

Corporate Governance Report

Last Update: April 1, 2024

Taikisha Ltd.

Representative Director, President, Masashi Osada

Contact: Director, Executive Corporate Officer,

Chief Executive, Corporate Planning Headquarters,

Masanori Nakagawa

Securities Code: 1979

<https://www.taikisha.co.jp/>

The corporate governance of Taikisha Ltd. (the “Company”) is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Views

The Company has established a basic policy of corporate governance to gain the trust of all stakeholders and aim to become a corporate group that grows and develops in a healthy manner by thoroughly incorporating compliance awareness and realizing fair and highly transparent management, in order to achieve its Corporate Philosophy and Management Vision in accordance with the spirit of the Company’s Mission Statement: “Customers First”*.

In conformity with the basic policy and based on the organizational structure of a Company with an Audit & Supervisory Board, the Company is continuously working to strengthen the Taikisha Group’s governance and reform of management. It is doing this by taking measures such as reinforcing the supervisory function of the Board of Directors through the activities of Outside Directors and speeding up the decision making of the Board of Directors through the adoption of the corporate officer system, aiming to further enhance and reinforce corporate governance of the Taikisha Group.

* “Customers” is defined as Overall Society in a broad sense. The spirit of “Customers First” is to win persistent trust from the Customers.

[Reasons for Non-compliance with the Principles of the Corporate Governance Code]

The Company implements all principles of the Corporate Governance Code.

[Disclosure Based on the Principles of the Corporate Governance Code] [Updated]

(Securing the Rights and Equal Treatment of Shareholders)

[Principle 1.4]

(1) Policy for cross-shareholdings

The Company holds cross-shareholdings with the aim of maintaining and strengthening the transactional relationships with important clients or suppliers and relationships of trust with various stakeholders to contribute to its sustainable growth and medium-and long-term increase in corporate value.

The Company annually checks the medium- and long-term economic rationality and appropriateness of cross-shareholdings by examining individual stocks held to verify whether the purposes of holding such stocks are appropriate and whether the benefits and risks associated with such holdings are commensurate with the cost of capital, etc. from the perspective of both business evaluation and investment return evaluation at the meeting of the Board of Directors.

The Company shall appropriately reduce the holding of stocks for which the purposes and rationality of holding are deemed to no longer exist after undertaking the aforementioned verification and checking.

(2) Criteria for exercise of voting rights

The Company exercises the voting rights of shares held under the cross-shareholding arrangements by conducting comprehensive assessment of factors, such as whether said agenda item will contribute to the development of an appropriate corporate governance system and medium- and long-term increase in corporate value of companies whose shares are held in cross-shareholding, as well as its impact on the Company. The Company regularly reports the results of exercise of voting rights to the Board of Directors.

[Principle 1.7]

When engaging in transactions with its Directors/Audit & Supervisory Board Members and Corporate Officers, the Company is required to obtain the approval of the Board of Directors for said transactions in accordance with laws and regulations and the Board of Directors Rules, etc. When transactions approved by the Board of Directors are conducted, the details will be reported to the Board of Directors.

When engaging in transactions with its major shareholders, etc., the Company is required to obtain the approval of the Board of Directors for transactions of high importance in accordance with the Board of Directors Rules and the Rules for Managerial Approval.

Terms and conditions of transactions with the Company's Directors/Audit & Supervisory Board Members and major shareholders, etc. will be determined in the same manner as general transactions so as not to harm the Company and the common interests of its shareholders.

(Appropriate Cooperation with Stakeholders Other Than Shareholders)

[Supplementary Principle 2.4.1]

The Taikisha Ltd. Code of Conduct, formulated on September 15, 2005, sets forth in its standards of ethical conduct that "We respect basic human rights in corporate activities and do not discriminate against any employee based on her/his race, religion, creed, origin, sex, disability, physical characteristics, age or other attributes that are not related to the business of our company."

Together with protecting the rights of all people involved with the Company, both inside and outside, it recognizes that fully eliciting and harnessing both the motivation and the ability of employees with diverse points of view and values, regardless of gender, nationality, etc., through the Company's business activities will be a strength in maintaining its sustainable growth. To that end, the Company is implementing the following initiatives to recruit human resources with diverse values and to promote the development of an environment in which they can maximize their abilities.

From fiscal 2018, the Company revised its human resource system to eliminate the distinction between career-track employees and general office employees, and to allow all employees to take on various roles in line with their motivation and ability, based on the main intent of the standards of ethical conduct of the Taikisha Ltd. Code of Conduct mentioned above.

At the same time, in consideration of a good work-life balance for employees, the Company has been working to expand and promote various schemes, such as the enhancement of its leave schemes, including the introduction of 10-year paid leave, hourly paid leave, work-interval scheme, as well as childcare leave and time off for sick/injured childcare and nursing care that are more than the legally mandated leave and leave of absence, along with the promotion of telework, the introduction of the Group Long Term Disability (GLTD) insurance scheme, and the encouragement of male employees to take childcare leave.

Concerning the promotion of female employees, the Company enhances benefit programs and encourages its active use while continuing to gain an understanding of the needs of individual employees, and promotes measures such as providing motivation and job training to support their taking on roles for management and duties that require a higher level of specialized skills.

Due to the unique characteristics of the Company's business that roughly 80% of employees are technical employees in the construction-related field, the number of female employees has been low at around 10% of the total number of employees. Given that, the Company's aim is to increase the number of female employees. In fiscal 2019 the Company formulated an action plan to promote the career advancement of women with the goal of hiring twice as many female employees as the average number hired in the previous three years, and is on track to reaching that goal.

■ Taikisha Ltd. Action Plan based on the Act on the Promotion of Female Participation and Career Advancement in the Workplace

<https://www.taikisha.co.jp/sustainability/society/workplace/pdf/pdf-index-01.pdf> (Japanese Site)

In the action plan above, the Company has set a goal to increase the percentage of female managers to 3% or more, with the planning period from April 1, 2022 to March 31, 2025. As of April 2023, the percentage of female managers marked 3.3%, and we have already achieved our goal.

As a long-term plan, the Company has set a goal to increase the percentage of managers in female employees to 10% by fiscal 2030. The Company will implement more proactive support initiatives, including striving to enhance measures to minimize stagnation in career development while respecting the

wishes of female employees in line with their life events. In tandem with this, it will work to improve employee motivation and abilities.

Concerning the promotion of foreign employees, the Company has a history of approximately 70 years in overseas expansion, and among the total number of current Taikisha Group employees, including those from overseas affiliates, the number of locally hired employees is approximately 3,300, which is already substantially higher than the roughly 1,600 Japanese employees. The Company is increasing opportunities for interaction within the Taikisha Group through various projects, and has been actively promoting such foreign employees to more important positions such as president and directors of local affiliates. Going forward, the Company will continue to aggressively promote talented foreign employees.

In Japan as well, the Company hires promising foreign nationals who, alongside Japanese nationals, are studying at Japanese universities and graduate schools. The Company endeavors to hire those who not only have communication skills, including the command of the Japanese language, but who also have basic skills such as technical knowledge and analytical abilities, in addition to possessing a high degree of motivation, and since 2015, the Company has been hiring international students mostly every year. Also, the Company is promoting foreign employees, including those who have already become naturalized Japanese citizens, to management positions in key areas such as technology development and design work.

Concerning the promotion of mid-career hires, the Company has been promoting the mid-career hiring of human resources with abilities that can be put to use immediately, across a range of departments. On average over the last five years, the number of mid-career hires marked roughly 20% of the total number of new graduates and mid-career hires. In addition, the percentage of mid-career hires among current Corporate Officers and management-level staff is roughly 15%.

The Company will continue to actively hire and promote mid-career human resources.

[Principle 2.6]

The contract-type defined benefit pension plan of the Taikisha Group has established the asset management committee with the aim of providing stability in the lives of and improving welfare for employees, who are the beneficiaries. The committee is chaired by the Representative Director, President and composed of the Representative Director, Executive Corporate Officer, Chief Executive, Administrative Management Headquarters, the Director, Executive Corporate Officer, Chief Executive, Corporate Planning Headquarters, the General Manager of Personnel Administration and General Affairs Dept., the General Manager of Finance and Accounting Dept. and the Manager, Personnel Administration Section determines the basic policy for management and monitors the status of asset management by institutions entrusted with asset management, etc. In addition, the Company regularly reports the status of asset management, etc. to the Board of Directors.

(Ensuring Appropriate Information Disclosure and Transparency)

[Principle 3.1]

i) Company objectives (e.g., business principles), business strategies and business plans

The Company's Corporate Philosophy, business strategy and business plan, etc. are available for reference on the website.

■Corporate Philosophy, Management Vision

<https://www.taikisha-group.com/corporate/philosophy/>

■Taikisha Ltd. Code of Conduct

<https://www.taikisha-group.com/sustainability/governance/compliance/>

■Mid-Term Business Plan

<https://www.taikisha-group.com/ir/library/vision/>

ii) Basic views and guidelines on corporate governance

For details, please refer to "I.1. Basic Views" in this report.

iii) Board Policies and procedures in determining the compensation of the senior management and Directors

For details, please refer to "II. 1. [Incentives] and [Director Compensation] in this report.

iv) Board policies and procedures in the appointment of the senior management and the nomination of Directors and Audit & Supervisory Board Members candidates

(1) Nomination Policy

In light of the business environment surrounding the Company, the Company maintains the diversity and the appropriate size (number of members) of the Board of Directors to ensure that decision making and management supervisory function of the Board of Directors will work most effectively and efficiently.

In order to ensure the diversity and increase the effectiveness of supervision of the Board of Directors, the Company selects candidates for Inside Directors in view of their expertise and performance from each business area in which it operates business in a balanced manner and candidates for Outside Directors who have deep insight and experiences in different business areas.

