

RIKEN TECHNOS GROUP Basic Policy on Internal Control System

RIKEN TECHNOS CORPORATION (hereinafter referred to as “RIKEN”) and its subsidiaries (RIKEN and its subsidiaries are hereinafter collectively referred to as the “RIKEN TECHNOS GROUP”) have declared that the RIKEN TECHNOS GROUP practices and observes the RIKEN TECHNOS WAY and the RIKEN TECHNOS GROUP Code of Conduct (hereinafter referred to as the “Code of Conduct”) and operates its business activities. The RIKEN TECHNOS GROUP believes that the Internal Control System, a system established to ensure appropriate and efficient business operations, is a necessary and essential measure for the more reliable fulfillment of the abovementioned business practices.

The RIKEN TECHNOS GROUP hereby develops the following as its Internal Control System in accordance with the Companies Act of Japan and the Ordinance for Enforcement of the Companies Act of Japan.

1. Systems to ensure that Directors' and employees' duties are performed in compliance with laws and regulations and the Articles of Incorporation

1) All of the Directors, including the Representative Directors, make it thoroughly known to all of the executive and employees that they are to put top priority on observing the Code of Conduct and ensuring that they perform their duties in compliance with laws and regulations and the Articles of Incorporation.

2) The activities of the Risk & Compliance Committee are reported to the Board of Directors in a relevant and timely manner.

The General Affairs & Legal Department provides compliance training for all executives and employees.

3) In order to ensure that all executives and employees may directly report any suspicious activities contrary to laws and regulations, the Articles of Incorporation, the Code of Conduct, various guidelines, or other standards with which group companies, Directors, and employees are to comply (hereinafter referred to as “Laws and Regulations”), the RIKEN TECHNOS GROUP has established contact points for anonymous reporting in the Audit Department and in a consultative law firm.

4) The RIKEN TECHNOS GROUP shall never have any relationships with antisocial powers or organizations that threaten the security and order of civil society.

In addition, the RIKEN TECHNOS GROUP shall show fortitude and adamantly refuse any unreasonable demands by antisocial powers or organizations.

2. System for the preservation and management of information in relation to the performance of Directors' duties

Information in relation to the performance of Directors' duties is controlled and managed in accordance with the Rule for Information Management and is preserved in documents and electronic media.

The preserved information is made available for viewing in accordance with the Rule for Information Management.

3. Rules and systems for managing the risk of loss

Each department manages individual risk factors in relation to each department. The RIKEN TECHNOS GROUP has established a Risk & Compliance Committee for company-wide, cross-cutting management of risk factors, and the President of the Company serves as the chairperson of the Committee.

4. Systems to ensure that the Directors' duties are performed efficiently

- 1) The Board of Directors formulates a Medium-Term Business Plan and the annual Business Plans.
- 2) The Board of Directors grasps the progress of the Business Plan by inspecting monthly record data on business performance with the help of information technology, and discusses and implements measures necessary for the achievement of the Business Plan.
- 3) The Management Meetings is held monthly in order to operate its business rapidly through active delegation of authority. The progress of business achievement is checked by the Manufacturing Division and the Quality Assurance Division through their Manufacturing and Quality-Related Division Meetings held on a quarterly basis; by the Technical Division through their Technical Division Meetings held on a quarterly basis; by the Sales & Marketing Division through their Sales & Marketing Division Meetings held on a quarterly basis; by the Procurement Division through their Procurement Division Meetings held on a quarterly basis; and by other divisions through meetings held monthly at each division. Appropriate countermeasures are taken if considered necessary.

5. Systems to ensure the appropriateness of the business operations of the RIKEN TECHNOS GROUP

- 1) The Corporate Planning Division, as the division with jurisdiction over overall business management of RIKEN's consolidated subsidiaries, is responsible for overseeing that each consolidated subsidiary of RIKEN is instructed to establish its own Internal Control System and ensuring that each consolidated subsidiary share information of the same quality and quantity in the same manner as RIKEN.

The Corporate Planning Division and each division manage the progress of their respective business operations, and manage and supervise RIKEN's consolidated subsidiaries with a view to ensuring that all reporting to RIKEN and approval procedures at RIKEN shall be conducted appropriately, in accordance with the Riken Technos Group Rule for Management of Consolidated Subsidiaries. The Corporate Planning Division and the other divisions manage the risk of loss through such administration and supervision.

The Corporate Planning Division also arranges an operational report meeting attended by the President, Executive Officers in charge, and the General Manager of the Administrative Division, at least twice a year for domestic consolidated subsidiaries and at least once a year for overseas consolidated subsidiaries.

