

Internal Control System Policy

NHK SPRING CO., LTD.

1. System for ensuring that Members of the Board and employees comply with laws and regulations and the Articles of Incorporation in the execution of their duties

In the NHK Spring Group Employees Code of Conduct, we stipulate that all Members of the Board and employees shall comply with laws, regulations, and corporate ethics. In addition, we have established a system that consists of a chief compliance officer (President & COO), a compliance promotion officer (General Manager of the Corporate Planning and Control Division Legal Department), guidance officers (each departments head), and a compliance promotion secretariat (Corporate Planning and Control Division Legal Department) to promote compliance.

Also, we systematically conduct compliance training and awareness-raising activities in an effort to prevent legal violations and antisocial behavior from occurring.

In addition, we have established a Compliance Hotline at a contact point operated by an external third-party organization as a mechanism for employees of the Company and domestic Group companies to make internal reports.

The Internal Audit Department systematically conducts audits, including those in Group companies, to ensure the effectiveness and efficiency of operations, compliance with laws and regulations, and reliability of financial reporting.

2. Development of a system to eliminate antisocial forces

In the “NHK Spring Group Employees Code of Conduct,” which is posted in the previous section, NHK Spring clearly states that it will not engage in antisocial activities or have any relationship with antisocial forces such as organized crime groups, that it will take a firm stance against antisocial forces, and that its individual members and departments will never respond to illegal or unjust demands from individuals or specific departments. These principles are conveyed to employees through education and awareness activities.

3. System for storing and managing information related to the execution of duties by the Members of the Board

The following information related to the execution of duties by the Members of the Board is stored and managed in accordance with the Rules of the Board of Directors, Document Management Regulations, and other internal rules and regulations.

- Minutes of General Meeting of Shareholders and related materials
- Minutes and related materials of the Board of Directors
- Management Committee and Expanded Management Committee minutes and related materials
- Documents for approval and related materials
- Minutes and related documents of committees and deliberation conferences
- Other important documents related to the execution of duties by the Members of the Board

The NHK Spring Group is committed to implementing thorough information management based on the NHK Spring Group Information Security Management Policy (enacted in December 2003), confidential information management regulations, information management manuals, etc.

4. Rules and other systems for managing risk of loss

To develop a risk management system, we have established a company-wide Sustainability Promotion Committee to identify risks related to corporate activities (corporate negligence, financial risks, employee misconduct and scandals, disaster/accident risks, overseas incidents/accidents, etc.) in the Company and Group companies and to develop a BCP (Business Continuity Plan), internal regulations, and risk management manuals for countermeasures. In addition, we promote the prevention of risk occurrence through education and awareness-raising activities.

In the event that a risk becomes manifest, the departments in charge and related departments work in unison to respond promptly. In the event of a serious risk, a taskforce is promptly set up, and after countermeasures are taken, the Sustainability Promotion Committee works to prevent the problem from reoccurring.

Moreover, for important investments, equity investments, loans, and loan guarantees, we have established an Investment and Loan Council to review projects by NHK Spring and Group companies and conduct sufficient preliminary screening.

5. System to ensure efficient execution of duties by the Members of the Board

NHK Spring and some Group companies have introduced a business management system that aims to efficiently develop, check, and revise priority measures.

In addition, NHK Spring and some Group companies have introduced an executive officer system to speed up decision-making and business execution and clarify authority and responsibility by separating business management from work execution. In addition, we are actively working to improve efficiency through the use of IT and to strengthen information security management.

6. System to ensure appropriate business operations in the corporate group comprising NHK Spring and its subsidiaries

NHK Spring has a system in place to prevent improper or inappropriate transactions by dispatching Members of the Board and Audit & Supervisory Board Members (Auditors) to Group companies to grasp their management status in a timely manner.

Also, the Company monitors the management of Group companies through prior approval and progress reports on important matters related to business plans and business execution and provides support as necessary.

In addition, NHK Spring's Internal Audit Department systematically audits Group companies to ensure the effectiveness and efficiency of operations, compliance with laws and regulations, and reliability of financial reporting.

7. System to ensure the reliability of financial reporting

Internal control over financial reporting for the entire Group is evaluated, maintained, and improved in accordance with the Financial Instruments and Exchange Law and related rules and standards.

8. System concerning employees assigned to assist when requested by Audit & Supervisory Board Members (Auditors)

In the event that an Auditor requests the appointment of employees to assist the Auditor, the Company discusses with the Auditor issues including the number of employees, system, and independence and takes the necessary measures.

In the event that such employees concurrently fulfill duties in other departments, they shall be given priority in performing duties related to the Auditor.

9. System for Members of the Board and employees to report to Auditors and other systems for reporting to Auditors

We have established a system whereby Members of the Audit & Supervisory Board attend Board meetings, Management Committee meetings, etc. of NHK Spring and Group companies and receive reports without delay on statutory matters and important matters affecting management and business performance.

In addition, the Company has a system that prohibits any person who makes a report to the Auditors from being treated unfavorably due to having made such a report.

The departments in charge report the following matters without delay.

- Results of audits by the internal audit department
- If a lawsuit has been filed, the details of the lawsuit
- If a whistleblowing report has been filed, the details of the report
- Issues related to compliance, BCP, etc.

10. Systems to ensure effective audits by Auditors

Representative directors of NHK Spring and its Group companies (Members of the Board, Accounting Auditors, and Internal Auditing Department) exchange opinions with the Auditors on a regular basis and as necessary to ensure the effectiveness of audits.

Established: May 15, 2006

Revised: May 13, 2008

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