Candidates for Directors are selected from among the people who meet all of the following criteria.

With regards to the composition of the Audit & Supervisory Board, the Company appoints one or more Audit & Supervisory Board Members who have expertise in finance and accounting in light of its roles and responsibilities of auditing the execution of duties by Directors and execution of the authority over the appointment and dismissal of external Accounting Auditor and audit fee.

The Company selects candidates for Audit & Supervisory Board Members from among people who are considered to have the abilities necessary for performing their duties as Audit & Supervisory Board Members set forth in the Rules related to Audit & Supervisory Board Members and meet all of the following criteria.

[Common criteria for Directors and Audit & Supervisory Board Members]

- Persons who have a good personality, deep insights and a strong sense of ethics and compliance
- Persons who are free of health concerns in executing their duties

[Criteria for Inside Directors]

- Persons who have an adequate understanding of the Company's Mission Statement and Corporate Philosophy and an excellent ability for corporate governance
- Persons who have adequate knowledge, experience and ability for the Company's businesses and operations as well as an ability for realizing future corporate development
- Persons who have an excellent ability for analyzing and making decisions objectively and promptly from the viewpoint of supervising the company-wide management

[Criteria for Outside Directors]

- Persons who can appropriately reflect opinions that are in accordance with the Company's Mission Statement and Corporate Philosophy in the meeting of the Board of Directors from objective and independent standpoints with the viewpoints of external stakeholders
- Persons who have extensive knowledge and experience in company management and business execution necessary for providing advice and supervision to the management of the Company
- Persons who can allocate sufficient time and energy necessary for fulfilling the roles and responsibilities of Outside Directors appropriately

[Criteria for Inside Audit & Supervisory Board Members]

- Persons who are well versed in the Company's operations and have sufficient knowledge, experience and ability

[Criteria for Outside Audit & Supervisory Board Members]

- Persons who have extensive knowledge and experience in areas of specialization, such as company management, finance, accounting, legal affairs, etc.
- Persons who can allocate sufficient time and energy necessary for fulfilling the roles and responsibilities of outside Audit & Supervisory Board Members appropriately

(2) Nomination Procedures

In accordance with the above-mentioned policy determined by the Board of Directors, candidates for Director are determined by the Board of Directors based on the recommendation of Representative Directors upon consultation with the Nomination Advisory Committee, which is chaired by an Outside Director.

In accordance with the above-mentioned policy determined by the Board of Directors, candidates for Audit & Supervisory Board Members are determined by the Board of Directors based on the recommendation of Representative Directors and with the consent of the Audit & Supervisory Board.

(3) Policies and Procedures for Dismissal of the Senior Management

In the event of the occurrence of events that are deemed to make it difficult for the Representative Director, President and other Executive Directors to effectively execute their duties, such as a violation of laws and

regulations or the Articles of Incorporation, the Board of Directors shall resolve to dismiss, etc. said Director from their office upon deliberation, based on report from the Nomination Advisory Committee.

v) Examinations with respect to the individual appointments and nominations based on iv)

Reasons for nomination of candidates for Directors and Audit & Supervisory Board Members are stated in the notice of the annual shareholders' meeting.

Reasons for nomination of candidates for Outside Directors and Outside Audit & Supervisory Board Members are stated in the annual securities report as well as "II. 1. [Matters Related to Directors]

Relationship with Company (2) and [Matters Related to Audit & Supervisory Board Members] Relationship with Company (2)" in this report.

■ Notice of the shareholders' meeting

<https://www.taikisha-group.com/ir/stock/meeting/>

■ Securities report

<https://www.taikisha.co.jp/ir/library/edinet/> (Japanese Site)

[Supplementary Principle 3.1.3]

In accordance with the Company's Mission Statement "Customers First" and Corporate Philosophy, the basic policy on sustainability is to contribute to the creation of a prosperous environment and the development of industrial society and to aim to enhance corporate value over the medium and long term, by proactively addressing global social issues such as climate change, with an eye toward a sustainable society and constant corporate growth. In order to realize this policy, the Company has identified materiality as a key management issue to be tackled on a priority basis, and in accordance with this, is forging ahead with businesses that contribute to solving social issues. This also holds true with the Mid-Term Business Plan, under which the Company is focusing on promoting decarbonization business and contributing to the transformation of its customers' production technologies through technological development in order to achieve carbon neutrality, under our long-term vision to "Contribute to a Sustainable Society through Innovative Engineering of Energy, Air and Water." The Company has also been aggressively working to reduce GHG emissions, which is an urgent issue, and to reduce and recycle waste, and has continued to calculate Scope 3 GHG emissions for the entire supply chain. These specific initiatives are disclosed on the Company's website and in the Integrated Report.

From a medium- to long-term perspective, the Company conducts strategic studies on investments in human capital and intellectual property, and incorporates them into the Mid-Term Business Plan. It also regularly monitors, and discloses their progress primarily on the Company's website, in the Integrated Report, in shareholder newsletters, and in materials for financial results briefings. Specifically, with regard to human capital, the Company is working to enhance its training system to develop excellent human resources who can create innovation and support competitiveness, and provides support for career development. In addition, the Company promotes health management as part of its efforts to create a pleasant working environment, introduces new benefit programs (cafeteria plan and package plan) to increase its appeal as a company, expands and improves systems and treatment of employees to enable diverse and flexible work styles, and reduces working hours. Concerning intellectual property, the Company has managed patents and other intellectual property it holds in an integrated manner, and while utilizing them, sought to integrate them with outside knowledge to create further value, and is proceeding with initiatives such as new business development and the expansion of R&D facilities. Each business department has made efforts to strengthen intellectual property by moving forward to enhance its technology platform using IT tools.

The Company has already collect and analyze necessary data regarding the impact that climate change-related risks and opportunities would have on the Taikisha Group's business activities, earnings, and others, in line with the framework of Task Force on Climate-related Financial Disclosures (TCFD), and disclosed the result on the Company's website in April 2023. The Company will continue to enhance the quality and quantity of these disclosure.

■ Disclosure of climate change-related information based on TCFD framework

<https://www.taikisha-group.com/sustainability/taikisha/tcfd/>

(Responsibilities of the Board)

[Supplementary Principle 4.1.1]

The Board of Directors is positioned as an organization responsible for supervising management and making decisions upon adequate deliberations on important matters stipulated in laws and regulations and the Articles of Incorporation, as well as basic policies and plans related to the Taikisha Group's management and important management matters in accordance with the Board of Directors Rules and the Rules for Managerial Approval.

As for matters except for those described above, responsibilities are delegated to the Management Meeting and various committees, etc. according to the degree of importance, in compliance with the Board of Directors Rules and the Rules for Managerial Approval.

The Management Meeting has been in place with the aim of increasing the effectiveness and efficiency of the Taikisha Group's management, and carries out sufficient deliberations and prompt decision making on Taikisha Group's specific matters related to business execution delegated by the Board of Directors (deciding and changing the policy of business divisions and headquarters, developing annual policy and conducting evaluation thereof).

[Principle 4.9]

Please refer to "II.1. [Independent Directors / Auditors]" in this report.

[Supplementary Principle 4.10.1]

Please refer to "II.1. [Directors] Supplementary Explanation" in this report.

[Supplementary Principle 4.11.1]

In light of the business environment surrounding the Company, the Company maintains the diversity and the appropriate size (number of members) of the Board of Directors to ensure that decision making and management supervisory function of the Board of Directors will work most effectively and efficiently.

In order to ensure the diversity and increase the effectiveness of supervision of the Board of Directors, the Company selects candidates for Inside Directors in view of their expertise and performance from each business area in a balanced manner and candidates for Outside Directors who have deep insight and experience in different business areas.

Thus far, the Company had set the number of Outside Directors at four (up two) to raise ratio of Outside Directors over 1/3 and appointed female Director for ensuring gender diversity.

However, in December 2022, the Company received a request from Ms. Nobuko Mizumoto, an Outside Director, to resign by expiration of the term on the shareholders' meeting on June 29, 2023, due to personal reasons.

Unfortunately, the Company has 0 female directors after the annual shareholders' meeting on June 29, 2023, regardless of every effort to appoint female director candidates in light of this request to resign.

However, diversity, such as gender, remains extremely important to the management policy of the Company, and the Company plans to appoint female director candidates at the next annual shareholders' meeting in 2024.

For the details of policy and procedures for nomination, please refer to [Principle 3.1] iv) in the above.

Please refer to the notice of the shareholders' meeting for the skills matrix that lists the knowledge, experience, abilities, etc. possessed by each Director.

■Notice of the shareholders' meeting

<https://www.taikisha-group.com/ir/stock/meeting/>

[Supplementary Principle 4.11.2]

The Company, in principle, does not approve Inside Directors to concurrently hold positions in other companies other than Directors of affiliates. The Company, in principle, does not approve Inside Audit & Supervisory Board Members to concurrently hold positions in other companies.

As for the status of concurrent holding of positions of Outside Directors and Outside Audit & Supervisory Board Members, please refer to the notice of the shareholders' meeting and securities report.

■Notice of the shareholders' meeting

<https://www.taikisha-group.com/ir/stock/meeting/>

■Securities report

<https://www.taikisha.co.jp/ir/library/edinet/> (Japanese Site)

[Supplementary Principle 4.11.3]

The Company conducts an analysis and evaluation of the effectiveness of the Board of Directors at least once a year, deliberates relevant issues and policies for dealing with the same based on the evaluation results at a meeting of the Board of Directors, and discloses a summary of the results thereof in order to increase the effectiveness of the Board of Directors and enhance information provision to external stakeholders.

Since fiscal 2015, the Company has conducted analysis and evaluation of the effectiveness of the Board of Directors, and the Board of Directors deliberates issues identified through the results of the evaluation and policies for dealing with the same, every year. Thus far, the Board of Directors have been committed to making efforts toward further enhancement of the supervisory function of the Board of Directors by implementing various initiatives, such as creating a skills matrix and enhancing the diversity of the members of the Board of Directors.

