

## **Basic Policy on Internal Control Systems**

The CTI Engineering Group's Business Philosophy is "challenging to create a safe, comfortable, and enriching society using world-class technology and expertise." We recognize that the development and operation of an appropriate system for business execution under this Business Philosophy is a key responsibility of management that leads to increased corporate value. Accordingly, we have established the following systems to ensure the appropriateness of business operations.

### **1. Systems to ensure that the execution of duties by Directors and employees complies with laws, regulations, and the Articles of Incorporation**

We clarify matters that Directors and employees of the CTI Engineering Group should observe in the execution of their duties, enhance the compliance system and the business management system, and improve these systems through monitoring and other means. Specifically, we shall have no relationship whatsoever with antisocial forces or organizations that threaten order and safety of society, adopt a resolute stance against all unreasonable demands, and reject them. In addition, in accordance with the Regulations for Handling Whistleblowing, we strive to enhance the whistleblowing system in order to prevent illegal or unfair practices, detect and correct them at an early stage, and prevent their recurrence.

### **2. Systems for the storage and management of information on the execution of duties by Directors**

Striving for transparency in corporate governance, Directors maintain an information management system in accordance with the Information Security Policy and other internal regulations, and appropriately disclose, store, discontinue, and manage documents and other information related to the execution of their duties.

### **3. Regulations concerning the management of the risk of loss and other systems**

We strengthen the risk management system to minimize risk occurrence and establish systems that enable us to respond swiftly and appropriately in the event of a crisis. In addition, we collect information for each of the subsidiaries to strengthen the risk management system.

### **4. Systems to ensure that the duties of Directors are executed efficiently**

We clarify the duties and authority assigned to Directors, such as decision-making on operations, supervisory functions, and the separation of business execution roles, and hold the Board of Directors Meeting and Management Meeting regularly (once a month) to make decisions on matters after thorough discussions. Management plans are to be regularly verified and refined while confirming business results. We establish internal control systems to ensure cooperation and coordination between our offices and divisions. Our Administration Headquarters and other related departments at the Headquarters actively assist our subsidiaries to ensure that business is executed efficiently.

**5. Systems to ensure the appropriateness of business activities in the CTI Engineering Group (including systems for reporting to the parent company matters related to the execution of duties by Directors, etc., of subsidiaries)**

We establish management systems for the CTI Engineering Group based on basic policies such as the Business Philosophy and management strategy of the CTI Engineering Group. In addition, in accordance with the provisions of the Regulations on the Management of Subsidiaries, the Directors of subsidiaries report to the parent company on key management matters and obtain prior approval from the parent company as necessary.

**6. Concerning employees who are requested by Auditors to assist them in their duties**

In the event that Auditors request employees to be appointed to assist them in the performance of their duties, we are to consult with the Auditors, select employees on the basis of their qualifications, and obtain the Auditors' consent regarding such appointments.

**7. Concerning the independence of employees mentioned in the preceding item from Directors, and ensuring the effectiveness of instructions from Auditors**

Employees appointed to assist Auditors are not to be subject to the instructions and orders of Directors. When these employees concurrently hold other roles, they are not to be subject to instructions and orders given by Directors while they assist Auditors in their duties. In addition, we are to obtain the consent of Auditors regarding the transfer, evaluation, reward and punishment, etc., of such employees.

**8. Systems for Directors and employees to report to Auditors, other systems for reporting to Auditors, and systems to ensure that those who report to Auditors are not treated disadvantageously for making such reports**

Directors and employees of the CTI Engineering Group are to report to Auditors whenever an event occurs or is likely to occur that may have a significant impact on the management of the company. We maintain an internal system for reporting, and determine matters to be reported to Auditors in advance through discussions between Directors and Auditors. In addition, we prohibit the disadvantageous treatment of employees for having made such reports to Auditors.

**9. Concerning procedures for advance payment or reimbursement of expenses incurred in the performance of duties by Auditors, and policies for the handling of other expenses or liabilities arising from the performance of their duties**

Regarding the expenses, etc., incurred by Auditors in the performance of their duties, we promptly pay such expenses to Auditors, including advance payments, and settle any liabilities, except when Directors prove

that such expenses, etc., are not necessary for the performance of Auditors' duties.

#### **10. Other systems for ensuring effective audits by Auditors**

Directors and Auditors recognize the necessity of developing the audit environment (including cooperation with the internal audit department) and other matters to ensure the effectiveness of audits by Auditors, and confirm these matters through discussion as necessary to ensure that there is a system for the implementation of audits.