

Inter-Office Memorandum

Ref. No. : MPKM-21-01
To : All PKII Employees and Consultants
From : Management
Date : 29 June 2021
Subject : Basic Policies on the Development of Internal Control System

1. To ensure the achievement of business objectives in compliance with the Nippon Koei Group Corporate Management Guidelines, we would like to formally share with you the company's Basic Policies on the Development of Internal Control System.
2. This policy is divided into five sections (5) that covers the following areas:

Section	Area
1. System for Storage and Management of Information Associated with the Exercise of Director/Officers' Duties	Information Technology
2. Regulations and Other Systems for Loss Risk Management	Risk Management
3. System for Ensuring Efficient Exercise of Directors/Officers' Duties	Directors/Officers' Duties
4. System for Ensuring Conformity with Laws or Ordinances and the Articles of Incorporation of Exercise of Duties by Directors, Officers and Employees	Compliance
5. System for Ensuring Proper Business Operations in the Corporate Group including PKII and NK	Corporate Governance

3. The attached guidelines on the Development of Internal Control System shall take effect immediately.

By:



Peter S. Samoza
President

Basic Policies on the Development of Internal Control System
Philkoei International, Inc.

1. System for Storage and Management of Information Associated with the Exercise of Director/Officers' Duties
 - (1) All the information associated with Philkoei International, Inc. (PKII)'s business execution shall be properly stored and managed in accordance with laws or ordinances.
 - (2) The information associated with PKII's business execution shall be properly managed pursuant to the "Information Management Regulations"ⁱ and other rules.
2. Regulations and Other Systems for Loss Risk Management
 - (1) Pursuant to the "Risk and Crisis Management Regulations"ⁱⁱ, the Risk Management Officer shall be appointed and identification, evaluation, management and prevention of risks in general shall be promoted.
 - (2) Information on materialized risks shall be reported to the Management Meeting and/or Top Management quarterly.
 - (3) In case any major risk materializes, report shall be made to Nippon Koei Co., Ltd. (NK) and appropriate measures shall be taken promptly.
3. System for Ensuring Efficient Exercise of Directors/Officers' Duties
 - (1) The Board of Directors and/or Management Meeting shall make decisions on important matters and supervise the state of business execution by the Directors/Officers. To improve management efficiency, the President shall respond flexibly to business execution.
 - (2) A business plan shall be established to define the objectives to be achieved and specific measures to be taken. Business operations shall be performed pursuant to the plan.
 - (3) The delegation of authority shall be conducted pursuant to the internal regulations as well as the duties shall be executed in accordance with the decision-making rules.

ⁱ "Information Management Regulations" is being prepared as of February 2021.

ⁱⁱ MPKOP-20-002 Risk and Crisis Management Regulation

4. System for Ensuring Conformity with Laws or Ordinances and the Articles of Incorporation of Exercise of Duties by Directors, Officers and Employees

- (1) In accordance with the “Nippon Koei Group Code of Conduct” established by NK, business operation shall be carried out complying with social ethics.
- (2) The “Regulations relating to the Consultation and/or Whistleblowing System”ⁱⁱⁱ shall be communicated to the Directors, Officers and Employees and exhaustive compliance shall be enhanced.
- (3) A Director, Officer or Employee who violates the compliance rules shall be strictly punished according to the Rules of Employment and other rules.
- (4) PKII shall take a resolute attitude toward antisocial forces that pose a threat to the order of society and/or PKII and prevent damage from such antisocial forces.

5. System for Ensuring Proper Business Operations in the Corporate Group including PKII and NK

PKII shall obtain approval of NK when making decision on important matters in accordance with the “Operating Regulations of the Group Companies,” established by NK. In addition, PKII shall participate in various liaison meetings organized by NK for making sufficient information exchange and discussion.

6. Supplementary Provisions

The Basic Policies shall be established, revised, and abolished by a resolution of the Board of Directors and/or Management Meeting.

However, formal changes that accompany changes in the corporate structure and/or titles shall be implemented by a decision of the President.

Established 2021 Mar 04

ⁱⁱⁱ “Regulations relating to the Consultation and/or Whistleblowing System” is being prepared as of February 2021.