

Daihatsu Basic Policies on Establishing Internal Controls

Basic understanding of system to ensure appropriateness of business operations

Based on the “Daihatsu Corporate Philosophy”, the management principles of its parent company, Toyota Motor Corporation, and “Toyota Group Vision”, Daihatsu ensures that each of the employees who work at Daihatsu and its subsidiaries correctly understands and put into practice these philosophy and vision. Daihatsu also develops such human resources. Daihatsu will work to create an open workplace culture where we align with the *genba* (frontlines) and we can approach and talk to each other. Based on the concept of the Toyota Production System (TPS), Daihatsu will build a system to “detect abnormalities and halt the pipeline so that we can make improvements” and continue to put this into practice to ensure the appropriateness of the business operations.

1. System to ensure that Members of the Board of Directors and employees execute their duties in compliance with relevant laws and regulations and the Articles of Incorporation

- (1) Daihatsu will make decisions regarding business operations after comprehensive discussions at the Board of Directors’ meeting and other meetings of various cross-sectional decision-making bodies. Matters to be decided are properly submitted and discussed at the meetings of those decision-making bodies in accordance with the relevant rules.
- (2) Daihatsu will appropriately discuss significant matters and measures relating to issues such as corporate ethics, compliance and risk management at the Board of Directors’ meeting and other meetings.
- (3) Daihatsu will ensure that Members of the Board of Directors act in compliance with relevant laws and regulations and the Articles of Incorporation, based on the Code of Ethics and other explanatory documents that include necessary legal information, presented on occasions such as explanation to Members of the Board of Directors when they assume office.
- (4) Daihatsu will clarify the responsibilities of each organization unit and maintain a basis to ensure continuous improvements in the system.
- (5) Daihatsu will continuously review the compliance framework to ensure effectiveness. For this purpose, each organization unit shall confirm the effectiveness by conducting self-checks, among others, and report the result to the Board of Directors’ meeting and other meetings.
- (6) Daihatsu will promptly obtain information regarding legal compliance and corporate ethics and respond to problems and questions related to compliance through the hotline established by Daihatsu or its parent company as well as through other channels.

2. System to retain and manage information relating to the execution of the duties of Members of the Board of Directors

Information relating to exercising duties by Members of the Board of Directors shall be

appropriately retained and managed by each division in charge pursuant to the laws and regulations and the relevant internal rules.

3. Rules and systems related to the management of risk of loss

- (1) Daihatsu will properly manage the capital fund through its budgeting system and other forms of control, conduct business operations, and manage the budget, based on the authorities and responsibilities in accordance with the “Ringi” system (effective consensus-building and approval system) and other systems. Significant matters will be properly submitted and discussed at the Board of Directors’ meeting and other meetings of various bodies in accordance with the standards stipulated in the relevant rules.
- (2) Daihatsu will ensure accurate financial reporting by issuing documentation on the financial flow and the control system.
- (3) In addition to establishing basic rules for risk management, Daihatsu will appoint a person responsible for risk management, identify material risks related to our business activities and implement countermeasures against such risks in cooperation with each subsidiary.
- (4) As a precaution against events such as natural disasters, Daihatsu will prepare manuals, conduct emergency drills, arrange risk diversification and insurance, etc. as needed.

4. System to ensure that Members of the Board of Directors exercise their duties efficiently

- (1) Members of the Board of Directors will promptly determine the management policies based on precise on-the-spot information and appoint and delegate a high level of authority to officers who take responsibility for business operations in each organization unit. The responsible officers will proactively compose relevant business plans under their leadership and execute them in a swift and timely manner in order to carry out the Daihatsu’s management policies. Members of the Board of Directors will supervise the execution of duties by the responsible officers.
- (2) Daihatsu, from time to time, will listen attentively to the opinions of various experts and stakeholders and reflect those opinions in its management and corporate activities.

5. System to ensure the appropriateness of business operations of the corporation and the business group consisting of the parent company and subsidiaries

Daihatsu shares its parent company’s management principles and the “Daihatsu Corporate Philosophy” with its subsidiaries to develop and maintain a sound environment of internal controls for the business group.