On receipt of the monthly reports (including financial data) from each consolidated subsidiary of RIKEN, the Corporate Planning Division compiles them and then distributes the reports to the Directors, Executive Officers and relevant departments.

- 2) The General Affairs & Legal Department has the executives and employees of RIKEN TECHNOS GROUP thoroughly understand and observe the RIKEN TECHNOS GROUP Compliance Manual, and thereby strives to develop a compliance system for the RIKEN TECHNOS GROUP and settle issues facing the RIKEN TECHNOS GROUP.
- 3) The Audit Department regularly conducts operational audits at the RIKEN TECHNOS GROUP, and thereby confirms that all operational activities comply with Laws and Regulations and checks and evaluates whether all operational activities are efficiently operated in accordance with various managerial rules and whether the various managerial rules are functioning appropriately towards the achievement of the managerial targets.

6. Provisions on Directors and employees who assist the Audit & Supervisory Committee in performing its duties, on the independence of such Directors and employees from other Directors (excluding Directors serving as Audit & Supervisory Committee Members), and on measures to ensure the effectiveness of instructions of the Audit & Supervisory Committee to such Directors and employees

The Audit Department is set up as an organization under the direct control of the Audit & Supervisory Committee to assist the Audit & Supervisory Committee in performing its duties, and several dedicated employees are appointed to the Audit Department.

To ensure the independence of these employees, all rights to command and order them shall be delegated exclusively to the Audit & Supervisory Committee, and these employees shall not be commanded or ordered by departments conducting business operations or any of the Directors (excluding Directors serving as Audit & Supervisory Committee Members). In addition, any decision on a personnel transfer, personnel evaluation, or disciplinary measures, etc. for these employees shall be made subsequent to the approval from the Audit & Supervisory Committee.

RIKEN appoints no Director to assist the Audit & Supervisory Committee in performing its duties.

7. System for reporting to RIKEN's Audit & Supervisory Committee by Directors (excluding Directors serving as Audit & Supervisory Committee Members), Executive Officers and employees of RIKEN, or by Directors, corporate auditors, and employees of RIKEN's subsidiaries, or by persons who have received reports from such Directors, corporate auditors, and employees, and system for other forms of reporting to the Audit & Supervisory Committee

- 1) The Audit & Supervisory Committee Members attend important meetings, such as the Board of Directors Meeting and Management Meeting.
- 2) RIKEN Directors (excluding Directors serving as Audit & Supervisory Committee Members), Executive Officers and employees inform the Audit & Supervisory Committee of legal matters, as well as the matters that may have significant impact on the RIKEN TECHNOS GROUP (including the relevant matters in cases where it is considered that the acts of Directors, Executive Officers, or employees could infringe Laws and Regulations or cause serious damage).
- 3) The Audit Department reports the progress of internal auditing to the Audit & Supervisory Committee, in principle, every month.
- 4) If the Directors, corporate auditors, and employees of a RIKEN consolidated subsidiary consider that the actions of a consolidated subsidiary or a Director or employee of a consolidated subsidiary may infringe Laws and Regulations or cause serious damage, they shall report such matter in accordance with the Riken Technos Group Rule for Management of Consolidated Subsidiaries and immediately report such matter to RIKEN's Audit & Supervisory Committee.

5) A person who reported to the Audit & Supervisory Committee shall not be treated disadvantageously in personnel affairs or in any other way, as a consequence of such reporting.

8. Provisions concerning procedures for the advance payment or redemption of expenses arising from the performance of duties of the Audit & Supervisory Committee Members, and other policies for the handling of expenses or liabilities arising from the performance of duties of the Audit & Supervisory Committee Members

Audit & Supervisory Committee Members may request RIKEN to make advance payments, redeem expenses, or settle repayments of assumed liabilities, etc. arising from the execution of their duties, and RIKEN shall promptly respond to such requests.

9. Other systems to ensure that the audits by Audit & Supervisory Committee are executed effectively

1) RIKEN strengthens cooperation between the Audit & Supervisory Committee and the Audit Department established under the direct control of the Audit & Supervisory Committee and conducts effective and organizational audits by conducting joint audits in Japan and overseas if considered necessary.

2) The Representative Directors and Audit & Supervisory Committee Members exchange opinions at the Board of Directors Meeting held monthly and promptly communicate opinions and information necessary to conduct effective audits.

3) Audit & Supervisory Committee, Independent Accountants, and the Audit Department hold a joint meeting semi-annually for the purpose of exchanging opinions.