

## Basic Policy for Internal Control System

The word "Valuance" in our company name is a coined word that combines "Value," "Intelligence," and "Experience". As the name implies, we aim to maximize our sustainable growth and corporate value, as well as to achieve co-prosperity with our shareholders, customers, business partners, employees, and society as a whole, by identifying value, creating new value, and providing value that changes the lives of all people involved with us.

To realize this, we recognize that the appropriate establishment and operation of an internal control system is an important management issue to enhance and strengthen corporate governance. Therefore, the Board of Directors has decided on a basic policy regarding the establishment of an internal control system, and at the same time, the related internal rules and regulations have been established.

In addition to checks by the Board of Directors, the internal control system is periodically reviewed to ensure that it is operating as designed and achieving results, and to build and strengthen the Group's overall internal control system and respond to external risks.

1. System to ensure that the execution of duties by directors, executive officers and employees of Valuance Group (hereinafter called the "Company") and its subsidiaries complies with laws, regulations and the Articles of Incorporation.
  - ( 1 ) In order to fulfill our social responsibility to our stakeholders, including shareholders, customers, business partners, local communities, officers and employees, the Company shall set out our management basic policy of achieving sustainable growth and increasing corporate value and shall establish the "Compliance Regulations" to ensure that all officers and employees of the Company and its subsidiaries comply with laws, regulations, the Articles of Incorporation, etc., and the Internal Audit Office shall conduct internal audits of the Company and its subsidiaries. In addition, the Company shall strive to enhance its internal control system by strengthening its risk management system, including its whistle-blowing system.
  - ( 2 ) To ensure that all employees comply with laws, regulations, and the Articles of Incorporation, the Company shall establish the "Valuance Group Code of Conduct" and promote and maintain a system to continuously strengthen internal control functions related to compliance.

- ( 3 ) The Company shall establish an internal reporting system for employees who discover any violation of compliance, and shall establish "Internal Reporting Regulations" and operate in accordance with them. In addition to the internal contact point, the Company shall ensure that reporting to a third-party organization (legal counsel) is also possible.
- ( 4 ) The Company shall establish an external reporting system f for the case that a third party discovers a violation of compliance by the Company's managements or employees, and shall establish "Rules for External Reporting" and shall operate in accordance with these rules. The Company shall disclose the contact point for notification on its website and shall allow third parties to report to the Company's external reporting contact point.

2. System for the storage and management of information related to the execution of duties by directors

The Company shall properly store and manage the minutes of the General Meeting of Shareholders and the Board of Directors, as well as important information and documents related to management and business execution in accordance with laws and regulations, internal rules such as the "Rules for the Board of Directors," "Rules for the Executive Committee," "Delegation of Duties" "Document Management Policy," and related policies.

3. Regulations and other systems for managing the risk of loss of the Company and its subsidiaries

- ( 1 ) The Company shall establish a "Risk Management Committee" chaired by the CEO to determine risk management systems, policies, etc., evaluate the risk management systems of the Group, including subsidiaries, and make improvements as necessary. The Legal Department, as the risk management division, shall oversee risk management activities, and will develop, verify, and revise the "Risk Management Policy".
- ( 2 ) In preparation for the event of a large-scale disaster, etc., the Company shall develop a business continuity plan (BCP) and other emergency systems.

4. Systems to ensure the efficient execution of duties by directors of the Company and its subsidiaries

- ( 1 ) In order to ensure the efficient execution of duties by the directors of the Company and its subsidiaries, the Company shall stipulate the operation of the Board of Directors in the "Regulations of the Board of Directors" and hold a regular meeting of the Board of Directors once a month to make decisions on important matters and to supervise the execution of business operations. In addition, extraordinary meetings shall be held as necessary.
- ( 2 ) By adopting the executive officer system, directors shall be devoted to acceleration of management and strengthening of supervisory functions and shall delegate authority for business execution to executive officers to clarify executive responsibility.
- ( 3 ) In accordance with the "Rules for the Board of Directors," the Board of Directors, including outside directors, shall make decisions on management policies, matters stipulated by laws and regulations, and other important management matters, and shall supervise the execution of business operations.
- ( 4 ) In order to ensure fairness, transparency, objectivity, and accountability in the decision-making process of nomination and compensation of directors, by the Board of Directors, a voluntary Nomination and Compensation Committee shall be established, with several independent outside directors as its members. The Committee shall report to the Board of Directors the results of its deliberations on the nomination and remuneration of directors and other relevant matters.
- ( 5 ) Directors shall strive to establish an IT-based information system to quickly and accurately grasp management information.

5. System to ensure the appropriateness of operations of the group consisting of the Company and its subsidiaries

- ( 1 ) The Company shall provide guidance and support to its subsidiaries in the development of legal compliance systems and other systems to ensure the appropriateness of their operations through the Valence Group's Compliance Policy and other measures.
- ( 2 ) The Company shall dispatch directors and auditors to each subsidiary as necessary to improve the soundness and efficiency of management. The Administration Division shall oversee the management of the subsidiaries' business execution, and the subsidiaries shall report to the Company on matters for approval as stipulated in the "Rules for Affiliate Company Management" and

regularly report information on business progress to ensure the appropriateness of the business execution system while sharing business management information and crisis management information.

