PILOT CORPORATION
For Immediate Release
December 24, 2024

Notice Concerning a Revision to the Basic Internal Control Principles

PILOT Corporation (the "Company") hereby announces that at a meeting held on December 24, 2024, the Board of Directors resolved to revise the Basic Internal Control Principles. Details are as follows.

1. System for ensuring that the execution of duties by Directors, Executive Officers, and other employees complies with laws, regulations, and our Articles of Association.

(1) The Company's Directors, Executive Officers and other employees will promote compliance with high ethical standards, based on the Basic Compliance Regulations and the PILOT Group Code of Conduct established by the Company.

(2) The Internal Audit Division audits the state of compliance based on the Provisions.

(3) To discover compliance issues at an early stage, the Company establishes an Internal Reporting System. The Company operates the system properly, ensuring the privacy of whistleblowers is fully respected. Any unfavorable treatment of whistleblowers is strictly prohibited.

(4) The Internal Audit Division regularly reports on any issues to the Board of Directors, the Audit & Supervisory Committee, and the Executive Management Meeting.

(5) At the same time, the General Affairs Department oversees compliance initiatives and conducts employee training in cooperation with related divisions.

2. System to store and manage information on the execution of duties by Directors, Executive Officers, and other employees

Information on the execution of duties by Directors, Executive Officers, and other employees is stored and managed in documents or electromagnetic recording media ("Documents, etc.") under the Trade

Secrets Management Regulations, Information Security Management Regulations, Document Management Regulations, and related bylaws.

Directors, Executive Officers, and other employees can access the information on their execution of duties recorded in the Documents, etc. whenever there is a business need.

3. Regulations and other systems for managing the risk of losses

(1) The Company aims to manage risks that may affect the management of the Company and the subsidiaries and minimize losses in accordance with the PILOT Group Risk Management Regulations.

The Company establishes a Risk Management Committee according to the PILOT Group Risk Management Regulations to enhance its capacity to address, avoid, and mitigate risks.

(2) If a risk materializes, the Company will form a task force responsible for quickly deciding on and implementing specific measures to mitigate losses in accordance with the Enterprise Risk Management Regulations, thereby responding to the risk appropriately.

(3) The Internal Audit Division audits the state of risk management in each division and regularly reports on these activities to the Board of Directors, the Audit & Supervisory Committee, and the Executive Management Meeting.

4. System for ensuring that the execution of duties by Directors, Executive Officers, and other employees is done efficiently

(1) The Board of Directors establish company-wide targets to be shared by Directors, Executive Officers, and other employees.

(2) The Board of Directors and the Executive Management Meeting regularly evaluate the progress of these targets and has established a system to promote the efficiency of company-wide operations.

(3) Directors must establish a system that enables them to completely fulfill their roles and responsibilities related to corporate governance based on the Rules of the Board of Directors established by the Company.

(4) The Company has adopted an Executive Officer System to separate management oversight from execution and to ensure that business is executed quickly.

Executive Officers execute their duties sincerely, faithfully, and efficiently based on instructions and

orders from the President, who has been delegated with the authority to oversee business execution by the Board of Directors and the Representative Director and President based on the Executive Officer Regulations established by the Company.

(5) Directors, Executive Officers and other employees execute their duties appropriately and efficiently in accordance with the Separation of Duties Regulations, Administrative Authority Regulations, and Internal Approval Process Rules.

5. System for ensure appropriateness of operations of the corporate group, including the Company and subsidiaries

(1) The Company gives the Directors or Executive Officers of the Company who are responsible for the operations of the Company and subsidiaries the authority and responsibility to establish compliance and risk management systems, guided by the Basic Compliance Regulations, the PILOT Group Code of Conduct, and the Enterprise Risk Management Regulations established by the Company.

(2) The Company requires its subsidiaries to report to it on the execution of their duties in accordance with the Company's PILOT Group Company Management Regulations in a system to report any issues regarding the execution of duties by their Directors, etc.

(3) Subsidiaries understand the purposes of the PILOT Group Risk Management Regulations and the Enterprise Risk Management Regulations established by the Company, establish regulations and other systems concerning the management of risk of loss, and respond to business risks that are affected by laws, regulations, and the environment surrounding each company.

In addition, if the risk of loss becomes apparent at a subsidiary, the subsidiary is required to report this situation to the Company based on the PILOT Group Company Management Regulations.

The related departments analyze the likelihood of the risk occurring and the impact of that risk according to the reports from subsidiaries, then identify those risks that could have a significant impact on management and determine whether priority countermeasures should be taken.

