

“Basic Policy on Anti-bribery in Kyokuto Kaihatsu Group”

Department in Charge: Legal and Corporate Communication Department

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Kyokuto Kaihatsu Group regards enhancement of the compliance system as one of the most important management issues and actively engages in anti-corruption activities.

From a broader perspective, acts associated with bribery of public officials undermine the fairness and trust of public services or impede fair competition, and threaten the social, economic, and democratic stability and sustainable development of the country.

Bribery is thus illegal not only under Japanese and local laws, but also may violate laws of third countries in the increasingly globalizing corporate activities.

Many companies charged in bribery cases not only face hefty fines but are also severely criticized by society. Any involvement in bribery is an act that causes a loss of social credibility and shakes the foundation of a company's existence.

Recognizing the above, Kyokuto Kaihatsu Group will not tolerate any form of bribery. For the purpose of complying with anti-bribery laws and regulations in each country, and furthermore contributing to the prevention of corruption and establishing and maintaining fair business practices, we hereby establish the “Basic Policy on Anti-bribery in Kyokuto Kaihatsu Group,” as follows. This Policy is communicated to, and must be followed by, all employees and relevant personnel in the Group.

Article 1. Prohibition of bribery

As stipulated in the Kyokuto Kaihatsu Group Code of Conduct, we firmly oppose any criminal act of bribery, which is illegal, anti-competitive, and antisocial, and do not commit any such illegal acts, including bribery under the guise of entertainment, gifts, donations, and indirect bribery through agents, consultants, and other external parties.

Article 2. Strict actions

We adhere to this Basic Policy and strictly deal with any act that violates it.

This Basic Policy and other related regulations clearly prohibit any involvement in bribery and stipulate that any violation thereof is subject to disciplinary action, including dismissal.

Article 3. Systems and initiatives to prevent bribery

In order to ensure that this Basic Policy is fully understood and truly effective, the Group will take

necessary measures under the following systems.

1. Risk management system

In order to prevent bribery and other illegal acts, the Group will promote and supervise the measures taken at each company, listed in (1) to (3) below, and shall review and improve the relevant systems and mechanisms as appropriate. If any problem should occur, the Board of Directors will consider and decide on measures to deal with it, prevent its recurrence, and take other necessary steps.

- (1) Establishment of periodic assessment and prevention systems against bribery risks in each of the Group companies and operations
- (2) Thorough compliance with this Basic Policy through internal training, etc.
- (3) Periodic confirmation of compliance with the Basic Policy through internal audits

2. Ethics Hotline (Internal Reporting/Consultation System)

Our Group has established an ethics hotline (internal reporting system) that enables employees to report to or consult with the internal audit department or designated external lawyers, etc. when they find themselves unable to report to or consult with their immediate superiors in the event that they believe that any unjust, illegal, or unethical conduct is, or is likely to be, performed, or when they are placed in a position requiring involvement in such conduct. Confidentiality regarding the person seeking consultation will be protected, and the use of the Hotline will not result in any disadvantageous treatment. Bribery issues are also covered by this system.

3. Procedures for appointment/employment of outside parties

In light of increasing incidents of overseas bribery cases in other companies involving local consultants and other third parties, we will strengthen checks at the time of appointment and after appointment of agents, consultants, and other external parties employed by Group companies, who have direct contact with foreign public officials. We will also strive to stipulate anti-bribery provisions in the appointment contracts.

4. Communication with business partners

We have established the “Kyokuto Kaihatsu Group Sustainable Procurement Guidelines” for our business partners, which clearly stipulate the prevention of bribery and corruption. We also communicate regularly with our business partners to ensure that they are fully aware of the need to prevent bribery and corruption.

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