

June 28, 2022

Company name: UT Group Co., Ltd.  
 Representative: Yoichi Wakayama, President,  
 Representative Director & CEO  
 (Securities code: 2146, TSE Prime Market)  
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## Notice Regarding Partial Revision of Basic Policy on Internal Control System

At the Board of Directors meeting held on June 25, 2022, UT Group Co., Ltd. resolved to partially revise its Basic Policy on Internal Control System as follows. The key points of the revision is to reflect the transfer of the corporate system from the Company with an Audit & Supervisory Board to the Company with an Audit & Supervisory Committee, which was approved at the 15<sup>th</sup> Annual General Meeting of Shareholders. The revised policy was adopted on the same day.

(Revised parts in the Japanese original text: Underlined)

(Revised parts only in the English text for grammatical and other reasons: Double-lined)

Previous	Revised
<p><b>1. System to ensure execution of duties by Directors and employees of the Company in conformity with laws and regulations and the Articles of Incorporation of the Company</b></p> <p>(1) and (2) (Omitted)</p> <p>(3) The <u>UT Group Action Guidelines</u> and the UT Group Compliance Code of Conduct stipulate appropriate actions to comply with laws and regulations, social norms, internal rules and other rules to be taken. The Company strives to make <u>directors</u> and employees of the Group to be well aware of this and comply with it.</p>	<p><b>1. System to ensure execution of duties by Directors and employees of the Company in conformity with laws and regulations and the Articles of Incorporation of the Company</b></p> <p>(1) and (2) (Omitted)</p> <p>(3) The <u>Code of Conduct</u> and the UT Group Compliance Code of Conduct stipulate appropriate actions to comply with laws and regulations, social norms, internal rules and other rules to be taken. The Company strives to make <u>officers</u> and employees of the Group to be well aware of this and comply with it.</p>
<p><b>2. (Omitted)</b></p>	<p><b>2. (Omitted)</b></p>
<p><b>3. Regulations and other organizational structures to manage risk of losses</b></p>	<p><b>3. Regulations and other organizational structures to manage risk of losses</b></p>

(1) The UT Group Compliance Risk Management Conference determines the types of risks of the Company and its Group to be managed, controls and evaluates these risks, takes steps to prevent risk occurrence, and, in the event of risk occurrence, minimizes loss and establishes recurrence prevention measures.

(2) In case of an emergency, the Company takes prompt, appropriate action in accordance with the Rules on Emergency Response, which aims at minimizing damage. An emergency headquarters, led by the President & Representative Director, will be in charge of crisis management.

**4. System to ensure efficient execution of duties by Directors of the Company**

(1) A regular Board of Directors meeting is held once a month and an extraordinary Board of Directors meeting is held as needed; all are to decide on important matters and supervise the execution of duties by Directors among other activities. The term of office for Directors has been set as one year in order to cope with the rapidly-changing management environment in an agile manner.

**5. System to ensure appropriate operations of a corporate group that consists of the Company and its subsidiaries**

(3) The UT Group Compliance Risk Management Conference is in charge of and promotes compliance of the entire Company Group, and the Company's Internal Audit Division audits its subsidiaries in accordance with the Management Regulations of Subsidiaries and Affiliates and the Internal Audit Regulations and from the perspective of matching with laws and regulations, the Articles of Incorporation,

(1) The UT Group Compliance Risk Management Conference determines the types of risks of the Company and its Group to be managed, controls and evaluates these risks, takes steps to prevent risk occurrence, and, in the event of risk occurrence, minimizes loss and establishes recurrence prevention measures.

(2) In case of an emergency, the Company takes prompt, appropriate action in accordance with the Rules Concerning Emergency Response, which aims at minimizing damage. An emergency headquarters, led by the President & Representative Director, will be in charge of crisis management.

**4. System to ensure efficient execution of duties by Directors of the Company**

(1) A regular Board of Directors meeting is held once a month and an extraordinary Board of Directors meeting is held as needed; all are to decide on important matters and supervise the execution of duties by Directors among other activities.

