

*Notification: This English translation is for reference purposes only; in the case of a discrepancy between the English and Japanese versions, the Japanese original shall prevail.*

June 22, 2016

To all concerned,

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Representative: President and COO, Masataka Okuda  
(Code No.9715, Tokyo Stock Exchange, 1<sup>st</sup> Section)  
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### **Announcement of partial revisions of the internal control system structure basic policy**

At the 31st Annual Meeting of Shareholders held on June 22, 2016, the Company received approval for a partial revision of the Articles of Incorporation necessary for transition to a Company retaining an Audit and Supervisory Committee, and it has therefore transitioned from a Company retaining a Board of Auditors to a Company retaining an Audit and Supervisory Committee. In addition, this is to advise that a resolution was passed at the meeting of the Board of Directors held on June 22, 2016 to make partial revisions as follows regarding basic policies for establishing an internal control system. Moreover, the revised portions have been underlined.

#### Record

#### **1. Structure to ascertain that the execution of duties of the Board of Directors is in accordance with the regulations and articles of corporation**

In order to ascertain that the execution of the Board of Directors' business duties are in accordance with the regulations and articles of corporation and that the societal obligations are fulfilled, the duties are to be carried out in accordance with the articles of compliance, policy for compliance, and compliance regulations. Through training efforts on the subject matter of compliance, we would strive for higher awareness of all the Board of Directors on compliance and the duties are strictly to be executed accordingly.

Meetings of the Board of Directors operate on the basis of the Regulations of the Board of Directors, and they are held once a month as a general rule. Directors who are Audit and Supervisory Committee Members promote communication among the directors, and also mutually oversee the execution of operations in order to audit the performance of duties by the directors.

Following the implementation of the laws and regulations related to the internal control, the fundamental plans for the internal control system design are to be re-evaluated; under the advice of lawyers, certified public accountants, and other external advisors, the internal control system is to be further improved.

#### **2. Structure pertaining to maintenance and management of execution of the President/CEO's duties**

Important decision-making and reporting will be made based upon the board of directors regulations.

With regard to documents and other information related to the execution of duties, rules are implemented for approval requests, document management, contract handling, information management and information security management, and verification of operational status as well as reviews of all rules are performed as necessary. Regarding these issues, the Administration Division Manager has jurisdiction over rules for approval requests, document management and contract handling, the Compliance Promotion Director has jurisdiction over rules for information management and information security management, and they report as appropriate to the Board of Directors regarding matters such as the progress of verification and review of operational status.

In addition, in order to help promote business operations efficiently, we shall further promote rationalization of the business systems and introduction of Information Technology.

### **3. Structure pertaining to regulations on loss risk management**

Under the direction of the President and the Audit and Supervisory Committee, the Internal Audit Office reviews audit action items and methods to formulate audit plans based on internal audit rules, performs audits based on those plans and reports on the audit results. If violations of laws, regulations or the Articles of Incorporation are found by an audit of the Internal Audit Office, or if executive actions that create a risk of loss for other reasons are found, they are to be promptly reported to the President and the Audit and Supervisory Committee. Risk management is handled by the compliance promotion division, based on the risk management basic rules.

Each division is responsible for its own risk management, and in case any risks for possible losses are discovered, it is responsible for establishing a system to report any such risks to the compliance promotion division immediately. In order to facilitate the gathering of risk information, employees are fully informed about the reasons for the existence of the Compliance Promotion Department, and they are instructed to promptly report through the organization in case any risks of loss are discovered.

An environment is maintained in which it is easy for an internal whistleblower to provide information through the establishment of internal reporting system rules and the installation of features such as a help line. The internal reporting system includes a structure that allows directors and employees to report directly to the Audit and Supervisory Committee in order to carry out the appropriate handling of reports or consultations related to issues such as organizational or personal fraud and misconduct. This facilitates the early detection and correction of any misconduct, as well as ensuring the trust of interested parties including customers and stakeholders, by maintaining good workplace order and preventing misconduct such as fraud and illegal activities related to the company's business.

The information management system should be fully established in accordance with privacy mark and other rules and regulations of the protection of personal information.

### **4. Structure to ascertain that the Board of Directors' duties are being executed in an efficient manager**

With the annual plans and mid-term management plans, our company's objectives should be clarified; and for each Board of Director, the organization for which he or she is responsible and its performance goals should be clarified.

The decision-making authority and responsibilities of the directors are clarified based on the Regulations of the Board of Directors, administrative authority operational guidelines, and approval request rules. The Board of Directors is to manage and oversee the status of business execution by Corporate Officers. Decisions regarding important matters delegated from the Board of Directors are made carefully and quickly in Management Meetings composed of Representative Directors, on the basis of Management Meeting rules.

### **5. Structure to ascertain that the assistants' duties are being executed in accordance with the laws/regulations and the articles of corporation**

In order for the execution of duties by employees to comply with laws, regulations and the Articles of Incorporation, and to fulfill social responsibilities, a system is established for all employees to follow a compliance code of conduct, compliance action guidelines and compliance regulations. Moreover, in accordance with the compliance policy, in order for our company to take a firm stand against anti-social powers which pose threat to the citizens' and society's order and safety, our company shall establish a company structure which allows no relationship, business dealings and otherwise, with such organizations.