Additionally, since fiscal 2019, the members of the Board of Directors have discussed a long-term strategy envisaging changes in and future images of the industrial structure and the social environment 10 or 20 years ahead based on the results of the past analyses and evaluations of effectiveness. Furthermore, in fiscal 2022, the Company held intensive discussions, including off-site discussions themed on the outlook of the business environment and changes in business models in mind of the year 2050.

In fiscal 2022, with regard to the appointment of the Representative Director, President, the Nomination Advisory Committee developed a common understanding on desirable CEO personnel requirements, the backgrounds of senior management personnel, and such. It then selected candidates, conducted a written review, and interviewed the candidates. The Committee deliberated from a wide range of perspectives, including consistency with the long-term vision and skills matrix, and made a decision after submitting a report to the Board of Directors. In addition, the Board of Directors decided to add non-financial elements (long-term strategy and strengthening of governance) to the performance-linked compensation of Executive Directors after deliberation by the Compensation Advisory Committee.

Taking into consideration these initiatives, the Company examined the evaluation items of the analyses and evaluations of the effectiveness of the Board of Directors for the fiscal year 2023 under review, under the direction of the Chairman of the Board of Directors, and discussed the sharing of opinions on issues recognized by the Board of Directors, policies to address such issues, and other matters.

Evaluation targets: Board of Directors (including the Nomination Advisory Committee, the Compensation Advisory Committee and the Governance Committee)

Evaluation items: “Addressing issues identified in the effectiveness analysis and evaluation conducted in the preceding fiscal year,” “roles to be fulfilled by the Board of Directors” and “matters that should be considered by the Board of Directors in order to fulfill its roles”

Evaluation method: Responses to a questionnaire by all of the Directors and the Audit & Supervisory Board Members are tabulated, and reported and discussed at the Board of Directors based on the results of an objective analysis by an external advisor

During the fiscal year 2023 under review, as part of the questionnaire survey, the Board of Directors asked all of the Directors and Audit & Supervisory Board Members to provide the reasons and specific recommendations with regard to matters that they expect further improvement from the perspective of improving the corporate value of the Company, as well as issues deemed to require urgent improvement in light of the situation of the Company, and confirmed the order of priority to improve these issues.

As a result, it was confirmed that the effectiveness of the Board of Directors was ensured.

The Board of Directors of the Company assumes the roles of making decisions on important management matters and effectively performing the supervisory function on the overall management of the Company in order to put Company’s Mission Statement “Customers First” into practice and contribute to achieving sustainable growth and medium- to long-term improvement of corporate value. In order for the Board of Directors to fulfill such roles, it has been provided with sufficient amounts of reference materials and time necessary for deliberations on agendas for the Board of Directors meetings, while receiving reports on the status of business execution on a regular basis.

With regard to the matters identified as issues in the effectiveness analysis and evaluation conducted in the preceding fiscal year 2022, the Company has been improving such matters in order of precedence.

- To further deepen the long-term strategy, off-site discussions by the members of the Board of Directors and the senior management of the business divisions were held twice, backcasting for

business strategy (business model reform), global regional strategy, initiatives for new business development, and more, with the year 2050 in mind.

- Regarding digital transformation (DX), the Board of Directors received a report from the Digital Strategy Committee on issues related to the promotion of the development of core systems including those at overseas sites, and the further promotion of the “digital strategies to provide new value.”
- The Company has strengthened the monitoring system of the Board of Directors regarding the risks and opportunities associated with climate change, and established indicators and targets for measuring and managing climate change risks and opportunities, etc. (disclosed sustainability information in accordance with the TCFD framework in April 2023).
- For Executive Directors, the Compensation Advisory Committee deliberated on the purpose of introducing an ESG-linked compensation system, assessment items, and calculation methods, with the aim of conducting objective and transparent assessments, such as revising performance-linked compensation in order to promote medium- to long-term company growth, with non-financial targets such as ESG as assessment factors.
- The Governance Committee, which is an advisory body to the Board of Directors, deliberated on efforts to strengthen the group governance system, including formulation of business investment guidelines (including monitoring KPIs and M&A/PMI guidelines) and clarification of roles and responsibilities of Directors and Audit & Supervisory Board Members of affiliated companies.

On the other hand, the Company recognized the necessity of tackling the matters described below as issues to resolve in order to further improve effectiveness.

- Toward the realization of the long-term vision set forth in the Mid-Term Business Plan (from 2022 to 2024), the Company will consider future business models for 10 years and 20 years later, and continue to hold discussion on its philosophy, purpose, and the Taikisha brand.
- The Company will clarify the definition of human capital and consider discussing human capital investment to realize its long-term vision.
- The Board of Directors will continue its supervision by deepening discussions at the Digital Strategy Committee on “digital integration for R&D and new business creation” and “improving productivity through onsite digitalization and DX.”
- The Company will continue to consider matters including the supervision of the implementation status of M&A guidelines established in the fiscal year 2022 and the appropriate governance of overseas affiliates.

As stated above, in order to further enhance and strengthen corporate governance, the Company will address the management issues identified through this year’s effectiveness analysis and evaluation in order of priority, and continuously examine measures to improve the effectiveness of the Board of Directors.

[Supplementary Principle 4.14.2]

The Company constantly provides training, etc. aimed to support acquisition of necessary knowledge regarding the Company’s management issues, finance and legal compliance and other matters to Directors and Audit & Supervisory Board Members, including Outside Directors and outside Audit & Supervisory Board Members, to enable them to fulfill their management supervisory function and audit function adequately. In addition, the Company arranges opportunities for external education and training when necessary at its expense.

In addition to the above, the Company provides training to Outside Directors and Outside Audit & Supervisory Board Members aimed to deepen their understanding about Taikisha Group’s corporate philosophy, corporate management, business activities and organization, etc. The Company also provides information related to the above-mentioned matters when necessary.

(Dialogue with shareholders)

[Principle 5.1]

(1) The Company acknowledges that constructive dialogue with shareholders is very important for its sustainable growth and medium- and long-term increase in corporate value. Accordingly, the Company assigns the Director in charge of Corporate Planning Headquarters to control dialogue with shareholders and take various measures, such as holding financial results briefing sessions, to actively promote dialogue with shareholders.

- (2) The Company will proactively take measures, such as sharing of information in cooperation with departments, such as Management Planning, Investor Relations, Finance & Accounting, Legal Affairs, and General Affairs, reviewing the direction of its IR activities, and preparation of disclosure materials.
- (3) When the Company has received a request for an interview from a shareholder, the Investor Relations Section, Corporate Planning Dept., Corporate Planning Headquarters discusses how to respond to the request with Representative Directors and Chief Executive, Corporate Planning Headquarters, etc. and makes appropriate responses. In addition, the Company proactively holds IR meetings with analysts, institutional investors and individual investors.
- (4) Opinions, etc. of shareholders obtained through dialogue will be fed back through reporting and distribution of report at the Management Meeting and the meeting of the Board of Directors to promote sharing and use of information in the Company.
- (5) When holding dialogue with shareholders, the Company ensures information management based on the Regulations for Prevention of Insider Trading.
- (6) The Company conducts a survey to identify substantial shareholders regularly to grasp the shareholder composition.

[Status of dialogue with investors]

With regard to the status of dialogue with investors in FY2022, Taikisha held dialogues with a wide range of institutional investors in Japan and overseas, mainly with portfolio managers and analysts from major investment funds. The Company assigned the Director in charge of Corporate Planning Headquarters to control dialogue with investors. In addition to the individual interviews held by department in charge of IR, the Company held biannual financial results briefing sessions by the Company's management team. Major interests of investors in these dialogues include the overview of operating performance as well as the construction demands in metropolitan area, trend of capital investments related to semiconductors and by automobile manufacturers, carbon neutrality-related technological development and growth strategy, progress of Mid-Term Business Plan, and views on capital policy and shareholder return. Interests and opinions of investors obtained through dialogue were fed back to the management team in a timely manner by department in charge of IR through reporting and distribution of report at the Management Meeting and the meeting of the Board of Directors to promote sharing and use of information in the Company. In addition to the dialogues with institutional investors, Taikisha held briefing sessions for individual investors led by the Chief Executive of Corporate Planning Headquarters several times to have opportunities to explain overview and strategy of each business of the Company and views on capital policy and shareholder return. These efforts serve as promoting active dialogue with individual investors. The above information has already been disclosed in the Integrated Report (fiscal year 2023 version) issued on October 27, 2023, in page 54, "Communication with Shareholders and Investors".

■Integrated Report

<https://www.taikisha-group.com/sustainability/report/>

[Principle 5.2]

[Countermeasures to realize the management that is conscious of cost capital and stock prices(under consideration)]

Based on the Mid-Term Business Plan, Taikisha group promotes the measures and investments toward the realization of a sustainable society and the corporate growth. The Company will continue and strengthen these initiatives in the future.

Also, the Company will improve market valuation through the enhancement of information disclosure regarding efforts to achieve carbon neutrality and initiatives related to human capital, etc., and the active engagement in dialogue with investors and other stakeholders, in addition to clarifying growth strategies in the businesses of the Company. In terms of shareholder returns, the Company maintains high total return ratio driven by the stable dividends intended to achieve a consolidated dividend on equity ratio (DOE) of 3.2% and the purchase of treasury shares.

In order to realize the management that is conscious of cost of capital and stock prices, the Board of Directors plans to implement an analysis and evaluation of current situation, and development of policies and targets for the improvement of cost of capital and stock prices.

The Company is going to disclose these policies and targets for improvement through the formulation of the next Mid-Term Business Plan.