(4) To ensure the effectiveness of the execution of duties by Directors, etc. of subsidiaries, the Group shares the Purpose, the Guiding Principles, and management plans, etc., and each subsidiary sets its own targets.

The Company’s Board of Directors and the Executive Management Meeting regularly evaluate the state of progress of these targets and establish a system to achieve company-wide efficiency, which includes promoting improvements.

Subsidiaries encourage management based on corporate governance that follows the PILOT Group

Company Management Regulations.

(5) The Company specifies the execution of management based on compliance in the PILOT Group Company Management Regulations, Basic Compliance Regulations, and PILOT Group Code of Conduct. This system ensures that the execution of duties by Directors, etc. of subsidiaries complies with laws, regulations, and the Articles of Association, and that each subsidiary is managed based on that compliance.

(6) The Internal Audit Division, in cooperation with other related divisions, provides instructions and support to improve the effectiveness of internal controls at subsidiaries based on the Principles.

6. Issues concerning employees who assist with the duties of the Audit & Supervisory Committee, independence of these employees from Directors (excluding Directors who are Audit & Supervisory Committee Members), and other issues to ensure the effectiveness of instructions given to these employees

(1) The secretariat of the Audit & Supervisory Committee assists the Audit & Supervisory Committee.

(2) Personnel matters such as the appointment and transfer of employees who assist the work of the Audit & Supervisory Committee, require the consent of the Audit & Supervisory Committee.

(3) Employees who assist the work of the Audit & Supervisory Committee must comply with instructions and orders from the Audit & Supervisory Committee when assisting the Audit & Supervisory Committee in its duties and these employees should not receive instructions and orders from Directors (excluding Directors who are Audit & Supervisory Committee Members).

7. System for reporting to the Audit & Supervisory Committee by Directors (excluding Directors who are Audit & Supervisory Committee Members), Executive Officers, and employees, as well as other systems for reporting to the Audit & Supervisory Committee and systems to ensure that these officers and employees are not disadvantaged because of their reporting

(1) The Company's Directors (excluding Directors who are Audit & Supervisory Committee Members), Executive Officers and other employees must promptly report statutory issues, issues that have a material impact on the Company and subsidiaries, as well as details of the state of compliance, etc. to the Audit & Supervisory Committee.

In addition, the Audit & Supervisory Committee can request reports from Directors (excluding Directors who are Audit & Supervisory Committee Members), Executive Officers and other employees

as necessary.

(2) Directors, Statutory Auditors, Executive Officers, and other employees of subsidiaries, or others who receive reports from these people must report issues that have a material impact on subsidiaries and details of the state of compliance, etc. to the Company's Audit & Supervisory Committee.

In addition, the Audit & Supervisory Committee can request reports from Directors, etc. of subsidiaries as necessary.

(3) The Company specifies in the company regulations, etc. that anyone who reports to the Audit & Supervisory Committee cannot be disadvantaged because of their reporting.

8. Procedures for prepayment or reimbursement of expenses incurred in the performance of duties by Audit & Supervisory Committee Members and other policies for the settlement of expenses or liabilities incurred in the performance of these duties

If the Audit & Supervisory Committee requests advance payment or payment of amounts already disbursed or the settlement of liabilities for expenses incurred in connection with the execution of committee duties (limited to expenses related to the execution of duties by the Audit & Supervisory Committee), the Company pays these expenses or settles liabilities promptly, unless it is shown that these expenses were not necessary for the execution of their duties.

9. Systems to ensure that audits by the Audit & Supervisory Committee are conducted effectively

(1) The Audit & Supervisory Committee arranges regular opinion exchange meetings with the Representative Director and other Directors (excluding Directors who are Audit & Supervisory Committee Members).

(2) The Audit & Supervisory Committee collaborates and exchanges information with the Internal Control Division and the Financial Auditor, and develops a system to ensure the efficiency and effectiveness of audits.

10. Establishing a system to ensure the appropriateness of financial reporting

To ensure the reliability of financial reporting by the Company and subsidiaries, the Company establishes a system to ensure the appropriateness of financial reporting as required by the Financial Instruments and Exchange Act and other related laws and regulations, etc. based on the PILOT Group

Company Accounting Rules established by the Company.

11. Establishment of a system to help eliminate antisocial forces

The Company does not have any involvement with any antisocial forces that threaten the social order or the sound activities of the Company, and responds resolutely and systematically when receiving unreasonable demands, based on the PILOT Group Code of Conduct.

Established on May 26, 2006
Revised on May 26, 2008
Revised on April 27, 2015
Revised on July 24, 2017
Revised on March 30, 2022
Revised on December 24, 2024