

Systems for Ensuring Proper Business Activities

Acknowledging the Founding Spirit (Alps Alpine Precepts) as the origin of Group management, we have established the Corporate Philosophy, Management Approach, Group Code of Conduct, and Group Management Regulations and have established a fundamental philosophy and action guidelines related to Group management, compliance, and environmental conservation by the Company that apply to Alps Alpine and its subsidiaries. Based on this, regarding the development of systems for the Company to ensure the appropriateness of business operations, the basic policies decided by the Board of Directors and a summary of the record of operation of these systems are as follows.

1. Systems to ensure compliance with laws, regulations, and the Articles of Incorporation by directors and employees of the Company and its subsidiaries

- (1) The Company shall declare a fundamental philosophy and action guidelines for compliance and shall establish internal rules that clarify their specific contents in order to ensure good-faith, responsible actions with the aim of achieving fair management based on the intent of laws and regulations, the requirements of society, and corporate ethics.
- (2) The Company shall select candidates for independent outside directors with no interest relationships (hereinafter, "independent outside directors"). Management policies and other important matters shall be deliberated on and decided by the Board of Directors with independent outside directors in attendance. In addition, to conduct supervision of the execution of duties by directors, the specific contents and standards of items for deliberation and items for reporting shall be clearly stipulated in the bylaws of the Board of Directors, and appointment standards for director candidates shall be established so that people with abilities and qualifications necessary for such deliberation, decision-making, and supervision shall be appointed as directors by the General Meeting of Shareholders.
- (3) To ensure the legal compliance of resolutions made by the Board of Directors and the Vice Presidents' Meeting, the Company shall establish a system to confirm the legal compliance of items placed on the agenda.
- (4) To foster a healthy corporate culture, the Company shall provide compliance education for executives and employees.
- (5) To ensure that the execution of duties by directors and employees of subsidiaries complies with laws, regulations, and the Articles of Incorporation, the Company shall establish systems for the direction and management of subsidiary operations. In addition, depending on the status, etc. of subsidiaries, systems related to compliance shall be established and support provided for related activities.

2. System related to the retention and management of information related to the execution of duties by the Company's directors and system related to matters reported to the Company on the execution of duties by the

directors, etc. of the Company's subsidiaries

- (1) The Company shall stipulate basic matters related to document management in internal rules, shall appropriately record information related to the execution of duties by directors, and shall conduct retention management.
- (2) The Company shall establish a reporting system based on each company's roles and functions, etc. in connection with reporting to the Company related to the execution of duties by the directors, etc. of the Company's subsidiaries.

3. Regulations and other systems related to management of the risk of loss by the Company and its subsidiaries

- (1) To work to comprehensively manage risk and share information across the Group, the Company shall establish internal rules related to risk management and shall establish management and reporting systems for the different types of risk.
- (2) The Company shall establish a system for prior consultation and reporting to the Company for certain risks related to subsidiaries. In addition, the Company shall have subsidiaries establish systems that conform to the Company's rules on risk management and shall provide necessary support depending on the situation.

4. Systems to ensure execution of duties by directors of the Company and its subsidiaries is conducted efficiently

- (1) The Company shall delegate a portion of the Board of Directors' important duty execution to directors, and vice presidents authorized by directors shall execute duties efficiently and quickly. In addition, under the delegation of authority by vice presidents, associate vice presidents shall execute duties efficiently and quickly in the operational areas specified. Regarding the status of duty execution, a system shall be established whereby management is conducted efficiently by having directors and vice presidents report to the Board of Directors and Vice Presidents' Meeting.
- (2) The Company's Board of Directors shall deliberate and make decisions on medium-term business plans and its Vice Presidents' Meeting shall deliberate and make decisions on short-term business plans. Directors and vice presidents shall act to achieve the goals stipulated in these plans and shall report progress on them to the Board of Directors.
- (3) The Company shall establish operational management classifications for subsidiaries based on basic policies and strategies for the Group as a whole and shall establish a system to ensure efficient execution of duties based on them. In addition, depending on the status, etc. of subsidiaries, a system shall be established for directing management and duties and managing results.