**5. System to ensure appropriate operations of a corporate group that consists of the Company and its subsidiaries**

(3) The UT Group Compliance Risk Management Conference is in charge of and promotes compliance of the entire Company Group, and the Company's Internal Audit Division audits its subsidiaries in accordance with the Management Regulations of Subsidiaries and Affiliates and the Internal Audit Regulations and from the perspective of matching with laws and regulations, the Articles of Incorporation,

<p>internal <u>rules</u>, and other rules.</p> <p>(4) The <u>UT Group Action Guidelines</u>, Group Compliance Code of Conduct, and UT Group Compliance Manual have been adopted by the entire Company Group. The Company strives to make directors and employees of the Group Companies to be well aware of taking appropriate actions in compliance with laws and regulations, social norms, internal rules and other rules.</p> <p><b>6. Matters concerning the <u>employee in the event that Audit &amp; Supervisory Board Members request him or her to assist in their auditing duties</u>; matters concerning independence of the employee from Directors; and matters concerning securing effectiveness of instructions by <u>Audit &amp; Supervisory Board Members to the employee</u></b></p> <p>(1) <u>Upon resolution by the Audit &amp; Supervisory Board and at the request for assistance by Audit &amp; Supervisory Board Members</u>, an employee who performs <u>accounting audit duties</u> <u>assistances</u> will be selected and be dedicated to performing assistance to <u>Audit &amp; Supervisory Board Members</u>. With regard to nomination of personnel, Directors exchange opinions with <u>Audit &amp; Supervisory Board Members</u> and obtain <u>their</u> agreement.</p> <p>(2) Directors do not have the authority to issue orders to the employee who performs assistance. The employee follows orders from <u>Audit &amp; Supervisory Board Members</u>.</p> <p>(3) Disciplinary action to the employee who</p>	<p>internal <u>rules</u>, and other rules.</p> <p>(4) The <u>Code of Conduct</u>, <u>UT Group Compliance Code of Conduct</u>, and UT Group Compliance Manual have been adopted by the entire Company Group. The Company strives to make directors and employees of the Group Companies to be well aware of taking appropriate actions in compliance with laws and regulations, social norms, internal rules and other rules.</p> <p><b>6. Matters concerning the <u>Director and employee who assist auditing duties of the Audit &amp; Supervisory Committee</u>; matters concerning independence of the <u>Director and employee from Directors (excluding Directors who are Audit &amp; Supervisory Committee Members)</u>; and matters concerning securing effectiveness of instructions to the employee</b></p> <p>(1) <u>When requested by the Audit &amp; Supervisory Committee</u>, an employee who performs <u>assistance to duties of the Committee</u> will be selected and be dedicated to performing assistance to <u>the Audit &amp; Supervisory Committee</u>. With regard to nomination of personnel, Directors (<u>excluding Directors who are Audit &amp; Supervisory Committee Members; referred as "Audit &amp; Supervisory Committee Members" hereafter</u>) exchange opinions with <u>the Audit &amp; Supervisory Committee</u> and obtain <u>its</u> agreement.</p> <p>(2) Directors (<u>excluding Audit &amp; Supervisory Committee Members</u>) do not have the authority to issue orders to the employee who performs assistance. The employee follows orders from <u>the Audit &amp; Supervisory Committee</u>.</p> <p>(3) Disciplinary action to the employee who</p>
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performs assistance needs to be agreed by Audit & Supervisory Board Members.

**7. System for Directors and employees of the Company and its Group Companies to report to Audit & Supervisory Board Members and systems for others to report to Audit & Supervisory Board Members**

