

Basic Policy on the Design of Internal Control Systems

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RIGAKU HOLDINGS CORPORATION

Basic Policy on the Design of Internal Control Systems

Rigaku Holdings Corporation (the “Company”) has established the Basic Policy on the Design of Internal Control Systems, in accordance with Item 6 of Paragraph 4 of Article 362 of the Companies Act and Paragraph 1 and 3 of Article 100 of the Regulations for Enforcement of the Companies Act.

1. Matters Concerning the Company

1. System to Ensure that the Execution of Duties of the Directors, the Executive Officers and Employees Complies with Laws and Regulations and the Articles of Incorporation

- (1) The Company has established the “Rigaku Group Code of Conduct” and the “Code of Conduct” through resolutions of the Board of Directors to ensure compliance by the Directors, the Executive Officers and employees in performing their own duties. The Compliance Committee that supervises and manages these policies provides educational and promotional activities on compliance.
- (2) Regarding the “Rigaku Group Code of Conduct”, the “Code of Conduct”, and other policies related to compliance implemented by the Compliance Committee, the executive in charge of Compliance shall take responsibility, and people in charge of compliance at each department shall take the lead to ensure that each department is fully aware of these policies.
- (3) In order to ensure thorough familiarization with relevant laws and regulations by the Directors, the Executive Officers, and employees, the department in charge shall establish internal regulations, guidelines and so on.
- (4) The Company shall ensure thorough familiarization with the basic policy forbidding any and all relationship with anti-social forces by the Directors, the Executive Officers, and employees. In addition, the Company shall establish a department in charge of responding to anti-social forces and maintain and strengthen cooperation with outside professionals such as the police.
- (5) The Legal Department, etc., shall provide instructions and monitor compliance on the Company’s business activities to strengthen compliance.
- (6) The Company shall endeavor to prevent fraud or misconduct by use of the whistleblowing system and promoting a strong culture throughout the Company against illegal activities and acts that may violate corporate ethics, etc.

2. Arrangement for the Storage and Management of Information on Execution of the Directors’ Duties

- (1) The Company shall properly file and manage information related to the performance of duties of the Directors in accordance with the “Rules on Document Management” and other internal regulations for the creation, receiving and sending, storing, saving and disposal of the documents.
- (2) The Directors and the Company Auditors shall have the right to inspect these documents at any time.

3. Rules and Other Arrangement for Managing the Risk of Losses to the Company

- (1) The Board of Directors, the Management Meeting, etc. shall carefully consider specific action plans for important matters to eliminate or reduce business risks.
- (2) The Company shall especially pay attention to financial risks, and from the perspective of ensuring accuracy and reliability of financial reporting, identify related business processes and evaluate their risks, document them, and perform periodic review of the status of the control activities to make risk management effective.
- (3) In order to protect the Company from the growing range of risks and maintain the trust of stakeholders, the Company shall implement risk management systems through establishing internal regulations and ensuring compliance with them, as well as establishing a Risk Management Committee that supervises overall risk management and expert committees that respond to specify risks.
- (4) The Company shall endeavor to identify and respond to risks at an early stage through the implementation of a wide range of audits by the department responsible for internal audits and by the use of the whistleblowing system.

4. System to Ensure Efficient Execution of Duties by the Directors

- (1) The Company shall, through introduction of the Executive Officer system and Establishment of the Management Meeting that consists of the Executive Officers as an advisory body to the President, implement a system to promote prompt and flexible execution in the business activities, in line with the direction determined by the Board of Directors.
- (2) In order to promote prompt and proper decision-making of the Board of Directors, important matters shall be priorly deliberated by the President and the Executive Officers at the Management Meeting
- (3) The Company shall clarify the management strategies and strategic goals through formulating the Medium-term Business Plan of the Group and promote an understanding of them throughout each department. In addition, the Company shall manage the progress of business execution with annual budget plans and monthly budget management and implement a system to properly allocate management resources.

