



Corporate Governance

Message from Full-Time Audit & Supervisory Committee Member

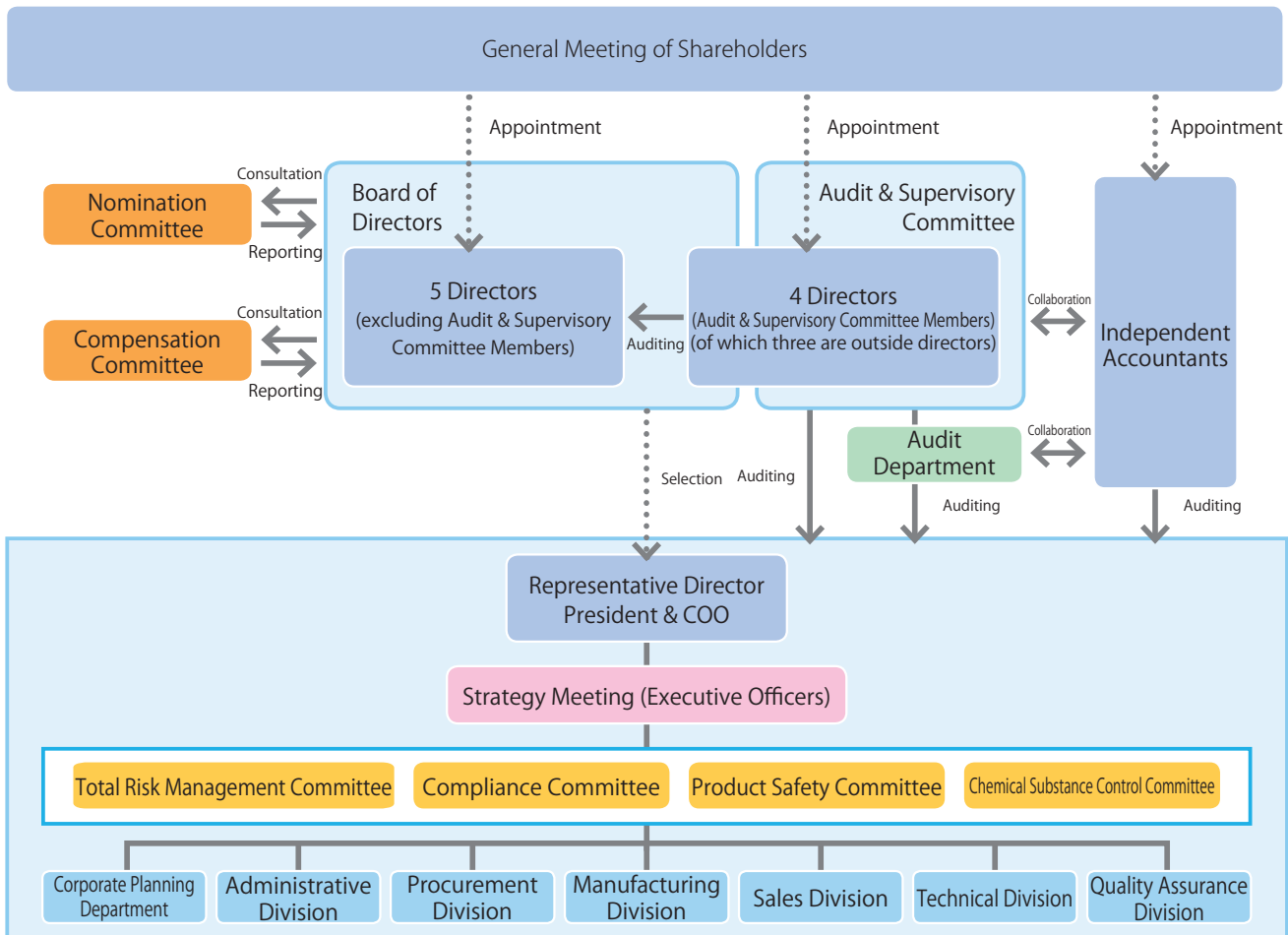


Yoshitaka Okochi
 Director
 Full-Time Audit & Supervisory
 Committee Member
 RIKEN TECHNOS CORPORATION

In June 2016, RIKEN TECHNOS CORPORATION transitioned into a company with an audit and supervisory committee as we moved into our second year after incorporation. The Audit & Supervisory Committee aims to continuously improve audit and supervisory functions over executive departments working on resolving the issues in our three-year mid-term business plan. Three outside directors—whose impartiality are ensured—are selected to our Audit & Supervisory Committee. They strengthen monitoring by visiting domestic and overseas locations and listening to people, assess the appropriateness of business execution from an objective standpoint, and provide advice and opinions. In addition, directly under them is the Audit Department, with even deeper collaboration to conduct internal audits in an organized and effective manner. We are committed to continue strengthening our company's governance system so that the RIKEN TECHNOS GROUP can keep growing and work even harder to fulfill its social responsibilities.

Corporate Governance System

To strengthen the supervisory function of the Board of Directors, and improve management transparency and fairness, RIKEN TECHNOS CORPORATION has adopted the format of a company with an audit and supervisory committee. In addition, we have adopted an executive officer system and pushed ahead with the delegation of a significant amount of authority for business execution to build an agile and strategic management system.



