risk Management. Each Group Company shall designate persons who shall perform periodic risk assessment and risk control activities and promote preventive risk avoidance through normal business practices.
- (3) We shall establish a business continuity plan and structure based on regulations, in preparation for unforeseen and unplanned circumstances which could significantly impact management of the company. We shall discuss and decide on important risk control issues at the Management Meeting and the Board of Directors Meeting.
- (4) Legal & Administration Division shall be responsible for Crisis Management and for streamlining the Crisis Management Structure.
- (5) The Internal Audit division shall audit effectiveness of risk control and risk management activities, and shall report the result in the Board of Directors Meeting, A&SBMs meeting and Management Meeting.

4. Structures/systems that assure Directors execute their duties/jobs efficiently

- (1) We appoint a number of external Directors in order to ensure appropriateness and to enhance the transparency of our decision-making process.
- (2) To assure the effective execution of the Board of Directors' duties, the Board of Directors authorizes Corporate Officers to promote speedy decision making and timely execution of duties in terms of operations.
- (3) We recognize the Mid-term Plan and the annual Execution Plan as most important management tools as means to realize our Corporate Vision. The plan target and action items shall be determined based on "Sanden Total Quality Management - STQM" - Corporate-wide management quality innovation system - so that Operating Officers shall be able to perform their assigned activities and carry out

operations and duties efficiently.

- (4) With the previous directions as guides, we shall constantly promote efficiency of operational execution utilizing business process reviews, continuous improvement activities and IT tools.

5. Structures that assure operations/practices are carried out with full appropriateness at Sanden and its subsidiary companies (Subsidiaries) - collectively The Sanden Group (G-SDC)

Sanden Holdings Corporation shall decide various basic policies of Management Control for Group Companies as well as the Sanden Holdings Corporation. We shall develop the following structures and systems to ensure full implementation:

- (1) We shall develop systems/structures to ensure that operations and practices at Group Companies are in full Compliance with laws, regulations and corporate by-laws. The Handbook and a Whistle-blower System (WBS) shall be utilized commonly throughout Sanden Group Companies. We shall ensure that the same level of Compliance is implemented throughout the Sanden Group.
- (2) To ensure that Affiliates are properly managed, we shall assign our officers and staff to Affiliates as board members. We shall appoint the Corporate Management Division to be responsible for Affiliates management control. Important issues and problems related to Affiliates' Management Control shall be discussed and decided at the Management Meeting and Board of Directors Meeting.
- (3) DGMs of Sanden Group (GMs of HQ Divisions, Presidents of Business Companies, and Presidents of Affiliates) shall have full responsibility and authority for establishing and implementing internal control systems to ensure appropriateness of operations at Divisions and Affiliates.
- (4) The Schedule of Approvals of each Group Company is described in the Decision Making Policy and the Affiliates Management Policy. We shall exchange the information and discuss important management issues.
- (5) We shall streamline the Internal Control as and assure the sound and creditability of Financial Report.
- (6) The Internal Audit division shall conduct internal audits. It shall issue the Audit Report to the President and each DGM of Divisions/ Subsidiaries, as well as provide guidance and recommendations for improvement of internal controls.

6. Employees assisting Audit & Supervisory Board Members (A&SBMs) and their independence

- (1) Directors, in accordance with requests from A&SBMs, shall appoint appropriate employees as A&SB's staffs to assist A&SBMs in increasing overall effectiveness and timely execution of audits.
- (2) Audit & Supervisory Board's (A&SB's) Office shall be placed in the Corporate Management Division which will provide administrative support as necessary for the A&SBMs and A&SB.
- (3) A&SBMs shall oversee A&SB's staffs. A&SB's staffs shall be empowered to collect data and information for audits.
- (4) A&SB's staffs shall have primary roles/duties other than assisting A&SBMs, and they shall not be directed by Directors in their role of assistance to A&SBMs. Anticipated transfer, performance evaluation, or disciplinary action of the A&SB's staffs shall not be decided without prior consultation to A&SBMs.

7. Structures/systems for Director and Employee reporting to A&SBMs

- (1) Directors, Corporate Officers and Employees (including Group Companies) shall periodically report Company performance, business circumstances, financial status, and other important management issues to A&SBMs.
- (2) Directors, Corporate Officers and Employees (including Group Companies) shall report immediately to A&SBMs, when they become aware of any fact which may cause a substantial loss; any fraudulent act of a Director while performing their duties; important facts related to Compliance with laws, regulations or corporate by-laws; any facts made known to management through the WBS; or any occurrence of other important relevant facts.
- (3) We shall streamline the preventive structure so that anyone who reports to A&SBMs about the issues of (1) or (2) above will not be treated unfairly subjected to retaliatory actions and/or disadvantage because of such reporting.

8. Structures/systems that assure A&SBMs shall be able to perform audit effectively

- (1) A&SBMs shall have periodical meetings with Representative Directors and external auditors.
- (2) A&SBMs shall have periodical meetings with the Internal Audit division and Statutory Auditors of Affiliates to exchange information and enhance cooperation.
- (3) When A&SBMs receive reports which may have significant detrimental impact on the company, the A&SBMs shall conduct necessary investigations, and provide recommendation to Directors, or take appropriate corrective actions depending on the circumstances.