- (1) In order to understand important decision-making processes and the status of execution of duties, Full-time Audit & Supervisory Board Members attend important meetings, including the Board of Directors meetings and the UT Group Compliance Risk Management Conference, inspect major requests for approval and other important documents concerning execution of duties, and request explanation to Directors and employees as needed.
- (2) Audit & Supervisory Board Members collaborate with the Auditing Company by receiving briefings on accounting audit details and exchanging information.
- (3) Audit & Supervisory Board Members can request reporting on execution of duties to Directors and employees of the Company's subsidiaries, who in turn shall promptly respond to the request. The Company makes Directors and employees of the Company's subsidiaries to be well aware of this point. In case they detect a violation to laws and regulations or its possibility, they promptly report it to Audit & Supervisory Board Members.
- (4) Concerning information on the whistle-blower system common to the Company and its Group Companies, departments in charge regularly report to Audit & Supervisory Board Members.
- (5) The Company prohibits any party from treating the whistle blower to Audit & Supervisory Board

performs assistance needs to be agreed by the Audit & Supervisory Committee.

**7. System for Directors and employees of the Company to report to the Audit & Supervisory Committee and systems for others to report to Audit & Supervisory Committee**

- (1) In order to understand important decision-making processes and the status of execution of duties, Audit & Supervisory Committee Members attend the Board of Directors meetings and other important meetings, inspect major requests for approval and other important documents concerning execution of duties, and request explanation to Directors and employees as needed.
- (2) The Audit & Supervisory Committee collaborates with the Auditing Company by receiving briefings on accounting audit details and exchanging information.
- (3) The Audit & Supervisory Committee can request reporting on execution of duties to Directors and employees of the Company's subsidiaries, who in turn shall promptly respond to the request. The Company makes Directors and employees of the Company's subsidiaries to be well aware of this point. In case they detect a violation to laws and regulations or its possibility, they promptly report it to the Audit & Supervisory Committee.
- (4) Concerning information on the whistle-blower system common to the Company and its Group Companies, departments in charge regularly report to the Audit & Supervisory Committee.
- (5) The Company prohibits any party from treating the whistle blower to the Audit & Supervisory

Members in any manner disadvantageous on the grounds of the whistle-blowing disclosure and seeks that Directors and employees be well aware of this point.

**8. Policy on procedures for advance payment or redemption of expenses arising from performance of duties of the Audit & Supervisory Board Members and other settlement of expenses or debts arising from performance of such duties**

Directors cooperate with audit by Audit & Supervisory Board Members and budget a certain amount for the payment of expenses and other costs arising from the performance of duties of Audit & Supervisory Board Members.

**9. Other arrangements to ensure that audits by Audit & Supervisory Board Members are conducted effectively**

- (1) Audit & Supervisory Board Members audit execution of duties by Directors and Executive Officers based on the Audit & Supervisory Board Members' Auditing Standards and according to the audit plan.
- (2) Audit & Supervisory Board Members attend the Board of Directors meetings, Management Committee, and other important meetings, and provide their opinions as needed.
- (3) Audit & Supervisory Board Members regularly exchange information and collaborate with the Auditing Company and the Internal Audit Division, and have regular meetings with the President & Representative Director.

**10. System to ensure credibility in financial reporting**

- (1) (Omitted)

Committee in any manner disadvantageous on the grounds of the whistle-blowing disclosure and seeks that Directors and employees be well aware of this point.

**8. Matters concerning policy on procedures for expenses arising from performance of duties of the Company's Audit & Supervisory Committee Members**

Directors (excluding Audit & Supervisory Committee Members) cooperate with audit by Audit & Supervisory Committee Members and budget a certain amount for the payment of expenses and other costs arising from the auditing to secure its effectiveness.

**9. Other arrangements to ensure that audits by the Audit & Supervisory Committee is conducted effectively**

- (1) Audit & Supervisory Committee Members audit execution of duties by Directors and Executive Officers based on the Audit & Supervisory Committee's Auditing Standards and according to the audit plan.
- (2) Audit & Supervisory Committee Members attend the Board of Directors meetings and other important meetings, and provide their opinions as needed.
- (3) Audit & Supervisory Committee Members regularly exchange information and collaborate with the Auditing Company and the Internal Audit Division, and have meetings with the President & Representative Director as appropriate.