5. Other systems for ensuring the appropriateness of business operations of the corporate group consisting of the Company and its subsidiaries

- (1) The Company shall establish a fundamental philosophy and action guidelines for Group compliance, shall apply them to the Company and its subsidiaries, and shall share the information in the Group as a shared set of values.
- (2) The Company shall set appropriate standards for transaction prices within the Group.
- (3) To work to prevent, discover early, and remedy violations related to corporate ethics, internal rules, laws, and regulations, an internal reporting system (Ethics Hotline) (hereinafter, "Ethics Hotline") shall be

established at the Company and its subsidiaries, and information on the reporting contact shall be provided on a regular basis.

- (4) The Company's internal audit department shall conduct audits on all activities related to management and business at the Company and its subsidiaries and shall report the findings of internal audits to the Board of Directors, the Audit and Supervisory Committee, and the accounting auditor.
- (5) The Company's Audit and Supervisory Committee shall work to communicate and exchange information with the directors and corporate auditors, etc. of the Company's subsidiaries and shall receive business reports from subsidiaries as necessary.

6. Matters related to employees who assist in the duties of the Audit and Supervisory Committee

The Company shall establish a department to assist in the duties of the Audit and Supervisory Committee and shall assign dedicated staff (hereinafter, "staff who assist the Audit and Supervisory Committee").

7. Matters related to the independence of the Company's staff who assist the Audit and Supervisory Committee and to ensuring the effectiveness of directions given to said staff

- (1) Staff who assist the Audit and Supervisory Committee shall not be assigned other duties and shall comply with the directions given by the Company's Audit and Supervisory Committee.
- (2) The Company shall make personnel transfers and personnel evaluations of staff who assist the Audit and Supervisory Committee with the consent, etc. of the Audit and Supervisory Committee.

8. System for reporting by the Company's directors and employees to the Company's Audit and Supervisory Committee

- (1) The Company shall have directors and vice presidents, etc. report to the Audit and Supervisory Committee on agenda items to be resolved by the Board of Directors, important matters that have a significant impact on company management, and serious cases of internal misconduct.
- (2) The Company shall establish a system that makes it possible to directly or indirectly report to the Audit and Supervisory Committee on serious cases of internal misconduct and important matters with the potential to exert significant damage on the company through reporting by employees via the Ethics Hotline, etc.

9. System for reporting to the Company's Audit and Supervisory Committee by directors, corporate auditors, and employees of the Company's subsidiaries or people who have received reports from them

- (1) The Company shall establish a system for reporting to the Company's Audit and Supervisory Committee on agenda items to be resolved by the Boards of Directors of the Company's subsidiaries, important matters that exert a significant impact on company management, and serious cases of internal misconduct directly by the directors and corporate auditors, etc. of the Company's subsidiaries or through the director in charge, etc. at the Company.
- (2) The Company shall establish a system that makes it possible for employees of subsidiaries to report to the Company's Audit and Supervisory Committee directly or indirectly through reporting via the Ethics Hotline, etc.

10. System to ensure that people who report to the Audit and Supervisory Committee are not subject to disadvantageous treatment on the grounds that they made the report

The Company shall prohibit, in company rules, etc., disadvantageous treatment on the grounds that a director, corporate auditor, or employee, etc. of the Company or its subsidiaries reported to the Audit and Supervisory Committee.

11. Other systems to ensure audits by the Audit and Supervisory Committee are conducted effectively

- (1) Audit and Supervisory Committee members shall attend important internal meetings, such as business planning meetings, and otherwise hold meetings with directors, vice presidents, and upper-level employees on a regular and as-needed basis.
- (2) When necessary to conduct audits, in addition to audits by the internal audit department, the Audit and Supervisory Committee shall be allowed to employ outside specialists by resolution of the Audit and Supervisory Committee.
- (3) In order to work for close coordination with the internal audit department and accounting auditor, the Audit and Supervisory Committee shall hold meetings with them on a regular and as-needed basis.