■Mid-Term Business Plan
<https://www.taikisha-group.com/ir/policy/vision/>

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%
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[Status of Major Shareholders] [Updated]

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	6,488,500	19.47
Kenzaisha Ltd.	1,730,000	5.19
Taikisha Employees Shareholding Association	1,175,453	3.53
Custody Bank of Japan, Ltd. (Trust Account)	1,174,000	3.52
Sumitomo Realty & Development Co., Ltd.	1,134,800	3.41
Taikisha Business Partners Shareholding Association	1,066,200	3.20
THE BANK OF NEW YORK MELLON (INTERNATIONAL) LIMITED 131800	1,041,300	3.12
Dai ni Kenzaisha Ltd.	1,000,000	3.00
Nippon Life Insurance Company	866,416	2.60
Mizuho Bank, Ltd.	659,278	1.98

Controlling Shareholder (except for Parent Company)	-----
Parent Company	None

Supplementary Explanation [Updated]

- The above descriptions on the Foreign Shareholding Ratio and Major Shareholders are based on the shareholder registry as of March 31, 2023.
- The Company holds 259,989 treasury shares but excludes these shares from the list of major shareholders above. The above treasury shares do not include 117,500 shares of the Company's shares held by Custody Bank of Japan, Ltd. (Trust E Account), because of the introduction of the ESOP (Employee Stock Ownership Plan). In addition, the treasury shares do not include 120,700 shares of the Company's shares held by Custody Bank of Japan, Ltd. (Trust E Account) in association with the introduction of the board benefit trust (BBT).
- The percentage of the Major Shareholders is calculated by subtracting treasury shares from all issued shares.
- Based on the Change Report pertaining to the Report of Possession of Large Volume submitted by Sumitomo Mitsui Trust Asset Management Co., Ltd. on September 6, 2022, the Company has been informed that Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other joint holder held 2,620 thousand shares (shareholding ratio: 7.47%) as of August 31, 2022. However, these shareholdings were not taken into account in the Major Shareholders as the Company could not confirm the actual number of shares owned as of March 31, 2023.
- Based on the Change Report pertaining to the Report of Possession of Large Volume submitted by Invesco Asset Management (Japan) Limited on March 29, 2023, the Company has been informed that Invesco Asset Management (Japan) Limited held 3,590 thousand shares (shareholding ratio: 10.69%) as of March 23, 2023. However, these shareholdings were not taken into account in the Major Shareholders as the Company could not confirm the actual number of shares owned as of March 31, 2023.
- Based on the Change Report pertaining to the Report of Possession of Large Volume submitted by Mizuho Bank, Ltd. on May 22, 2018, the Company has been informed that Mizuho Bank, Ltd. and three other joint holders held 1,757 thousand shares (shareholding ratio: 5.01%) as of May 15, 2018.

However, these shareholdings were not taken into account in the Major Shareholders as the Company could not confirm the actual number of shares owned as of March 31, 2023.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange Prime Market
Fiscal Year-End	March
Type of Business	Construction
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1000 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Other Special Circumstances which may have Material Impact on Corporate Governance

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Audit & Supervisory Board
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[Directors] [Updated]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	For 1 year
Chairperson of the Board	Outside Director
Number of Directors	8
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1) [Updated]

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Hirokazu Hikosaka	Lawyer												
Kiyotaka Fuke	From another company									△			
Masasuke Kishi	From another company												

* Categories for "Relationship with the Company"

* "○" when the Director presently falls or has recently fallen under the category;

"△" when the Director fell under the category in the past

* "●" when a close relative of the Director presently falls or has recently fallen under the category;

"▲" when a close relative of the Director fell under the category in the past

- Executive of the Company or its subsidiaries
- Non-Executive Director or executive of a parent company of the Company
- Executive of a fellow subsidiary company of the Company
- A party whose major client or supplier is the Company or an executive thereof
- Major client or supplier of the company or an executive thereof
- Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/Audit & Supervisory Board Members
- Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- Executive of a company, between which and the Company Outside Directors/Audit & Supervisory Board Members are mutually appointed (the director himself/herself only)
- Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- Others

Outside Directors' Relationship with the Company (2) [Updated]

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Hirokazu Hikosaka	○	There are no interests including personal, capital and transactional relationships between him and the Company.	[Reason for appointment as Director] He has professional expertise and abundant experience as a lawyer,

			<p>as well as specialized knowledge regarding internal control and governance, etc. from his business experience hitherto. Since his assumption of the Director position, he has provided valuable advice and supervision on the management of the Company from an independent and objective standpoint. Going forward, he is expected to continue providing advice and supervision by utilizing his specialized knowledge based on his abundant expertise and experience. The Company has judged that he qualifies for this position from the viewpoint of ensuring transparent decision making by the Board of Directors and reinforcing the supervisory functions thereon.</p> <p>[Reason for designation as Independent Director] As he is not in conflict with the independence standards stipulated by the Tokyo Stock Exchange regulations and also satisfies the after-mentioned “Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member” stipulated by the Company, the Company has judged that he maintains independence that presents no risk of causing a conflict of interest with general shareholders.</p>
Kiyotaka Fuke	○	<p>He had worked at Meiji Yasuda Life Insurance Company but retired as an adviser in 2019. Although this company holds the Company’s shares, its shareholding ratio is 1.38%.(calculated after subtracting treasury shares. hereinafter, the same shall apply) Although this company and the Company had transactions such as construction contracts and insurance contracts in fiscal 2022, the respective amount of the relevant transactions did not exceed the amount of payments specified in the after-mentioned</p>	<p>[Reason for appointment as Director] He has abundant expertise and experience as a manager at a leading life insurance company, as well as specialized knowledge regarding internal control, governance, human resources development, personnel and labor management, etc. from his business experience hitherto. Since his assumption of the Director position, he has provided valuable advice and supervision on the management of the Company from an independent and objective</p>

		<p>“Independence Criteria for Outside Director/Outside Audit & Supervisory Board” stipulated by the Company. (The average transaction amounts between both companies for the past three fiscal years (meaning fiscal 2020 through fiscal 2022; hereinafter, the same shall apply) was less than 1% of the three-year average transaction amounts of this company’s consolidated net sales as well as the Company’s consolidated net sales of completed construction contracts for the past three fiscal years.)</p>	<p>standpoint. Going forward, he is expected to continue providing advice and supervision by utilizing his specialized knowledge based on his abundant expertise and experience. The Company has judged that he qualifies for this position from the viewpoint of ensuring transparent decision making by the Board of Directors and reinforcing the supervisory functions thereon.</p> <p>[Reason for designation as Independent Director] As he is not in conflict with the independence standards stipulated by the Tokyo Stock Exchange regulations and also satisfies the after-mentioned “Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member” stipulated by the Company, the Company has judged that he maintains independence that presents no risk of causing a conflict of interest with general shareholders.</p>
Masasuke Kishi	○	<p>There are no interests including personal, capital and transactional relationships between him and the Company.</p>	<p>[Reason for appointment as Director] He has abundant expertise and experience as a manager at a leading business corporation, as well as specialized knowledge regarding the information and communications sector, internal control, governance, etc. from his business experience hitherto. Since his assumption of the Director position, he has provided valuable advice and supervision on the management of the Company from an independent and objective standpoint. Going forward, he is expected to continue providing advice and supervision by utilizing his specialized knowledge based on his abundant expertise and experience. The Company has judged that he qualifies for this position from the viewpoint of ensuring transparent decision making by the Board of Directors</p>

			and reinforcing the supervisory functions thereon. [Reason for designation as Independent Director] As he is not in conflict with the independence standards stipulated by the Tokyo Stock Exchange regulations and also satisfies the after-mentioned “Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member” stipulated by the Company, the Company has judged that he maintains independence that presents no risk of causing a conflict of interest with general shareholders.
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Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Compensation Committee	Established
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Committee’s Name, Composition, and Attributes of Chairperson [Updated]

	Committee Corresponding to Nomination Committee	Committee Corresponding to Compensation Committee
Committee’s Name	Nomination Advisory Committee	Compensation Advisory Committee
All Committee Members	5	5
Full-time Members	0	0
Inside Directors	2	2
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation [Updated]

The Company has established the Nomination Advisory Committee and the Compensation Advisory Committee as advisory bodies for the Board of Directors, with the aim of enhancing the independence and objectivity of functions and the accountability of the Board of Directors regarding determination of nomination and compensation of Directors. Each Committee is chaired by an Outside Director and comprises 3 Outside Directors and 2 Representative Directors, and its effectiveness and transparency are enhanced by utilizing for deliberations the insights and experience of Outside Directors with diverse expertise.

Each Committee carries out deliberations, based on consultation from the Board of Directors, on the process of electing Director candidates and Audit & Supervisory Board Member candidates, planning of the successor to the President, establishment and revision of compensation and assessment systems for Directors and Audit & Supervisory Board Members, appropriateness of the assessment results and the amount of fixed compensation and performance-linked compensation, etc., and submits reports to the Board of Directors, which then makes a resolution based on the reports.

Based on consultation from the Board of Directors, the Nomination Advisory Committee carries out deliberations on the process of electing Director candidates and Audit & Supervisory Board Member candidates as well as the planning of the successor to the President. In fiscal 2022, the Committee

deliberated on the planning of the successor to the President, the basic policy for nominating Director candidates and Audit & Supervisory Board Member candidates for the fiscal year, and the specific selection of candidates. Regarding the President and Executive Director candidates, the Committee conducted an assessment based on the personnel requirements stipulated in the succession plan, interviews with Outside Directors, and such, for each candidate. The candidates were then reported to the Board of Directors based on the long-term vision and the skills matrix of the entire Board of Directors. In particular, with regard to the candidates for President, the Committee conducted a more detailed selection process, including interviews with Outside Directors, of identifying a number of potential candidates from among the current Directors and Executive Officers based on a common understanding of the background of senior management personnel and other matters, in addition to reviewing documents relating to the capabilities, qualifications, background, business performance, etc. of the successor candidates. Additionally, a third-party organization verified the validity of the process for the selection and confirmed that a certain level of objectivity and transparency are ensured. Regarding the candidates for Audit & Supervisory Board Members, reports were submitted after confirming that they have the necessary capabilities to fulfill their duties in light of the personnel requirements for Audit & Supervisory Board Members stipulated in the succession plan.

