

Basic Policies for Internal Control

1. Structure for ensuring executives' and employees' compliance with laws and regulations and the Articles of Incorporation in the execution of their duties
 - (1) CRD Association establishes the Codes of Conduct in order to have its executives and employees comply with laws and regulations and the Articles of Incorporation and perform their duties in accordance with sound social norms.
 - (2) Executives and employees of CRD Association shall submit a written oath that they are aware of what is prescribed by the Codes of Conduct and will comply with it to the Chairman CEO.
 - (3) The Association makes use of the ability of external professionals such as attorneys, accountants, licensed tax accountants, and labor and social security attorneys in regard to compliance management.
 - (4) The Chairman CEO of the Association shall sort out and confirm law and regulations, etc. to conform to and comply with and, at the same time, prepare standard operating procedures and checklists, etc. if it is deemed necessary in order to prevent executives and employees from failing to comply with laws and regulations or any other rules in executing their duties.
 - (5) The Association regards internal control for ensuring the reliability of financial reports as a part of the construction and operation of the structure for ensuring the conformity of executives' and employees' execution of their duties to laws and regulations and the Articles of Incorporation. The Chairman CEO shall improve, operate, and evaluate the structure as required for this purpose.
 - (6) The Association shall, through the general affairs personnel in charge of handling the antisocial forces, deal with them by establishing a close cooperative relation with the police, the legal adviser, and with a resolute attitude without having any relationship with them, and clearly indicate the above in the Codes of Conduct to have its executives and employees fully aware of it. The Association will also establish a scheme which enables it to cope promptly with an unreasonable demand by the

antisocial forces in cooperation with the parties concerned.

- (7) The Association will establish a whistle-blowing system as an internal reporting system concerning non-compliance including statutory violations, which shall serve as an internal consulting and reporting window, while the legal adviser shall serve as an external consulting and reporting window. The Association will thus establish a structure enabling appropriate reporting to the Board of Directors and Auditors.
 - (8) Auditors shall audit the state of compliance management concerning executives' and employees' execution of their duties and report to the Board of Directors once a year or as needed.
 - (9) If a report specified in the preceding item is made to the Board of Directors, it shall review the structure for ensuring executives and employees comply with laws and regulations and the Articles of Incorporation and perform their duties in accordance with sound social norms in light of the content of such a report.
2. Structure concerning the storage and management of information related to the execution of duties by executives and employees
- (1) The storage and management of information concerning the execution of duties by executives and employees (the minutes of the General Meeting of Members, Board of Directors, and other important meetings, accounting data such as accounting records, and any other information regarding the execution of duties by executives and employees) shall be as prescribed by laws and regulations. In addition, executives and employees shall routinely create the record of operation including the record of visits to members and the minutes of meetings in an electronic form. The general affairs personnel shall collect operational report every month and store and manage them without omission.
 - (2) Information security management, including personal information protection, shall be as prescribed by the regulations concerning information security.

3. Regulations and other structure for the management of the risk of loss

- (1) Where deemed necessary, the Chairman CEO shall prepare standard operating procedures, work flow diagrams, and other documents for managing the risk of a possible loss related to the execution of duties by executives and employees and ensure their thorough observance.
- (2) Especially for the CRD database, which is the basis of the Association's operation, the Chairman CEO shall prepare regulations concerning information security and ensure that the executives and employees thoroughly observe them in light of the fact that the database is a valuable information asset shared by members.
- (3) If an executive or employee identifies a risk which can cause a loss to the Association, they shall report it immediately to the Chairman CEO, and the Association shall respond to it in an integrated manner.
- (4) The Chairman CEO shall create a risk management manual which clarifies the procedures to respond to a significant risk that threatens the operation, assets, or confidence of the Association or the life or body of its executive or employee in order to be able to respond flexibly to such a risk should it occur.
- (5) Executives and employees of the Association shall not neglect to pay attention to changes in its business environment in order to be able to respond quickly to a risk that a change in environment brings about to the operation of the Association.
- (6) In light of the fact that voices from members including complaints to services by the Association provide important opportunities to grasp a risk for its operation, the Chairman CEO shall:
 - a. have every executive and employee make an effort to communicate closely with members and realize the sharing of risk information and a prompt response to a risk by routinely holding an internal business meeting, and
 - b. try to improve the communicative ability of executives and employees through

training and other means in order to enable those dealing with a member grasp its voice including a complaint to services provided by the Association and contribute to an appropriate response by the Association.

4. Structure for ensuring the efficient execution of duties by executives and employees

The Association shall establish the following structure in order to ensure the efficient execution of duties by its executives and employees:

- a. It shall prepare a working environment necessary for the efficient execution of duties by executives and employees by such steps as improving information infrastructure.
- b. It shall establish an internal organization necessary for the efficient execution of duties by executives and employees by such steps as clarifying the division of duties.
- c. It shall facilitate smooth communication among executives and employees and information sharing by such steps as routinely holding an internal business meeting.
- d. It shall try to improve the communicative ability of executives and employees through training and other means in order to enable them to communicate closely with members.
- e. It shall periodically review internal regulations, standard operating procedures, etc. which prescribe the execution of duties by executives and employees.

5. Matters concerning employees assisting duties of Auditors and their independence from the executive department of the Association including Directors

- (1) The personnel in charge of general affairs in the Association shall assist the duties of Auditors.
- (2) Auditors shall have the authority to instruct and command employees assisting them with their duties in the execution of auditing duties in order to ensure their

independence from the executive department including Directors.

- (3) The approval by Auditors is required for the allocation and treatment of employees assisting Auditors with their duties.

6. Structures for reporting by Directors or employees to Auditors and for ensuring effective audit by Auditors

- (1) Auditors may attend every meeting important for the execution of the Association's business.
- (2) Documents of approval, report, etc. that are important for the execution of the Association's business shall be reported to Auditors without delay.
- (3) The auditing policy shall be reported to a meeting of the Board of Directors and other meetings to facilitate cooperation by executives and employees in auditing.
- (4) Auditors shall conduct a hearing concerning auditing with executives and employees regularly or as needed.
- (5) Regular meetings between the Chairman CEO and Auditors shall be held for an exchange of opinions concerning the business environment and risk for the Association, subjects which the Association should address, the state of improvement of auditing environment, important issues in auditing, etc.

Revised on October 29, 2012. (Wholly revised at the 46th meeting of the Board of Directors.)