Daihatsu will manage its subsidiaries in a comprehensive manner appropriate to their positioning by clarifying the roles of the division responsible for the overall management of subsidiaries and development of management system and structures, the roles of the division responsible of general contact concerning subsidiary management operations, the roles of the division responsible of general contact concerning subsidiary management operations, and the roles of the division responsible for providing cross-sectional

guidance and support to subsidiaries in each area of responsibility. In addition, Daihatsu will confirm the legality and appropriateness of the operations of the business group by exchanging information with its parent company and subsidiaries, periodically and as needed.

- i. System concerning a report to the corporation on matters relating to the execution of the duties of Members of the Board of Directors, etc. of subsidiaries

Daihatsu will require prior consent of Daihatsu or a report to Daihatsu on important managerial matters of subsidiaries based on the internal rules agreed between Daihatsu and its subsidiaries. The important managerial matters of subsidiaries will be discussed at Daihatsu's Board of Directors' meeting and other meetings in accordance with the standards stipulated in the relevant rules relating to submission of matters to such meetings.

- ii. Rules and systems related to the management of risk of loss at subsidiaries

Daihatsu will require its subsidiaries to establish a system to implement initiatives related to the management of risk, such as finance, safety, quality, environment, and natural disasters, and require them to promptly report to Daihatsu on significant risks. Daihatsu will discuss significant matters and measures at the Board of Directors' meeting and other meetings in accordance with standards stipulated in the relevant rules relating to submission of matters to such meetings.

- iii. System to ensure that Members of the Board of Directors, etc. of subsidiaries exercise their duties efficiently

Daihatsu will require Members of the Board of Directors of its subsidiaries to promptly determine the management policies based on precise on-the-ground information, determine responsibilities, implement appropriate delegation of authority based on the responsibilities, and efficiently conduct business.

- iv. System to ensure that Members of the Board of Directors, etc. and employees of subsidiaries conduct business in compliance with relevant laws and regulations and the Articles of Incorporation

Daihatsu will require its subsidiaries to establish a system concerning compliance. Daihatsu will periodically confirm its status and report the result to Daihatsu's Board of Directors' meeting and other meetings. Daihatsu will promptly obtain information regarding legal compliance and corporate ethics of its subsidiaries and respond to problems and questions related to compliance of its subsidiaries through the whistleblower office established by its subsidiaries the whistleblower office that Daihatsu has established to cover its subsidiaries in Japan, and other channels.

6. System to ensure that the Audit & Supervisory Board Members' audit is effective

- (1) The Audit & Supervisory Board Members may order employees who belong to the Audit Division to perform matters necessary for the duties of the Audit & Supervisory Board Members to assist their duties. The said employees must follow the directions and orders from the Audit & Supervisory Board Members, and any changes in their personnel will require consent of the Audit & Supervisory Board Members. Regarding the expenses necessary for the Audit & Supervisory Board Members to execute their duties, Daihatsu will take appropriate budgetary steps and also pay for expenses that become necessary as a result of circumstances that were not expected at the time of the taking of budgetary steps.
- (2) Members of the Board of Directors and employees will report on the execution of their duties to Audit & Supervisory Board Members upon their request periodically and as needed. They will also immediately report to Audit & Supervisory Board Members any fact discovered that may cause significant damage to Daihatsu or its subsidiaries. Members of the Board of Directors, etc. of subsidiaries will report any necessary matter to Audit & Supervisory Board Members as needed. Material matters that have been reported to the internal reporting hotline established by Daihatsu or its subsidiaries or a similar channel will also be reported to Audit & Supervisory Board Members. Daihatsu maintains internal rules stipulating that a person who has made a report to Audit & Supervisory Board Members will not be subject to disadvantageous treatment for having made such a report.
- (3) Daihatsu will ensure that Audit & Supervisory Board Members attend meetings of its major decision-making bodies, inspect important Company documents, and have opportunities to exchange information with the Accounting Auditor and the Internal Audit Department periodically and as needed, as well as directly appoint any necessary external experts.