The Compensation Advisory Committee deliberates on the establishment and revision of compensation and assessment systems for Directors and Audit & Supervisory Board Members, the appropriateness of the assessment results and the amount of fixed compensation and performance-linked compensation. In fiscal 2022, the Committee deliberated on the basic policy on Director compensation as well as the amount of fixed compensation and performance-linked compensation. The Committee then reported to the Board of Directors on matters such as adding non-financial indicators (effort towards long-term strategy including sustainability, investments in human capital and intellectual property, and enhancement of governance) to the existing financial indicator (consolidated ordinary income) for the assessment of performance-linked compensation, and the introduction of a performance-linked stock-based compensation plan for Corporate Officers with the aim of raising their awareness of contributing to the medium- to long-term improvement of corporate value.

[Audit & Supervisory Board Members]

Establishment of the Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Members	5

Cooperation among Audit & Supervisory Board Members, Accounting Auditor and Internal Audit Department

[Status of cooperation between Audit & Supervisory Board Members and the Accounting Auditor]
The Audit & Supervisory Board Members ask and answer questions or exchange opinions with the Accounting Auditor concerning operation or accounting issues, audit plans, audit results and other relevant matters on a regular basis.

[Status of cooperation between Audit & Supervisory Board Members and the Internal Audit Department]
The Internal Audit Dept., which is the internal audit department of the Taikisha Group, makes reports to or exchanges opinions with the Audit & Supervisory Board Members concerning audit plans, audit results and other matters relevant to the internal audits on a regular basis. In addition, through a request by the Audit & Supervisory Board Members, the Internal Audit Office improves systems to cooperate with and support a variety of investigations conducted by the Audit & Supervisory Board Members.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3

Number of Independent Auditors	3
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Outside Audit & Supervisory Board Members' Relationship with the Company (1) [Updated]

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Junichi Sakurai	From another company										△			
Shigeo Kobayashi	Certified Public Accountant										△			
Nobuyuki Soda	From another company										△			

* Categories for "Relationship with the Company"

* "○" when the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"△" when the Audit & Supervisory Board Member fell under the category in the past

* "●" when a close relative of the Audit & Supervisory Board Member presently falls or has recently fallen under the category;

"▲" when a close relative of the Audit & Supervisory Board Member fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-Executive Director or accounting advisor of the Company or its subsidiaries

c. Non-Executive Director or executive of a parent company of the Company

d. Audit & Supervisory Board Member of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Audit & Supervisory Board Member

i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)

k. Executive of a company, between which and the Company Outside Directors/ Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)

m. Others

Outside Audit & Supervisory Board Members' Relationship with the Company (2) [Updated]

Name	Designation as Independent Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment
Junichi Sakurai	○	He had worked at Sompo Japan Nipponkoa Insurance Inc. but retired as a director in 2022. Although this company holds the Company's shares, its shareholding ratio is 0.30%. Although this company and the Company had transactions such as construction contracts and insurance contracts in fiscal 2022, the respective amount of the relevant transactions did not exceed the amount of payments specified in the after-mentioned	[Reason for appointment as Audit & Supervisory Board Member] As he has abundant business experience, including internal auditing, at a leading non-life insurance company, as well as extensive knowledge and experience as a manager of a business corporation, the Company has judged that he is qualified to perform duties as Audit & Supervisory Board from an independent and objective

		<p>“Independence Criteria for Outside Director/Outside Audit & Supervisory Board” stipulated by the Company. (The average transaction amounts between both companies for the past three fiscal years was less than 1% of the three-year average transaction amounts of this company’s non-consolidated net sales as well as the Company’s consolidated net sales of completed construction contracts for the past three fiscal years.)</p>	<p>standpoint to audit the execution of duties by Directors.</p> <p>[Reason for designation as Independent Auditor] As he is not in conflict with the independence standards stipulated by the Tokyo Stock Exchange regulations and satisfies the after-mentioned “Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member” stipulated by the Company, the Company has judged that he maintains independence that presents no risk of causing a conflict of interest with general shareholders.</p>
Shigeo Kobayashi	○	<p>He had worked at KPMG AZSA LLC but resigned in 2019. Although this company and the Company had transaction of consulting agreement in fiscal 2022, the respective amount of the relevant transactions did not exceed the amount of payments specified in the after-mentioned “Independence Criteria for Outside Director/Outside Audit & Supervisory Board” stipulated by the Company. (The average transaction amounts between both companies for the past three fiscal years was less than 1% of the three-year average transaction amounts of this company’s consolidated net sales for the past three fiscal years.)</p>	<p>[Reason for appointment as Audit & Supervisory Board Member] As he has professional expertise and abundant experience as a certified public accountant and professional knowledge about finance and accounting, the Company has judged that he is qualified to perform duties as Audit & Supervisory Board from an independent and objective standpoint to audit the execution of duties by Directors.</p> <p>[Reason for designation as Independent Auditor] As he is not in conflict with the independence standards stipulated by the Tokyo Stock Exchange regulations and satisfies the after-mentioned “Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member” stipulated by the Company, the Company has judged that he maintains independence that presents no risk of causing a conflict of interest with general shareholders.</p>
Nobuyuki Soda	○	<p>He had worked at Nippon Life Insurance Company but retired as a director in 2019. Although this company holds the Company’s shares, its shareholding ratio is 2.60%. Although this company and the Company had transactions such</p>	<p>[Reason for appointment as Audit & Supervisory Board Member] As he has abundant expertise and experience nurtured during his tenure as a manager at a leading life insurance company, the Company has judged that he is qualified to perform duties as</p>

		as construction contracts and insurance contracts in fiscal 2022, the respective amount of the relevant transactions did not exceed the amount of payments specified in the after-mentioned “Independence Criteria for Outside Director/Outside Audit & Supervisory Board” stipulated by the Company. (The average transaction amounts between both companies for the past three fiscal years was less than 1% of the three-year average transaction amounts of this company’s consolidated net sales as well as the Company’s consolidated net sales of completed construction contracts for the past three fiscal years.)	Audit & Supervisory Board from an independent and objective standpoint to audit the execution of duties by Directors. [Reason for designation as Independent Auditor] As he is not in conflict with the independence standards stipulated by the Tokyo Stock Exchange regulations and satisfies the after-mentioned “Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member” stipulated by the Company, the Company has judged that he maintains independence that presents no risk of causing a conflict of interest with general shareholders.
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[Independent Directors/Auditors] [Updated]

Number of Independent Directors/Auditors	6
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Matters relating to Independent Directors/Auditors

[Designation of Independent Director/Auditor]

The Company designates all of the qualified Outside Director and Audit & Supervisory Board Members as Independent Director/Auditor.

[Independence Criteria for Outside Director/Outside Audit & Supervisory Board Member]

In order to increase the soundness and transparency of management, the Company has established the following independence criteria for Outside Directors and Outside Audit & Supervisory Board Members. Outside Directors and Outside Audit & Supervisory Board Members are considered to be independent unless any of the following criteria applies.

1. Major shareholder¹ of the Company or an executive thereof;
2. Major lender² of the Company or an executive thereof;
3. A party whose major client or supplier is the Company³ or an executive thereof;
4. Major client or supplier⁴ of the Company or an executive thereof;
5. Consultant, accountant, or legal professional who receives more than ¥10 million per year in monetary consideration or other property from the Company besides compensation as a Director/ Audit & Supervisory Board (if the recipient of such property is a corporation, partnership or other entities, a person who belongs to an entity for which the total amount of money and property received from the Company exceeds 2% of its annual gross revenue);
6. Person who receives more than ¥10 million per year in donation (or executive thereof, if the recipient of such donation is a corporation, partnership or other entities);
7. Person who fell under any of the above-listed items 1 through 6 during the past three years; or
8. Relatives within the second degree of kinship of person (only those who are significant) who fall under any of the following items (1) through (3).
 - (1) Person who falls under any of the above-listed items 1 through 7;
 - (2) Executive of any subsidiaries of the Company; or
 - (3) Non-executive director of any subsidiaries of the Company.

(Notes)

1. “Major shareholder” refers to a shareholder who holds 10% or more of the voting rights directly or indirectly at the end of the most recent fiscal year.

2. “Major lender” refers to a lender to whom the Company has outstanding borrowings in the amount that exceeds 2% of its consolidated total assets of the Company at the end of the most recent fiscal year.
3. “A party whose major client or supplier is the Company” refers to a party for whom the average amount of payments received from the Company for the past three fiscal years exceeds 2% of the average consolidated net sales of said party for the past three fiscal years.
4. “A major client or supplier of the Company” refers to a party for whom the average amount of payments to the Company for the past three fiscal years exceeds 2% of the average consolidated net sales of the Company for the past three fiscal years.

[Incentives]

Incentive Policies for Directors	Performance-linked Compensation
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Supplementary Explanation

Compensation to Executive Directors (Directors who concurrently serve as Corporate Officers) is composed of basic compensation, which is fixed compensation, and bonus and stock-based compensation, which are performance-linked compensation. The amount of bonus and stock-based compensation fluctuates in close correlation with the evaluation of the Company’s financial indicator (consolidated ordinary income) and non-financial indicators (effort towards long-term strategy including sustainability, investments in human capital and intellectual property, and enhancement of governance) to serve as an incentive for achieving their performance goals. Compensation to Non-Executive Directors (Outside Directors and Directors who don’t concurrently serve as Corporate Officers, the same shall apply) and Audit & Supervisory Board members is limited to basic compensation and no bonus and stock-based compensation shall be paid. For details, please refer to “II. 1. [Director Compensation]” in this report.