2. Matters Concerning the Rigaku Group (Consisting of the Company and Its Subsidiaries)

1. System to Ensure Appropriate Execution of the Rigaku Group's Business Operations

- (1) Based on the "Rigaku Group Code of Conduct" and the "Code of Conduct", the Company shall provide educational and promotional activities on compliance to the Rigaku Group to ensure that the Rigaku Group shall be fully aware of compliance and corporate ethics, and that these are shared as common values throughout the Rigaku Group.

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- (2) People responsible for promoting compliance and people in charge of compliance at each subsidiary shall take the lead to ensure that each subsidiary is fully aware of the policies related to compliance implemented by the Compliance Committee that supervises and operates the “Rigaku Group Code of Conduct” and the “Code of Conduct”.
 - (3) With respect to business execution of subsidiaries of the Rigaku Group, the Company shall manage the subsidiaries by requiring prior approval on specific matters and adopting a reporting system, in accordance with the Group Company Management Policy as well as organizing the Board of Directors Meetings of major subsidiaries.
 - (4) The Legal Department, etc., shall provide instructions and monitor legal compliance of the Rigaku Group’s business activities to strengthen compliance.
 - (5) The Company shall endeavor to uncover and respond to risks at an early stage through the implementation of a wide range of audits by the department responsible for internal audits and by use of the whistleblowing system.
 - (6) The Company shall promote understanding and implementation of the management strategies and strategic goals through building awareness of the Medium-term Business Plan of the Rigaku Group and ensure soundness and effectiveness of the Rigaku Group’s business activities.

3. Matters Concerning the Company Auditors

1. Matters Concerning Employees Assigned to Support the Company Auditors

The Company shall assign employees to support the Company Auditors.

2. Matters Concerning the Independence of Employees Described in the Preceding Paragraph from the Directors

The evaluation and transfer of employees described in the preceding paragraph requires prior consultation with the Company Auditors.

3. Matters Concerning Ensuring the Effectiveness of Instructions from the Company Auditors to Employees Described in the Preceding Paragraph

The Company Auditors shall provide directions and orders to the employees described in the preceding paragraph.

4. System for Reporting to the Company Auditors by Directors, Executive Officers and Employees of the Company, and the Subsidiaries’ Directors, Executive Officers, Employees, and Persons who Received a Report from Them (the “Subsidiaries’ Executives”), and Other System Concerning Reporting to the Company Auditors

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- (1) The Directors shall promptly report to the Company Auditors any matters that are causing, or could cause serious damage to the Company.
 - (2) Matters that should be reported and discussed in advance between the Directors and the Company Auditors, shall be reported in a timely manner to the Company Auditors by the Directors, the Executive Officers, employees, and the Subsidiaries' Executives.
 - (3) The Company Auditors shall have the right to attend relevant meetings and other important meetings.

5. System to Ensure that Those Who Made Such Reports to the Company Auditors Shall Not Receive Any Disadvantageous Treatment

The Company shall prohibit to take into account the facts of whistleblowing for decisions such as the transfer, evaluation, and disciplining of such employees, and ensure full familiarization with this prohibition to the Directors, the Executive Officers, the employees, and the Subsidiaries' Executives.

6. Matters Concerning Policy on Procedures for Prepayment or Reimbursement of Expenses Arising in Relation to the Performance of Duties of the Company Auditors and Processing of Expenses or Liabilities Arising in Relation to the Performance of Other Duties

When a company auditor claims prepayment or reimbursement of expenses or liabilities in relation to the performance of duties, the Company is to process the relevant expense or claim promptly unless those expenses, etc. are unnecessary in performing their duties.

7. Other System to Ensure Effective Auditing by the Company Auditors

- (1) The Company shall provide the Company Auditors with opportunities to periodically exchange opinions, etc. with the President and the Accounting Auditors.
- (2) The Company shall establish a system for cooperation on matters requested by the Company Auditors to ensure that audits can be conducted efficiently and effectively by the Company Auditors.

Supplementary Provisions

- 1. This Basic Policy shall be determined and revised through a resolution of the Board of Directors.**