**10. System to ensure credibility in financial reporting**

- (1) (Omitted)

- (2) Audit & Supervisory Board Members conduct audits concerning financial reporting internal control, in accordance with the Audit Performance Standard Concerning Internal Control System.
- (3) In case that Audit & Supervisory Board Members determine that the financial reporting internal control does not address significant risks, they discuss the matter in the Audit & Supervisory Board meeting as needed, point it out to Officers in charge of finance in a timely and appropriate manner, and ask for improvement as is deemed necessary.

#### 11. Basic Views on Eliminating Anti-Social Forces

As a part of systems to ensure appropriateness of operation, the Company's basic views on eliminating anti-social forces are clearly stated as follows and the systems are established as described:

- (1) (Omitted)
- (2) Arrangements for eliminating anti-social forces
  1. (Omitted)
  2. The Company and its Group Companies have stipulated in the Standard on Eliminating Anti-Social Forces and the Detailed Rules on Investigating and Eliminating Anti-Social Forces measures needed to eliminate anti-social forces from all activities including contracts exchanged by the Company and its Group Companies.
  3. (Omitted)

- (2) The Audit & Supervisory Committee conducts audits concerning internal control related to financial reporting, in accordance with the Audit & Supervisory Committee's Audit Performance Standard Concerning Internal Control System.
- (3) In case that the Audit & Supervisory Committee determines that the internal control related to financial reporting does not address significant risks, the Committee points it out to Officers in charge of finance in a timely and appropriate manner, and ask for improvement as is deemed necessary.

#### 11. Basic Views on Eliminating Anti-Social Forces and arrangements

As a part of systems to ensure appropriateness of operation, the Company's basic views on eliminating anti-social forces are clearly stated as follows and the systems are established.

- (1) (Omitted)
- (2) Arrangements for eliminating anti-social forces
  1. (Omitted)
  2. The Company and its Group Companies have stipulated in the Standard on Eliminating Anti-Social Forces and the Detailed Rules on Investigating and Eliminating Anti-Social Forces measures needed to eliminate anti-social forces from all activities including contracts exchanged by the Company and its Group Companies.
  3. (Omitted)

**<Reference> Basic Policy on Internal Control System (Full version)**

**1. System to ensure execution of duties by Directors and employees of the Company in conformity with laws and regulations and the Articles of Incorporation of the Company**

- (1) Important matters concerning execution of business that may affect the Company and its entire Group are identified and discussed at the Board of Directors meeting. The President & Representative Director reports the status of business execution of the Company and matters deemed important to the Board of Directors. In addition, External Directors are selected to maintain and enhance supervisory functions concerning execution of duties by Directors.
- (2) The UT Group Compliance Risk Management Conference, chaired by the lead person in charge of the compliance division and with participation by an outside lawyer among others, has been established as an advisory entity serving the Board of Directors. The Conference discusses compliance policy and action plans of the Company and its Group, studies matters needed to ensure legal compliance and fair execution of duties, does research on violation of laws, regulations, and internal rules, and establishes recurrence prevention measures.
- (3) The Code of Conduct and the UT Group Compliance Code of Conduct stipulate appropriate actions to comply with laws and regulations, social norms, internal rules and other rules to be taken. The Company strives to make officers and employees of the Group to be well aware of this and comply with it.
- (4) Concerning promotion of compliance, the Company has established the UT Group Compliance Manual. Officers and employees of the Company and its Group Companies attend seminars and other events and are instructed to perform duties and management by taking compliance as one of their own issues in their respective position.
- (5) A whistle-blower system has been established to enable consulting on possible or actual organizational or individual legal violations or fraudulent acts and to appropriately handle the information. By making use of the system, the Company endeavors to prevent scandals caused by fraudulent and other acts, detect problems early, and become more agile in improving its ability to govern itself.
- (6) The Internal Audit Division has been established to examine, evaluate, and report the status of corporate organization establishment and compliance, effectiveness and efficiency of business management to maintain and improve internal control.



## **2. System to ensure the preservation and management of information related to execution of duties by Directors**

- (1) The minutes of the Board of Directors meetings and related materials are properly preserved and managed in accordance with laws and regulations as well as the Company's Document Management Regulations and Board of Directors Regulations.
- (2) Concerning information management and periods of retention, the Information Security Management Regulations and the UT Group Compliance Manual have been established to put in place a system to retain and manage information.