- ( 3 ) Important matters concerning the business operations of subsidiaries shall be discussed at the Company's Executive Committee and submitted to the Board of Directors in accordance with the "Rules for Affiliate Company Management".
- ( 4 ) When the Director and President becomes aware of the occurrence of a risk of loss in a subsidiary, he/she shall immediately report to the Board of Directors of the Company on the nature of the risk, the extent of the loss to be incurred, and its impact on the Company.
- ( 5 ) The Internal Audit Office shall periodically audit the Company and its subsidiaries in accordance with the "Rules for Internal Audit". The General Manager of the Internal Audit Office shall report to the Representative Director on the status of internal audits, as well as to the Board of Directors.

6. Matters concerning Directors and employees assisting the Audit Committee in its duties, and the independence of such Directors and employees from Directors (excluding Directors who are members of the Audit Committee), and matters concerning the securing of the effectiveness of instructions to such Directors and employees.

- ( 1 ) The Company does not assign Directors and employees to assist the Audit Committee in its duties, however the Company may appoint and assign such Directors and employees when requested by the Audit Committee.
- ( 2 ) The appointment and transfer of Directors and employees to assist the Audit Committee in its duties shall require the consent of the Audit Committee.
- ( 3 ) The authority to direct Directors and employees assisting the Audit Committee in its duties shall be transferred to the Audit Committee and shall not be subject to the direction or orders of Directors (excluding Directors who are members of the Audit Committee). The opinions of the Audit Committee shall be heard with respect to the evaluation of such Directors and employees.

7. System to enable directors (excluding Directors who are members of Audit Committee) and employees to report to the Audit and Supervisory Committee and to other members of Audit and Supervisory Committee

- ( 1 ) Directors who are members of the Audit and Supervisory Committee shall attend the Board of Directors meeting and may attend important meetings of the Executive Committee to receive reports on important matters and facts that may cause damage to the Company.
- ( 2 ) Directors who are members of the Audit and Supervisory Committee shall receive reports from the Corporate Planning Department and the Internal Audit Office as necessary.
- ( 3 ) Directors and employees shall report to the Audit Committee important matters to be discussed at meetings of the Board of Directors and other important meetings, the status of internal audits, and other necessary important matters.
- ( 4 ) Directors and employees shall promptly make necessary reports and provide information when requested by the Audit Committee.

8. System for directors, auditors and employees of the subsidiaries of the Company or persons who receive reports from them to report to the Audit and Supervisory Committee and other members of Audit and Supervisory Committee

The directors and employees of the subsidiaries of the Company shall report to the Audit and Supervisory Committee immediately when violations against critical laws and regulations or articles of incorporation that impacts our subsidiaries' company management and result are recognized. Also, directors, auditors and employees of the subsidiaries of the Company shall report and provide necessary information immediately to the Audit and Supervisory Committee upon requests.

9. Systems to ensure that persons who report to the Audit Committee are not treated disadvantageously because of their having made such reports

The Company's "Rules for Whistleblower" stipulate that no disadvantageous action shall be taken against whistleblowers, and the same shall apply to reports to the Audit Committee as described in the previous clause.

10. Matters concerning procedures for prepayment or reimbursement of expenses incurred in the execution of duties by the member of Audit and Supervisory Committee and other policies concerning the process of expenses or liabilities incurred in the execution of such duties

In case that members of the Audit and Supervisory Committee make a request to the Company for advance payment of expenses, in connection with the execution of their duties, the relevant department in charge shall, after deliberation, promptly dispose of such expenses or liabilities, unless it is proven that the expenses or liabilities in connection with such request are not necessary for the execution of the duties of the Audit and Supervisory Committee.

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

The Audit Committee shall meet regularly with the Representative Director to communicate and exchange opinions.

In addition, the Audit and Supervisory Committee shall strengthen cooperation with the Accounting Auditor and the Internal Audit Office by mutually exchanging information and opinions as necessary, in order to substantially improve audits.

12. System to ensure the reliability of financial reporting

From the perspective of the reliability of financial reporting, the Company recognizes that the four objectives of internal control - effectiveness and efficiency of operations, reliability of financial reporting, compliance with laws and regulations related to business activities, and preservation of assets - are closely interrelated. Therefore, the management shall establish, evaluate, and continuously improve internal control over financial reporting through the establishment of an internal control system and the reporting of overall audits by internal auditors and other personnel.

13. System to eliminate antisocial forces

The Company shall sever and eliminate any relationship with antisocial forces and groups that threaten social order and safety. Directors and employees shall always pay attention to antisocial forces, and in the event of an incident, in accordance with the "Rules for Dealing with Antisocial Forces" and the "Manual for Dealing with Antisocial Forces," directors and employees shall work closely with relevant administrative agencies and legal experts, and the entire organization shall establish a system to promptly deal with the issue.

supplementary provisions

1. shall be enacted on October 20, 2016, and shall come into effect on the same day.
2. Revised on November 22, 2019, and effective on the same date.
3. Revised on November 20, 2020, and effective on the same date.
4. Revised on May 27, 2021, and effective as of June 1, 2021.
5. Revised on September 26, 2008, and effective as of October 1, 2024.