

## Basic Policy on Internal Control System

In accordance with the following Basic Policy, with recognition of the importance of ESG (Environment, Social and Governance) management, the Company, as a member of the ENEOS Group, shall develop and operate a system to ensure the properness of operations of the Company's business (internal control system) based on the "ENEOS Group Philosophy," and the "ENEOS Group Code of Conduct" and the "ENEOS Materials Guideline on Corporate Ethics" for which realizes and complements them.

Further, the Company shall confirm the status of development and operation of the internal control system regularly. If any defect is found, the Company shall properly cure such defect and further review this Basic Policy, and shall thereby make efforts to maintain and continuously improve the effectiveness of the internal control system.

### 1. Systems to Ensure that the Execution of Duties by the Directors and the Employees Complies with Laws and Regulations, and the Articles of Incorporation

- (1) The Company shall comply with laws and regulations, its articles of incorporation, and its rules, etc., in its entire operational spectrum by developing and enforcing rules aimed at fully ensuring compliance, so that the Company may carry out its corporate activities fairly and improve society's trust in the ENEOS Group, whether in or outside of Japan. Further, the Company shall systematically and periodically perform compliance activities, based on the "Compliance Rules" and other rules, and take appropriate measures to prevent occurrence of a breach of laws or regulations.
- (2) The Company shall pursue early detection and early correction of the breaching of laws and regulations, as well as develop and operate "ENEOS Materials rules on Corporate Ethics Whistle-blowing" and other rules in order to appropriately protect the whistleblower complaining of a breach of laws and regulations. Also, the Company shall develop and operate systems required to ensure that any person who reports any incident to the Company by using a whistleblowing system or by any other appropriate method, is not treated unfavorably on the grounds of making such a report (including by expressly prohibiting such treatment in the "ENEOS Materials rules on Corporate Ethics Whistle-blowing", among others).
- (3) To hold appropriate operation of the Board of Directors' meetings properly, the Board of Directors' meetings shall be held in May, June, August, September, November, February, March in principal and the extraordinary meetings shall be held as necessary, pursuant to "Rules for the Board of Directors" and "Criteria for Matters Resolution by the Board of Directors". The Board of Directors resolves important business executions with sufficient discussion and oversees execution of duties of directors. The Company shall receive a report in relation to the business executions from directors.

- (4) The Company shall establish the Internal Audit Department, which will be in charge of internal auditing and which will implement audits independently from other divisions.
- (5) The Company shall develop and operate “Basic Rules for Response to Anti-Social Forces” and other rules, in order to block any relationship with anti-social forces and prevent anti-social forces from intervening in corporate activities.

**2. System for the Storage and Management of Information related to Execution of Duties by the Directors and the Employees**

- (1) The execution of duties by the directors and the employees shall in principle be conducted in writing. The Company shall develop and operate “Document Information Management Rules” and other rules concerning the preparation and management of documents such as approval documents.
- (2) The Company shall properly prepare minutes of the Board of Directors’ meetings based on laws and regulations.
- (3) The Company shall develop and operate “Personal Information Management Rules” which appropriately handle confidential information, personal information and “Information System Security Regulation for ENEOS Materials” which protects its IT system from outside threats and “other rules, etc.” in order to aim at preventing wrongful use, disclosure, and divulgence of company information. In addition, the Company shall, through providing opportunities such as internal training, ensure that the employees fully comply with the rules, etc.
- (4) The Company shall prepare business reports and financial statements properly pursuant to the Companies Act.

**3. Rules and Other Systems for the Management of Risk of Loss**

- (1) In submitting an important matter, such as regarding a substantial amount of investment, to the Board of Directors’ meeting, policies on treatment of risks pertaining to the matter shall be defined after sorting out the anticipated risk. In addition, the Company shall, as necessary, appoint outside legal, accounting, tax and other advisors, and seek their opinions.
- (2) The Company shall appropriately identify and analyze various risks that may affect the Company’s business activities, such as radical changes in the economy and financial conditions; drastic fluctuation in crude oil or other resource prices, or in currency exchange rates; the occurrence of a large earthquake; and climate change, etc. and shall develop and operate Risk Management Rules, Guideline on Operations and Management of Derivative Transaction, and Security Export Control Regulations and other rules, etc. aimed at dealing with these risks.
- (3) The Company shall promote internal control systems in order to manage the risks for the

achievement of organizational goals in each department and shall develop and operate necessary systems and rules in order to achieve this.

- (4) The Company shall achieve safety, preserve environment and maintain health, and shall carry out the measures for respecting human rights and for human resource development, and shall develop and operate necessary systems and rules for these purposes in the operation.
- (5) To prepare for an event where a crisis or emergency significantly affects the management of the Company, the Company shall develop and operate Crisis Management Manuals and other rules to prevent the occurrence and expansion of damage by appropriately transmitting and managing information regarding the crisis or the emergency.