Recipients of Stock Options	None
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Supplementary Explanation

[Director Compensation]

Disclosure of Individual Directors' Compensation	No Individual Disclosure
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Supplementary Explanation [Updated]

The details of the compensation to Directors and Audit & Supervisory Board Members in fiscal 2022

Amount of annual compensation paid to Directors (excluding Outside Directors):
¥348 million in total (basic compensation: ¥213 million, bonus: ¥67 million, stock-based compensation: ¥67 million)

Amount of annual total compensation paid to Outside Directors:
¥54 million in total (basic compensation: ¥54 million)

Amount of annual compensation paid to Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members):
¥45 million in total (basic compensation: ¥45 million)

Amount of annual compensation paid to Outside Audit & Supervisory Board Members:
¥38 million in total (basic compensation: ¥38 million)

Policy on Determining Compensation Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

1. Policy

The Company has determined the following policy concerning the amount of compensation to Directors and Audit & Supervisory Board Members and the calculation method thereof.

(1) Basic views on the system of compensation

The compensation to Executive Directors (Directors who concurrently serve as Corporate Officers) is composed of basic compensation, which is fixed compensation, and bonus and stock-based compensation, which are performance-linked compensation. The amount of bonus and stock-based compensation fluctuates in close correlation with the evaluation of the Company's financial indicator (consolidated ordinary income) and non-financial indicators (effort towards long-term strategy including sustainability, investments in human capital and intellectual property, and enhancement of governance) to serve as an incentive for achieving their performance goals. Compensation to Non-Executive Directors and Audit & Supervisory Board members is limited to basic compensation and no bonus and stock-based compensation shall be paid.

(2) Compensation structure

(i) Compensation to Directors and Audit & Supervisory Board Members is composed of basic compensation, which is fixed compensation, and bonus and stock-based compensation, which are performance-linked compensation. The types of compensation applicable according to officer classification are as follows:

- Executive Directors: Basic compensation, bonuses, stock-based compensation
- Non-Executive Directors: Basic compensation
- Audit & Supervisory Board Members: Basic compensation

(ii) The ratio of fixed compensation to performance-linked compensation (total bonus and stock-based compensation) within the total compensation paid to Executive Directors shall be approximately 6:4 based on the standard payment amount, and reflects the content of the "(3) Performance-linked compensation scheme" below.

(3) Performance-linked compensation scheme

Performance-linked compensation is composed of bonus and stock-based compensation, with an amount equal to 50% of the base payment amount paid each as bonus and stock-based compensation.

Performance-linked compensation is evaluated by financial indicator (consolidated ordinary income) and non-financial indicators (effort towards long-term strategy including sustainability, investments in human capital and intellectual property, and enhancement of governance). The evaluation ratio is 70% for financial indicator and 30% for non-financial indicators. In addition, as for non-financial indicators, actual payment ratio is fluctuated between 70% and 130% according to goal achievement.

Consolidated ordinary income is one of the key KPIs in the Company's Mid-Term Business Plan, and is thus selected as a financial indicator for the calculation of performance-linked compensation. In addition to the base payment amount equal to a fixed percentage of consolidated ordinary income, if consolidated ordinary income exceeds a certain amount, an amount obtained by multiplying the base payment by the ratio of excess performance shall be paid as an extra payment, which is expected to serve as an incentive for achieving financial numerical targets in the Mid-Term Business Plan, thereby further improving the Company's operating performance. Moreover, 30% of the evaluation ratio is for non-financial indicators with an expectation to serve as an incentive for sustainability as a long-term strategy, investments in human capital and intellectual property, and enhancement of governance.

The bonus is paid in cash after the Company's operating performance is finalized. For stock-based compensation, points are granted after the Company's operating performance is finalized. The points granted will be provided, in principle, to Executive Directors at the time of their retirement in the form of the Company's shares or cash equivalent to the fair value thereof.

(4) Level of compensation

The Compensation Advisory Committee verifies the level of compensation by analyzing and comparing compensation data of industry peer companies from survey data compiled by a third-party organization.

2. Methods for decisions on compensation

Based on "1. (1) Basic views on the system of compensation" above, Representative Directors delegated by the Board of Directors, determine the system and level, etc. of Directors' compensation upon consultation with the Compensation Advisory Committee, which is chaired by an Outside Director. The compensation details thus determined are reported to the Compensation Advisory Committee. In this manner, the Company improves the objectivity and transparency of the process for determining compensation.

3. Methods for decisions on policy

The policy for compensation, etc. of Directors and Audit & Supervisory Board Members is determined by the Board of Directors upon consultation with the Compensation Advisory Committee.

[Supporting System for Outside Directors and Audit & Supervisory Board Members]

[Outside Directors]

Mainly, the Legal Dept. Administrative Management Headquarters and the Corporate Planning Headquarters, as an executive office of the Board of Directors, support Outside Directors by distributing materials for the Board of Directors in advance, explaining the main issues of the bills in advance, and providing various relevant information as and when required.

[Outside Audit & Supervisory Board Members]

The Corporate Auditor Office, established as a secretariat for the Audit & Supervisory Board, supports Outside Audit & Supervisory Board Members by distributing materials for the Audit & Supervisory Board and the Board of Directors in advance, explaining the main issues of the bills in advance and providing various relevant information as and when required.

[Status of Persons Who Retired from Representative Director, President, etc.] [Updated]

Name, etc. of Executive Adviser, Adviser, etc. of former Representative Director, President, etc.

Name	Job title/ position	Responsibilities	Employment terms(Full/part time, with/without compensation, etc)	Date when former role as president/CEO ended	Term
Koji Kato	Executive Adviser	Provision of support for maintaining relationships with customers	Part-time / with compensation	June 29, 2023	For 1 year

Number of Executive Advisers, Advisers, etc. of former Representative Director, Presidents, etc.

1

Others

The Executive Adviser, at the request of the Company, provides advice, etc. designed to maintain the favorable relationships with customers, based on experience and insight accumulated over the years. Meanwhile, he does not attend meetings including the Management Meeting and is not involved in any management decision-making at the Company.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Compensation Decisions (Overview of Current Corporate Governance System) [Updated]

1. Board of Directors and Directors

The Board of Directors, chaired by an Outside Director, which consists of 8 Directors (8 males and 0 females), including 3 Outside Directors, is held once each month with additional meetings as and when required. The Board of Directors makes decisions regarding the Taikisha Group's management policy, items stipulated in laws and regulation and the Articles of Incorporation, and important management matters, as well as monitors and supervises the execution of duties by each Director and Corporate Officer.

Outside Director are appointed in order to revitalize deliberation and ensure the transparency of decision-making processes in the Board of Directors, and to reinforce the supervisory function of the Board of Directors over Directors and Corporate Officers.

2. Governance Committee, Internal Control Committee

The Company has established the Governance Committee, which is an advisory body for the Board of Directors concerning internal control, with the aim of improving the governance system of the entire Taikisha Group. The Governance Committee is chaired by an Outside Director and consists of 7 members, namely 3 Outside Directors including the chairperson, 1 Audit & Supervisory Board Member, the Representative Director, President, the Chief Executive, Administrative Management Headquarters, and the Chief Executive, Corporate Planning Headquarters. The Governance Committee replies to questions from the Board of Directors about the optimization of the Taikisha Group's internal control, and makes proposals or recommendations to the Board of Directors. In addition, the Company has established the Internal Control Committee as an executive body on the executive side that acts on the basis of resolutions, etc. by the Board of Directors. The Internal Control Committee consists of 5 Executive Directors with the Representative Director, President as chairperson and which discusses and implements measures for optimizing the internal control system.

3. Sustainable Committee, Sustainable Promotion Committee

The Company has established the Sustainable Committee, which is an advisory body of the Board of Directors, with an aim of strengthening our efforts to address social issues from the perspective of the realization of sustainable society and perpetual corporate growth. The Sustainable Committee is chaired by an Outside Director and consists of 8 members, namely 3 Outside Directors including the chairperson and 5 Executive Directors. The Sustainable Committee replies to questions from the Board of Directors, and makes proposals or recommendations to the Board of Directors. In addition, the Company has established the Sustainable Promotion Committee as an executive body on the executive side that acts on the basis of resolutions, etc. of the Board of Directors. The Sustainable Promotion Committee consists of 5 Executive Directors including the Representative Director, President as chairperson, and responsible person for sales department of each business division, and which discussed and implements measures for addressing sustainability issues.

4. Corporate Officer System

The Company has adopted the Corporate Officer system in order to clarify the responsibilities and authorities in corporate management and the execution of duties, as well as to revitalize the Board of Directors and speed up its decision-making processes through reduction of the number of the Directors. Corporate Officers are appointed through the resolution of the Board of Directors (tenure: 1 year) and execute their duties based on the management policy decided by the Board of Directors.

5. Management Meeting

The Company has established the Management Meeting to increase the effectiveness and efficiency of the Taikisha Group's management. The Management Meeting, consisting of 5 Executive Directors, in principle is held twice each month with additional meetings as and when required and serves as a decision-making authority. It makes adequate deliberations and prompt decisions delegated by the Board of Directors regarding matters related to business execution of the Taikisha Group (deciding and changing policy of business divisions and headquarters and deciding annual policy and evaluating the results thereof, etc.). In addition, Audit & Supervisory Board Members and a legal consultant attend the Management Meeting and present their opinions from an objective and neutral standpoint. Important matters to be discussed in the Management Meeting are submitted to the Board of Directors for a final decision.