* Details are disclosed in the Report on Corporate Governance. The latest version of the report can be accessed from the RIKEN TECHNOS website or the Corporate Governance Information Search on the Tokyo Stock Exchange website.

▶ RIKEN TECHNOS GROUP Code of Conduct

To ensure that the RIKEN TECHNOS GROUP is trusted by society, we established the RIKEN TECHNOS GROUP Code of Conduct as our basic policy for promoting corporate social responsibility, and all directors and employees carry out their business activities in accordance with that Code. We also created cards summarizing our corporate Code of Conduct. Each employee carries a card and endeavors to practice the standards in the Code of Conduct.

From the viewpoint of the primary independent outside director



Hiroshi Nemoto
Primary Independent
Outside Director
Audit & Supervisory
Committee Member

A third of RIKEN TECHNOS CORPORATION's directors, a total of three directors, are independent outside directors. As members of the Audit & Supervisory Committee, we aim to further improve the transparency, soundness, and fairness of the management's decision making by diligently monitoring, supervising, auditing, and advising the management from an independent standpoint, while placing importance on the perspectives of our shareholders, suppliers, consumers, and so on.

▶ Arrangement of the Management System in Accordance with the Basic Policy on Internal Control Systems

The Policy on Internal Control Systems was established to ensure the implementation of the RIKEN TECHNOS GROUP Code of Conduct. For further details, visit the RIKEN TECHNOS website.

Systems to Ensure the Performance of Directors' and Employees' Duties in Compliance with Laws, Regulations, and the Articles of Incorporation

- All the directors, including the Representative Director and President, ensure that all officers and employees are aware of the fundamental importance of compliance in all business activities with the RIKEN TECHNOS GROUP Code of Conduct, laws and regulations, and the Articles of Incorporation.
- The general manager of the Administrative Division is appointed as the Chairperson of the Compliance Committee, and details of the committee's activities are appropriately reported to the Board of Directors. In addition, the Legal & Compliance Office provides compliance training to all officers and employees.
- Group companies have no relationships whatsoever with any anti-social forces and organizations that threaten the stability and order of civil society. Furthermore, they resolutely refuse to yield to any unreasonable demands by anti-social forces and organizations.

Systems to Ensure Proper Business Operations in Group Companies

- The Corporate Planning Department manages and supervises RIKEN TECHNOS CORPORATION's subsidiaries, based on the Consolidated Subsidiaries Management Regulations, to ensure that reports to RIKEN TECHNOS CORPORATION and approvals by RIKEN TECHNOS CORPORATION are appropriately carried out. Risks of loss are also managed by the Corporate Planning Department through this management and supervision.
- The Legal & Compliance Office makes the RIKEN TECHNOS GROUP Compliance Manual widely known to officers and employees of all Group companies, and works to develop Group companies' compliance systems and resolve problems.
- The Audit Department conducts regular business audits of each of the Group companies, and ensures that all the companies' business activities comply with laws and regulations, and are effectively administered in accordance with management standards. It also carries out inspections and assessments to determine whether management standards are functioning appropriately for the purpose of achieving management targets.

Provisions concerning Employees Assisting the Audit & Supervisory Committee Members, and Their Independence

- As an organization that assists with the work of the Audit & Supervisory Committee, the Audit Department with multiple full-time employees shall be established under the direct control of the committee.
- To ensure the independence of said employees, their supervision shall rest primarily with the Audit & Supervisory Committee, and they shall not be subject to supervision by directors (excluding the directors who are Audit & Supervisory Committee members) or business execution departments. All decisions pertaining to transfers, performance appraisals and disciplinary actions, and so on of said employees must be approved in advance by the Audit & Supervisory Committee.

▶ Internal Control over Financial Reporting

The RIKEN TECHNOS GROUP has created a basic policy for developing, applying, and evaluating internal control over financial reporting, in accordance with the Financial Instruments and Exchange Act, and the policy has been applied since the settlement of accounts period in March 2009.

The RIKEN TECHNOS GROUP's internal control over financial reporting in the March 2017 settlement of accounts period was found to be effective, and the internal control report was submitted to the Financial Services Agency.

▶ Independent Directors

In accordance with Rule 436-2 of the Tokyo Stock Exchange Regulations, RIKEN TECHNOS has three independent officers (three outside directors). The primary independent outside director is elected by and chosen from among the independent outside directors, and serves as a liaison with other directors.

▶ Whistleblower Hotline

RIKEN TECHNOS has established a whistleblower hotline which employees can use to report or receive advice about possible breaches of laws, regulations or rules.

Besides the Audit Department, we have also established for third party contact through a law firm, and taken rigorous measures, such as preventing informers from being identified within the company, to make sure that no detriment is suffered by informers.

▶ Information Security

RIKEN TECHNOS tries to minimize information security risks through access restriction, data encryption and other methods, and has installed the latest protection system. Additionally, to protect personal information, we have established and enforce internal rules in accordance with the Act on the Protection of Personal Information and the so-called My Number Act*1.

*1 Act on the Use of Numbers to Identify a Specific Individual in Administrative Procedures