#### **4. System to Ensure Efficient Execution of Duties by Directors and Employees**

- (1) The Company shall set forth, in its rules on organization and authority, the organizational structure, management positions and business activity allocations in the Company, as well as matters for approval and the approval authority that correspond to each skill and management position in the rules on organization and authority, and have the duties executed in an efficient manner.
- (2) The company shall hold the regular meeting of Board of Directors in May, June, August, September, November, February, March and the extraordinary meetings as necessary. The company shall deliberate and resolve important matters related to the execution of business of ENEOS Materials Group and supervise the status of execution of duties by directors and executive officers. In addition, the company shall hold the Executive Council Meeting once a week in principle, consisting of Chairman, President, Executive officers, Division directors, and persons appointed by the president in order to accelerate decision-making and streamline business operations. The company shall deliberate and direct or receive reports on basic management measures, management policies, the matter of related management plan and important execution cases of each department. Of the matters to be deliberated at the Executive Council Meeting, important matters are submitted to the board of directors, and other matters are approved by the president after deliberation by the Executive Council.
- (3) Chairman, Executive Officers, Division Directors and other persons appointed by the President shall support the President in company-wide and professional viewpoints, thereby the matters subject to the President's decisions shall be conducted appropriately and effectively.
- (4) The matters to be resolved by the Board of Directors shall in principle be approved by the President in advance.
- (5) Aligned with a long-term business plan for ENEOS Group, the Company shall develop a management plan for the next three (3) years in the Medium-Term Management Plan, and shall develop and operate management control systems such as the budget system and the

objectives management system.

- (6) The Company shall establish and operate an optimal IT system from the perspective of proper information management, standardization and optimization of business and strengthening of the internal control system.

#### **5. System to Ensure Appropriate Business Operation within the Corporate Group**

- (1) Regarding the “ENEOS Group Philosophy” and the “ENEOS Group Code of Conduct,” the Company and its subsidiaries shall aim to disseminate them among and have them fully understood by each company as the philosophies and standards of conduct common to each company under the ENEOS Group.
- (2) Among the decisions of the Company’s subsidiaries, the items based on “Authority Rules, annexed 3” should be resolved at, approved by, or reported to the Company’s Board of Directors’ meeting and the Executive Council meeting and the Division Director properly. Further, among the decisions of the Company and its subsidiaries, those items that should be resolved at, approved by, or reported to the Board of Directors’ meeting and the Executive Council meeting of ENEOS Holdings, Inc. (“ENEOSHD”) shall be resolved at, approved by, or reported to the “Rules of the Board of Directors” and the like of ENEOSHD properly.
- (3) The Company and its subsidiaries shall deem, among various rules provided by ENEOSHD, including ENEOSHD’s “ENEOS Group Operation Rules” that provides fundamental matters regarding the operations of the ENEOS Group, those rules applicable to the Company and its subsidiaries as rules adopted as their own rules, and shall comply with such rules.
- (4) Regarding the systems related to internal control systems of the ENEOS Group (including systems related to compliance, systems related to ensuring the reliability of financial reporting, and systems related to internal controls through IT), the Company and its subsidiaries shall develop and operate them as systems that include the group companies, considering the business characteristics of the Company and its subsidiaries.
- (5) The Company shall confirm the development and operation of the Internal Control system of the Company and its subsidiaries, so that the Company and its subsidiaries can develop and operate the Internal Control system, namely Compliance system, Risk Management System, “Effective business execution.” et al.

#### **6. System to Ensure Effective Auditing by the Corporate Auditors**

- (1) The Company shall respect the audit standards and the audit plans set forth by the Corporate Auditors, and shall cooperate in the smooth performance of audits and the development of conditions for an audit.
- (2) The Company shall take the measures necessary so that the Corporate Auditors are able

to attend important meetings, such as the Board of Directors' meetings, the Executive Council Meetings, etc. and understand the process of making important decisions and the status of execution of business activities. In addition, the Company shall develop and operate systems for the Company and its subsidiaries to appropriately report on the matters which the Corporate Auditors request.

- (3) The Company shall develop and operate "ENEOS Group Crisis Emergency Response Rules" and other rules for the Corporate Auditors to receive reports on any fact that may be identified concerning the Company and/or its subsidiaries, such as material breaches of laws and regulations or the articles of incorporation, fraudulent acts, or facts that could cause considerable damage to the Company, immediately when such a fact is identified. In addition, the Company shall develop and operate systems for the auditors of its subsidiaries to report on the matters, such as audit result, which the Corporate Auditors request.
- (4) The Company shall develop and operate "ENEOS Materials rules on Corporate Ethics Whistle-blowing" and other rules required to ensure that any person who reports any incident to the Company by reporting to the Corporate Auditors is not treated unfavorably on the grounds of making such a report.
- (5) Representative Directors and other management shall hold meetings with the Corporate Auditors regularly, and shall exchange opinions on matters such as the Company's management issues.
- (6) The Internal Audit Department, which is in charge of internal audits, shall maintain close cooperation with the Corporate Auditors.
- (7) The company shall cooperate and exchange information with Corporate Auditors, the Internal Audit Department, Auditors and ENEOS Group Corporate Auditors appropriately.
- (8) The Company shall assign appropriate employees to support the Corporate Auditors as requested. Treatment of personnel, such as evaluation and transfer of such employees, shall be determined after prior discussions with the Auditors, in order to ensure the effectiveness of instructions that the Auditors give to such employees.
- (9) The Company shall, upon Auditors' request, appropriately bear any expenses or debt associated with the execution of duties of the Auditors.

End.