## **3. Regulations and other organizational structures to manage risk of losses**

- (1) The UT Group Compliance Risk Management Conference determines the types of risks of the Company and its Group to be managed, controls and evaluates these risks, takes steps to prevent risk occurrence, and, in the event of risk occurrence, minimizes loss and establishes recurrence prevention measures.
- (2) In case of an emergency, the Company takes prompt, appropriate action in accordance with the Rules Concerning Emergency Response, which aims at minimizing damage. An emergency headquarters, led by the President & Representative Director, will be in charge of crisis management.

## **4. System to ensure efficient execution of duties by Directors of the Company**

- (1) A regular Board of Directors meeting is held once a month and an extraordinary Board of Directors meeting is held as needed; all are to decide on important matters and supervise the execution of duties by Directors among other activities.
- (2) The Company has defined resolution matters and reporting matters of the Board of Directors meeting in the Board of Directors Regulations, and responsibility and authority of each organization and each job position concerning execution of duties in the Job Position Authority Regulations.
- (3) The Company has also adopted an Executive Officer System to separate business supervisory functions and business execution functions and improve effectiveness of the Board of Directors by granting a part of the Board of Directors' decision-making authority of business execution to Executive Officers.
- (4) In the Management Committee, which is chaired by the President & Representative Director and is comprised of Full-time Directors and Executive Officers, important matters concerning execution are discussed.



**5. System to ensure appropriate operations of a corporate group that consists of the Company and its subsidiaries**

- (1) As a holding company that controls the business of its Group, the Company appropriately exercises rights of shareholders to its subsidiaries from the perspective of maximizing corporate value of its Group. The Company also regularly receives reporting from its subsidiaries on their status of management, execution of duties, and financial position, in accordance with the “Management Regulations of Subsidiaries and Affiliates,” and the Management Committee confirms whether Directors of Group Companies efficiently execute their duties.
- (2) With regard to management of the Company’s subsidiaries, Directors of the Company’s Group Companies who concurrently serve as the Company’s Executive Officers, or Directors of the Company’s Group Companies who are elected by the Company ensure that the Company’s prior approval is required for the subsidiaries’ important matters, including business strategy and business plans, which is based on the Company Group Policy. In principle, a subsidiary of the Company’s subsidiary is managed and controlled through the subsidiary.
- (3) The UT Group Compliance Risk Management Conference is in charge of and promotes compliance of the entire Company Group, and the Company’s Internal Audit Division audits its subsidiaries in accordance with the Management Regulations of Subsidiaries and Affiliates and the Internal Audit Regulations and from the perspective of matching with laws and regulations, the Articles of Incorporation, internal rules, and other rules.
- (4) The Code of Conduct, UT Group Compliance Code of Conduct, and UT Group Compliance Manual have been adopted by the entire Company Group. The Company strives to make directors and employees of the Group Companies to be well aware of taking appropriate actions in compliance with laws and regulations, social norms, internal rules and other rules.

**6. Matters concerning the Director and employee who assist auditing duties of the Audit & Supervisory Committee; matters concerning independence of the Director and employee from Directors (excluding Directors who are Audit & Supervisory Committee Members); and matters concerning securing effectiveness of instructions to the employee**

- (1) When requested by the Audit & Supervisory Committee, an employee who performs assistance to duties of the Committee will be selected and be dedicated to performing assistance to the Audit & Supervisory Committee. With regard to nomination of personnel, Directors (excluding Directors who are Audit & Supervisory Committee Members; referred as “Audit & Supervisory Committee Members” hereafter) exchange opinions with the Audit & Supervisory Committee and obtain its agreement.
- (2) Directors (excluding Audit & Supervisory Committee Members) do not have the authority to issue orders to the employee who performs assistance. The employee follows orders from the Audit & Supervisory Committee.
- (3) Disciplinary action to the employee who performs assistance needs to be agreed by the Audit & Supervisory Committee.

