

Basic Policies on the Development of Internal Control Systems (2)

4. Systems for ensuring the efficient execution of duties by directors

In order to ensure the efficient execution of duties by directors, the Board of Directors shall, as a general rule, meet once a month, with special meetings of the Board to be held as necessary.

Directors and executive officers shall take appropriate measures, including delegating responsibilities among themselves, to ensure the efficient execution of duties in accordance with decisions made by the Board of Directors.

5. Systems for ensuring good management practice within the corporate group (our company and subsidiaries)

① Group companies shall set out rules based on HORIBA's corporate philosophy, which is designed to ensure proper management of business operations in all HORIBA group companies. Group companies shall also manage and monitor the business operations of subsidiaries as appropriate, via reporting and approval systems implemented by HORIBA in accordance with the management rules of related companies. Directors and employees who identify serious compliance issues such as violations of laws and statutes by group companies shall report this information in accordance with our Compliance Management Provisions.

② Subsidiaries that identify compliance issues such as violations of laws and regulations in relation to the business management instructions of HORIBA shall report this information to the division responsible for either auditing or compliance. This division shall immediately report the issue to the auditors and to the relevant internal officers as appropriate. Auditors shall be required to state their opinions and formulate measures to make any necessary improvements. The relevant division and internal officers that have received such a report shall take appropriate measures in accordance with the Compliance Management Provisions, risk management rules and other relevant regulations.

6. Employees who have been requested to assist auditors to perform their duties and the independence of such employees from the directors

Auditors shall be allowed to request the appointment of audit assistants, chosen from among company employees, to assist them in the performance of their auditing duties. Auditor consent shall be required for all appointments, dismissals, transfers, performance evaluations and wage variations of audit assistants.

7. Systems for enabling directors and employees to report to auditors, systems regarding other matters related to reporting to auditors, and systems for ensuring the effective implementation of audits by auditor

- ① Directors and employees who identify serious issues that may impact upon company business operations or performance shall report this information to auditors. In addition to such voluntary reporting, auditors shall be allowed to request reports from directors and employees when required.
- ② We shall maintain the proper operation of reporting systems based on Compliance Management Provisions for internal reporting in order to ensure that compliance issues such as violations of laws and statutes are properly reported to auditors.
- ③ Every effort shall be made to ensure coordination between auditors and external experts, including lawyers and certified public accountants, and auditing divisions and other internal organizations.