6. Policy Review Meeting

The Company has established the Policy Review Meeting to grasp the status of activities designed to achieve the Taikisha Group's management policy. The Policy Review Meeting is held twice a year, with participation by Directors, Audit & Supervisory Board Members and chief executives of each Headquarters, to examine and validate the details of annual policy and targets of each department and headquarters established to realize the annual management policy and the status of achievement thereof.

7. Risk Management System

Regarding the risk management of the Company and the Taikisha Group, the Company, in accordance with the Risk Management Rules, has established the Risk Management Committee to identify risks in an integrated fashion and to implement effective and efficient risk management. The Risk Management Committee establishes basic policies, responsibility systems, operations and other necessary measures for group-wide risk management, and keeps all persons involved well informed about the establishment and implementation of policies.

Regarding risks associated with operations, such as quality control, safety control and compliance assigned to each department, each department identifies and prioritizes the risks to be addressed, and formulates specific measures against the risks and reports to the Risk Management Committee. Each department improves the relevant internal rules and regulations, and keeps all persons involved well informed about the details of the improvement.

The Company established the Crisis Management Committee for the purpose of addressing and managing exposed major risks which have not been deterred (hereinafter referred to as a crisis). In the event that crisis breaks out, the Crisis Management Committee organizes the crisis management team or establishes a crisis task force to respond to the crisis under the supervision of the Crisis Management Committee in accordance with the basic policy for risk management. In preparation for crisis occurrences, business continuity plans for recovery from a crisis shall be improved and completed from time to time.

8. Compliance System

The Company has established the Compliance Committee to instill its Corporate Philosophy and compliance awareness in all employees, and promote its compliance system. The Compliance Committee headed by the Representative Director as chairperson and consisting of members of the Management Meeting, the General Manager of the Corporate Compliance Dept., and the General Manager of the Internal Audit Dept. shall in principle be held monthly in order to examine and respond to issues regarding compliance in the overall business operations of the Company from a management standpoint and to validate the status of compliance with laws and regulations and the Articles of Incorporation. In the event of signs of a significant event, the Corporate Compliance Committee consisting of all officers, the General Manager of the Corporate Compliance Dept., and the General Manager of the Internal Audit Dept. shall be convened promptly in order to deal with such event.

9. Audit & Supervisory Board and Audit & Supervisory Board Members

The Company has 5 Audit & Supervisory Board Members (consisting of 5 males and no females), including 3 Outside Audit & Supervisory Board Members. Among them are Junichi Sakurai and Shigeo Kobayashi, who have been engaged in accounting and finance operations for many years so that they have a respectable degree of knowledge regarding financial and accounting matters.

The Audit & Supervisory Board holds a meeting once a month in principle, in which the Members mainly deliberate the audit plan, exchange opinions on audit result reports, etc., and consider matters related to the appointment, dismissal, or non-reappointment of an accounting auditor and matters that require the

resolution of the Audit & Supervisory Board, such as consent to the compensation to be paid to the accounting auditor.

Each Audit & Supervisory Board Member conducts audits in accordance with the audit standard stipulated by the Audit & Supervisory Board and the assignment given to him, and requests Directors and Corporate Officers, etc. to report the execution of duties as needed in order to keep track of important decision-making processes and the progress of the execution of duties within the Company and group companies. The Audit & Supervisory Board Members also review important documents, including internal approval documents, attend major meetings, including meetings of the Board of Directors and the Management Meeting, and collect necessary information about the current progress of the process of considering important matters and making decisions on the same from the Internal Audit Department, the Corporate Compliance Dept., and other related departments and sections and make proposals for the improvement of operations as needed.

10. Internal Audits

The Internal Audit Dept. (consisting of 12 staff members), which is responsible for conducting internal audits of the Taikisha Group, carries out audits in accordance with the Internal Audit Rules as an independent department under the direct control of Representative Directors. The Internal Audit Dept. conducts audits on the effectiveness and efficiency of the overall business activities in the Taikisha Group, and reports the audit results to Representative Directors.

The Internal Audit Dept. announces matters identified for improvement as a result of audits to departments subject to audits, and conducts follow-up audits to confirm whether the matters have been improved or not. Results of these audits are directly reported to Representative Directors as well as the Board of Directors, the Audit & Supervisory Board and the Accounting Auditor.

11. Accounting Auditor

In fiscal year 2022, the certified public accountants who conducted accounting audits of the Company were Hiroaki Kagami (who has been conducting audits for 4 years), Kenji Oka (who has been conducting audits for 4 years), and Daisuke Miyanohara (who has been conducting audits for 6 years). All of them belong to A&A Partners (an auditing corporation). Assistants involved in the Company's accounting audits consist of 9 certified public accountants and 7 other staff members.

3. Reasons for Adoption of Current Corporate Governance System

The Company has reinforced the supervisory function of the Board of Directors by appointing Non-Executive Directors and speeded up decision making by the Board of Directors through the introduction of the Corporate Officer system towards further enhancement and reinforcement of corporate governance as a Company with Audit & Supervisory Board, and has continuously made efforts to reinforce governance and reform management of the Taikisha Group. At the moment, the Company recognizes that the corporate governance has been effectively working through all such efforts, and thereby will keep the current status.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of Shareholder Meeting	The notice of the annual shareholders' meeting is sent at least three weeks before the date of the meeting. In addition, the notice of the annual shareholders' meeting is disclosed on the website five business days prior to the date of sending it.
Allowing Electronic Exercise of Voting Rights	Electromagnetic means to exercise voting rights have been available
Participation in Electronic Voting Platform	The Company has participated in the Electronic Voting Platform operated by ICJ, Inc.
Providing Convocation Notice in English	An English translation of the notice of the annual shareholders' meeting is also available on the website. https://www.taikisha-group.com/ir/stock/meeting/
Other	The notice of the annual shareholders' meeting (in Japanese and English translation) and the notice of resolution (only in Japanese) are available on the website. In addition, in order to ensure transparency of the annual shareholders' meeting, the voting results regarding matters for resolution at the meeting, including the number of votes of "for", "against" and "abstain", are released on the website. https://www.taikisha-group.com/ir/stock/meeting.html

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	Posted on the website. https://www.taikisha-group.com/ir/disclosure/
Regular Investor Briefings for Analysts and Institutional Investors	Briefings are held when financial reports for the second quarter of the fiscal year and for the end of the fiscal year are released, where explanations about major indicators, descriptions of business, performance forecasts and future business developments and other matters are provided.
Posting of IR Materials on Website	Messages from President, brief financial statements, financial results briefings, Mid-Term Business Plan, annual securities reports, integrated reports (both in English and Japanese), Shareholder newsletters, Fact Books (both in English and Japanese), timely disclosure documents and other contents are posted on the website. https://www.taikisha-group.com/ir/library/
Establishment of Department and/or Person in Charge of IR	Responsible Person: Director, Executive Corporate Officer, Chief Executive, Corporate Planning Headquarters, Masanori Nakagawa Responsible department: Investor Relations Section, Corporate Planning Dept., Corporate Planning Headquarters
Other	Specialized contents targeted for individual stockholders and investors are posted on the website. https://www.taikisha-group.com/ir/individual/

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company has established its Management Vision: "Conduct businesses under free and fair competition in compliance with laws and the spirit thereof; contribute to customer/business partner, shareholder, employee, community/society and global environment with transparency and integrity."
Implementation of Environmental Activities, CSR Activities etc.	The Company strives to conduct CSR activities to help create a sustainable society and global environment. The Company does this by using its technologies to conserve the environment, return profits to its shareholders

	<p>and society through its sound business operations, and create prosperity for clients and business partners while providing comfortable lives for employees through its constant growth. These activities are in accordance with its Corporate Philosophy, “establish a company which can continuously grow and contribute to the society” and “establish an attractive company.”</p> <p>In addition, the Company makes every effort to create a corporate culture with a high level of corporate ethics to thoroughly observe the applicable laws and regulations and to gain its stakeholders’ trust as a faithful company.</p> <p>The details of our CSR activities are introduced in the Integrated Report, which is available for reference on the website. https://www.taikisha-group.com/sustainability/report/</p>
Development of Policies on Information Provision to Stakeholders	<p>The Company stipulates that, in the Taikisha Ltd. Code of Conduct, the Company makes an effort to improve the transparency of management including corporate accounting and disclose information in accordance with laws and regulations in an appropriate manner. https://www.taikisha-group.com/sustainability/governance/compliance/</p>

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development

The Board of Directors has resolved its basic policy for the internal control system, which is set forth in the Companies Act and the Ordinance for Enforcement of the Companies Act, as follows:

The Company has resolved its basic policy for the internal control system, as follows, and pursuant to the Companies Act and the Ordinance for Enforcement of the Companies Act, and is making efforts toward improvement and operation of the internal control system.

[Objectives]

The Company shall provide for the basic policy for improvement and operation of the internal control system of the Company and the Taikisha Group as follows, pursuant to the Companies Act and the Ordinance for Enforcement of the Companies Act, in order to familiarize and thoroughly carry out execution of observance of the laws and regulations, and to ensure proper and efficient business operation.

[Specific Contents]

1. The System to Ensure the Appropriateness of Operations in the Taikisha Group

(1) The Company shall provide for Mission Statement “Customers First”, Corporate Philosophy, and Management Vision, as well as remind all persons involved about and realize them.

(2) The Company shall appoint appropriate and diverse Directors who can contribute to realization of materiality which the Taikisha Group shall address, assess them properly, and establish the Director compensation system which provides a strong incentive. In order to ensure transparency in appointment of Directors and the Director compensation system, the Nomination Advisory Committee and the Compensation Advisory Committee shall be established, which are chaired by an Outside Director.

(3) The Board of Directors shall resolve policies and measures for improving and establishing the optimal governance system to the Company and the Taikisha Group, and monitor its operation status on a regular basis. Through consultation on the resolutions with the Governance Committee which is chaired by an Outside Director and composed mainly of Outside Officers, the governance system shall be further optimized.