**7. System for Directors and employees of the Company to report to the Audit & Supervisory Committee and systems for others to report to Audit & Supervisory Committee**

- (1) In order to understand important decision-making processes and the status of execution of duties, Audit & Supervisory Committee Members attend the Board of Directors meetings and other important meetings, inspect major requests for approval and other important documents concerning execution of duties, and request explanation to Directors and employees as needed.
- (2) The Audit & Supervisory Committee collaborates with the Auditing Company by receiving briefings on accounting audit details and exchanging information.
- (3) The Audit & Supervisory Committee can request reporting on execution of duties to Directors and employees of the Company's subsidiaries, who in turn shall promptly respond to the request. The Company makes Directors and employees of the Company's subsidiaries to be well aware of this point. In case they detect a violation to laws and regulations or its possibility, they promptly report it to the Audit & Supervisory Committee.
- (4) Concerning information on the whistle-blower system common to the Company and its Group Companies, departments in charge regularly report to the Audit & Supervisory Committee.
- (5) The Company prohibits any party from treating the whistle blower to the Audit & Supervisory Committee in any manner disadvantageous on the grounds of the whistle-blowing disclosure and seeks that Directors and employees be well aware of this point.

**8. Matters concerning policy on procedures for expenses arising from performance of duties of the Company's Audit & Supervisory Committee Members**

Directors (excluding Audit & Supervisory Committee Members) cooperate with audit by Audit & Supervisory Committee Members and budget a certain amount for the payment of expenses and other costs arising from the auditing to secure its effectiveness.

**9. Other arrangements to ensure that audits by the Audit & Supervisory Committee is conducted effectively**

- (1) Audit & Supervisory Committee Members audit execution of duties by Directors and Executive Officers based on the Audit & Supervisory Committee's Auditing Standards and according to the audit plan.
- (2) Audit & Supervisory Committee Members attend the Board of Directors meetings and other important meetings, and provide their opinions as needed.
- (3) Audit & Supervisory Committee Members regularly exchange information and collaborate with the Auditing Company and the Internal Audit Division, and have meetings with the President & Representative Director as appropriate.

## 10. System to ensure credibility in financial reporting

- (1) In order to ensure appropriate accounting treatment and improve credibility in financial reporting, the Company has adopted diverse types of regulations concerning accounting operations, has assigned an Officer in charge concerning information disclosure, and strives to put in place an internal control system concerning financial reporting and to enhance its effectiveness.
- (2) The Audit & Supervisory Committee conducts audits concerning internal control related to financial reporting, in accordance with the Audit & Supervisory Committee's Audit Performance Standard Concerning Internal Control System.
- (3) In case that the Audit & Supervisory Committee determines that the internal control related to financial reporting does not address significant risks, the Committee points it out to Officers in charge of finance in a timely and appropriate manner, and ask for improvement as is deemed necessary.

## 11. Basic Views on Eliminating Anti-Social Forces and arrangements

As a part of systems to ensure appropriateness of operation, the Company's basic views on eliminating anti-social forces are clearly stated as follows and the systems are established.

### (1) Basic views on eliminating anti-social forces

As a basic policy, the Company Group is determined to stand against anti-social forces that threaten civil society and eliminate any relationship with them. The Group prohibits all Directors and employees to use anti-social forces and any individual or group that is related to them, and to be related with them in any way, including provision of money and cooperation.

### (2) Arrangements for eliminating anti-social forces

1. The Company has adopted the UT Group Compliance Manual, which calls for elimination of any relationship with anti-social forces and strives to make Directors and employees of the Group to be well aware of and comply with it.
2. The Company and its Group Companies have stipulated in the Standard on Eliminating Anti-Social Forces and the Detailed Rules on Investigating and Eliminating Anti-Social Forces measures needed to eliminate anti-social forces from all activities including contracts exchanged by the Company and its Group Companies.
3. In case that the Company is contacted by anti-social forces, the Company's department in charge is prepared to deal with it in cooperation with police and lawyers.

End