With the officer in charge as the responsible person, the Compliance Promotion Department will periodically develop and implement compliance programs for employees, in order to enhance their knowledge of compliance and to foster a consciousness for achieving compliance, through the implementation of compliance related training and the creation and distribution of manuals.

### **6. System pertaining to reporting of the matters to our company regarding directors and employees of the subsidiaries carrying out their duties**

In accordance with the management regulations for subsidiaries set forth by our company, regarding achievements, financial conditions, and other matters of importance, an internal system shall be prepared so that reporting is made to our company on a regular basis.

## **7. System for regulations pertaining to the management of risk of losses of subsidiaries**

In order to verify whether or not there is information on risks, our corporate group which consists of our company and subsidiaries (hereinafter, "our corporate group,") each division of our company supporting subsidiaries shall conduct necessary risk management in accordance with the related company management regulations based on the subsidiaries' conditions.

In case each division of our company discovers a risk of losses of the subsidiaries, prompt reporting shall be made to our company's representative director of the nature of the risks of losses, the degree of the losses which can be incurred, and their effects on our company.

## **8. System to secure efficient fulfillment of the business duties by the directors and employees of the subsidiaries**

Our company shall mandate the subsidiaries to prepare the annual plans for the said fiscal year and determine the budget allocation and such. The subsidiaries' business goals shall be clarified, in order to establish an internal structure to secure efficiency of business duties.

## **9. System to secure adherence to the regulations and articles of association by the directors and employees of the subsidiaries through their fulfillment of the business duties**

Our company shall dispatch directors or auditors to the subsidiaries to have them attend the subsidiaries' Board of Directors meetings and oversee the management of the subsidiaries. Our company's headquarter of our affiliates' management shall, based upon the affiliates' management regulations, cooperate with the internal auditing department and conduct the field auditing of the subsidiaries and supervise the subsidiaries.

For those subsidiaries deemed important by our company, compliance training of equal standards as those of our company shall be conducted for their directors and employees every year.

## **10. Matters related to directors and employees who assist with the duties of the Audit and Supervisory Committee, and matters related to ensuring the independence of those directors and employees from the Board of Directors, as well as the effectiveness of instructions for those directors and employees**

The Internal Audit Office assists with the duties of the Audit and Supervisory Committee. The Internal Audit Office supports the audit work of the Audit and Supervisory Committee under the direction and oversight of the Audit and Supervisory Committee. Prior consent is to be obtained from the Audit and Supervisory Committee regarding personnel changes, personnel evaluations and disciplinary actions concerning key employees attached to the Internal Audit Office.

The company does not assign directors to assist with the duties of the Audit and Supervisory Committee.

## **11. System for reporting by directors and employees to the Audit and Supervisory Committee, and systems for other reporting to the Audit and Supervisory Committee**

The directors and employees are to regularly report items such as the following to the Audit and Supervisory Committee, while directors who are Audit and Supervisory Committee Members will attend meetings of the Board of Directors and other important meetings to receive the reports.

- Decisions made by the Board of Directors meetings, reported matters
- Monthly, quarterly, and annual performance and estimated performance and management conditions
- Contents of important disclosed material
- Important organizational and personnel changes
- Matters which may cause great losses to our company
- Our company's important accounting policies, accounting standards, and their changes
- Activities of the internal auditing department and compliance division
- Other important decisions and payment matters

In addition to the above, in case matters which the auditors consider important take place, they are to be reported immediately.

**12. System for officers and employees of the Group to report to the Audit and Supervisory Committee of the company**

When officers and employees of our Group are asked by our Audit and Supervisory Committee to report on matters related to the execution of operations, appropriate reporting is to be promptly carried out. However, an internal system is established to immediately report to our Audit and Supervisory Committee upon the discovery of any facts which present a risk of causing significant harm to the Group, such as serious violations of laws and regulations.

The department in charge of internal reporting systems for our company's subsidiaries regularly reports to the company's Audit and Supervisory Committee regarding the status of internal reporting from the officers and employees of the company's subsidiaries.

**13. System to ensure that persons who have made reports to the Audit and Supervisory Committee do not receive unfavorable treatment because of making a report**

Our company prohibits the unfavorable treatment of any person because of making a report to the Audit and Supervisory Committee as indicated in the preceding two paragraphs.

**14. Matters related to policies concerning the processing of expenses or debts arising from the execution of duties by the Audit and Supervisory Committee**

When an Audit and Supervisory Committee Member has made a claim to the company, such as prepayment for the performance of duties based on Article 399, Section 2, Item 4 of the Companies Act, the company will promptly process the expenses or debts, except in cases where it is found that the claim for expenses or debts was not necessary for the performance of duties by the Audit and Supervisory Committee Member.

**15. System to ensure that other audits of the Audit and Supervisory Committee are performed effectively**

Directors and employees will strive to deepen their understanding of the audits of the Audit and Supervisory Committee, and to establish a suitable environment for the audits of the Audit and Supervisory Committee. While conducting a regular exchange of opinions with the Audit and Supervisory Committee, the Representative Directors will create a system for the Audit and Supervisory Committee to have appropriate communications with the Internal Audit Office and to implement effective audit work.

**16. Structure for disclosure at appropriate times**

In accordance with the appropriate disclosure rules, disclosure should be fully exercised by the assistants and directors alike, and at the same time, the reporting line for the disclosed information among the corporate group. The appropriateness of the contents is to be determined at the managers' meeting, and appropriate disclosure should be made at an appropriate frequency.

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