(4) The Internal Control Committee composed of Executive Directors shall, as an executive body on the executive side, implement measures for improving and establishing the optimal governance system on the basis of resolutions by the Board of Directors.

(5) The Board of Directors shall recognize the risks and opportunities concerning about the Sustainability of the Company and the Group, resolve measures to address such risks and opportunities, and monitor its

operation status on a regular basis. Through consultation on the resolutions with the Sustainability Committee which is chaired by an Outside Director and composed of Outside Officers and Executive Directors, the governance system shall be further optimized.

(6) The Company shall provide for the Affiliate Management Rules to establish management systems of the group companies including an improvement of the reporting system to the Company, make operations of the group companies appropriate, and improve management efficiency of the entire Taikisha Group.

(7) The Company shall carry out audits for the Company and group companies by the Internal Audit Dept. on a regular basis in accordance with the Internal Audit Rules. As a result of the internal audits, when a risk of loss for the Company and group companies is found, Directors, Audit & Supervisory Board Members, and other responsible departments shall be so reported and immediately take appropriate measures.

(8) The Company shall set the Basic Rules for Internal Control, and improve a system for ensuring appropriateness and reliability concerning financial reports.

(9) As a Company with an Audit & Supervisory Board, the Company shall establish the audit system set forth in 6 to 7 of this basic policy. With said system, Audit & Supervisory Board Members shall audit improvement and operation status of the internal control system of the Company and group companies on a regular basis.

2. The System to Ensure Execution of Duties in Conformity with Laws and Regulations, and the Articles of Incorporation

(1) The Company shall establish the Taikisha Ltd. Code of Conduct, make all Directors and employees aware of legal compliance, and promote the improvement of the compliance system. At the Compliance Committee chaired by the Representative Director, President, issues on compliance in the entire business shall be considered and dealt with, and a status of compliance shall be verified.

(2) The Company shall, as the Whistle-blowing System, have in place an internal reporting system reporting to the Corporate Compliance Dept. and an external reporting system reporting to an independent outside attorney. If a risk such as legal violation is found in the Company and group companies, appropriate measures shall be taken immediately.

(3) In the event of signs of a significant event, the Corporate Compliance Committee consisting of all officers, the General Manager of the Corporate Compliance Dept., and the General Manager of the Internal Audit Dept. shall be convened promptly in order to deal with such event.

(4) The Company shall refuse any involvement of Anti-Social Forces in its business, reject any requirement from them, and prohibit all Directors and employees of the Company and group companies to have any relationship with them in order to thoroughly exclude Anti-Social Forces.

3. The System regarding Risk Management

(Under usual condition)

(1) The Company shall establish the Risk Management Rules and, at the Risk Management Committee, identify risks of the Company and group companies in an integrated fashion and implement effective and efficient risk management.

(2) Depending on risks identified by the Risk Management Committee, each department shall formulate and implement specific countermeasures. Progress and results shall be reported to the Board of Directors via the Risk Management Committee.

(In a contingency)

(3) For the purpose of response to exposed potential major risks (hereinafter referred to as crisis) and management thereof, the Company shall establish the Crisis Management Committee. In the event that crisis breaks out, the Company shall, in accordance with the basic policy of crisis management, establish the crisis management team or the crisis task force to respond to the crisis under the supervision of the Crisis

Management Committee. The Company shall also establish a business continuity plan to restore the damage caused by the crisis.

4. The System regarding the Storage and Management of Information Related to the Execution of Duties

(1) Information and documents related to execution of duties shall be handled pursuant to internal rules and regulations, especially the Information Security Rules and Document Management Rules, and shall be appropriately stored, managed and disposed of.

(2) The Company shall have in place a system to disclose information concerning corporate activities in a timely and appropriate manner in accordance with laws and regulations, as well as the disclosure requirements of Tokyo Stock Exchange, etc.

5. The System to Ensure the Efficient Execution of Duties

(1) Based on the Board of Directors Rules, Rules for Managerial Approval, and other internal rules, the Board of Directors shall resolve and monitor important matters. In relation to matters submitted to the Board of Directors, adequate materials shall be delivered in advance, and enough time for deliberation shall be ensured. The criteria for submission to the Board of Directors shall be appropriately checked and reviewed.

(2) With a corporate officer system, responsibilities and authorities of corporate management and duty execution shall be clarified, aiming for revitalization of the Board of Directors and promotion of rapid decision making.

(3) The Management Meeting, mainly consisting of the Executive Directors, shall carry out sufficient deliberations and prompt decision making on management issues and specific matters of the Company and the Taikisha Group delegated by the Board of Directors.

(4) With the Company's Corporate Philosophy as a foundation, each departmental headquarters and business divisions, after the Policy Review Meeting, shall establish an appropriate annual policy and annual target, and shall work in order to achieve those targets.

6. The System regarding Reporting to the Audit & Supervisory Board Members

(1) When finding the following matters, Directors and employees shall immediately report to Audit & Supervisory Board Members.

- i) Matters which may cause serious harm to the Company and group companies
- ii) Significant violation of laws and regulations or internal rules concerning execution of duties by the Company and group companies
- iii) Violation of laws and regulations and the Articles of Incorporation by Directors and employees or facts that may lead to such violations

(2) The manager of the responsible department of the Company who received a report from group companies shall make a report at a meeting at which the Audit & Supervisory Board Members are present or as necessary to Audit & Supervisory Board Members of the Company in accordance with the Affiliate Management Rules.

(3) The Internal Audit Dept. shall report an internal audit plan and audit results to the Audit & Supervisory Board Members on a regular basis.

(4) The Corporate Compliance Dept. shall report operation status of the Whistle-blowing System, matters reported, and contents of consultations to the Audit & Supervisory Board Members on a regular basis.

(5) Internal approval documents and proceedings of important meetings, etc. shall be always available for the Audit & Supervisory Board Members.

(6) The Corporate Compliance Dept. shall, at the request of the Audit & Supervisory Board, monitor and supervise the situation so that the person who made a report is not treated in a disadvantageous manner because he or she made such report.

7. System to Ensure the Effective Implementation of Audits by Audit & Supervisory Board Members

(1) Other than the Board of Directors meeting, Audit & Supervisory Board Members may attend the Management Meeting, and other important meetings to express opinions.

(2) Directors and employees shall, upon request from Audit & Supervisory Board Members, explain matters concerning business execution.

(3) The Representative Director, the Chief Executive of the Administrative Management Headquarters, and the General Manager of the Internal Audit Dept. shall arrange meetings and consultations in order to thoroughly discuss and examine the improvement of the environments for audits conducted by Audit & Supervisory Board Members, and shall ensure the effectiveness of such audits.

(4) Audit & Supervisory Board Members may make requests for improvement of the audit system and other related matters in order to ensure the effectiveness of audits conducted by them.

(5) The Company shall establish the Audit & Supervisory Board Members Office under the Audit & Supervisory Board Members and appoint employees who shall assist with the Audit & Supervisory Board Members' duties.

(6) Consent from Audit & Supervisory Board Members shall be required for appointment, dismissal and transfer of those employees from positions and personnel evaluation, and the Company shall ensure that they are independent of Directors and instructions to them are effective.

(7) Audit & Supervisory Board Members may request that any expenses incurred with respect to the execution of duties be paid in advance or reimbursed in accordance with the provisions of the Audit & Supervisory Board Rules.

2. Basic Views on Eliminating Anti-Social Forces

1. The Company rejects the involvement of antisocial forces such as organized crime groups with Taikisha's business by stipulating provisions in the Taikisha Ltd. Code of Conduct, as well as prohibits employees from accepting any undue claim from antisocial forces or having any relationship with them.

2. The Corporate Compliance Dept. keeps all employees well informed about the elimination of antisocial forces through continuous education and dissemination activities concerning compliance in order to prevent involvement with antisocial forces.

3. The Company periodically collects information concerning antisocial forces from the Special Violence Prevention Association, which Taikisha joined as a member, and from other organizations, and will systematically respond to any undue claim from antisocial forces by cooperating with all relevant departments in the Company as well as cooperating with external professionals.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	None
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Supplementary Explanation

2. Other Matters Concerning to Corporate Governance System

The Company stipulates that, in the Taikisha Ltd. Code of Conduct, the Company makes an effort to improve the transparency of management as well as disclose information in a fair, accurate, timely and appropriate manner, based on the Securities Listing Regulations of the Tokyo Stock Exchange.

The Company designates the Chief Executive of the Administrative Management Headquarters as a responsible person for information handling as well as designates the Legal Dept., of the Administrative

Headquarters as a responsible department for the timely disclosure of the Company's and Taikisha Group's information, and establishes system to make prompt disclosure in cooperation with relevant departments. In addition, advice or guidance has been received from company attorney as and when required.

The Company will disclose decisions and accounting information after obtaining an approval by the Board of Directors, and will disclose incurred issues after discussing disclosure policies mainly with the Chief Executive of the Administrative Management Headquarters, without any delay. Furthermore, when the Company judges that any information is likely to make a serious impact on the investment decisions of investors, even though such information is not required to be disclosed by relevant laws and regulations such as the Companies Act, and the Financial Instruments and Exchange Act, as well as Securities Listing Regulations of the Tokyo Stock Exchange or other rules, the Company will disclose such information actively and fairly to the greatest extent possible.

The Audit & Supervisory Board Members conduct audits on the legality of the execution of duties of timely disclosure based on the "Basic Policy for the Internal Control System" resolved by the Board of Directors. In addition, the Internal Audit Dept., which is an independent department under the direct control of the Representative Director, President, constantly conducts audits on the execution of duties of timely disclosure, from the perspective of efficiency and rationality, appropriateness including compliance, and other perspectives.