

Governance

Taikisha is continuously working to strengthen corporate governance and build an attractive company to achieve continuous growth and contribute to society.

Corporate Governance

Taikisha has established a corporate governance system and structure that wins trust from all stakeholders.



Basic Policy

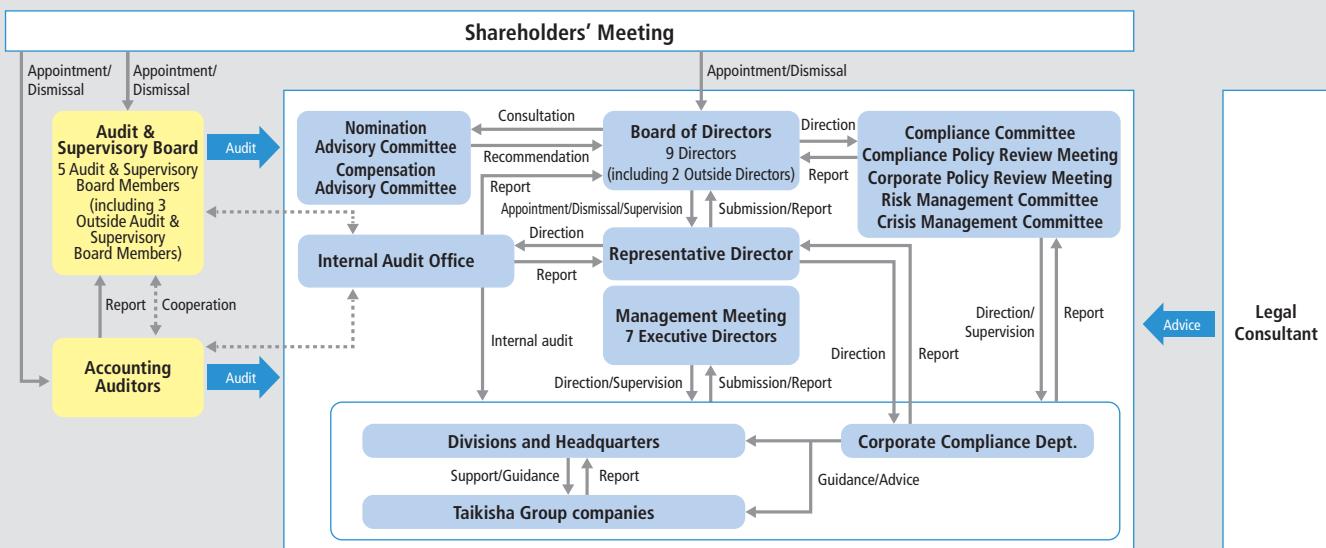
Taikisha has established a basic policy of corporate governance to gain the trust of all stakeholders and aims to become a corporate group that grows and develops in a healthy manner by thoroughly incorporating compliance awareness and realizing fair and highly transparent management. The aim is to achieve its corporate philosophy and management vision in accordance with Taikisha'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, Taikisha is continuously working to strengthen the Taikisha Group's governance and reform its management by reinforcing the supervisory function of the Board of Directors through the utilization 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 the corporate governance of Taikisha.

* "Customers" are defined as Overall Society in a broad sense. Spirit of "Customers first" is to win persistent trust from the "Customers."

Pattern Diagram of Corporate Governance (as of June 26, 2020)



Corporate Governance System

1. Functions of the Board of Directors and the Audit & Supervisory Board

The Board of Directors, chaired by an Independent Outside Director, which consists of 9 Directors, including 2 Independent 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. Independent Outside Directors 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.

The Company has 5 Audit & Supervisory Board Members, including 3 Outside Audit & Supervisory Board Members. 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 Office, the Corporate Compliance Dept., and other related departments and sections and make proposals for the improvement of operations as needed.

2. Nomination Advisory Committee/Compensation Advisory Committee

Taikisha 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 nomination and compensation of senior management and Directors. Each Committee is chaired by an Independent Outside Director and comprises 2 Independent Outside Directors, and 2 Representative Directors.

The Company deliberated the election of candidates for director and the planning of the successor to the President at a meeting of the Nomination Advisory Committee, and made efforts to improve the effectiveness and transparency of the Compensation Advisory Committee by deliberating, for example, the stock-based compensation to Directors introduced in August 2019.

3. Internal Audit

The Internal Audit Office conducts audits on business execution departments and identifies and gives advice on points to be improved, while working in cooperation with Directors and Audit &

Supervisory Board Members as a department directly under the Representative Director, and follows up on the status of improvement.

In FY2019, with a main focus on "effectiveness and efficiency of operations," "reliability of financial reporting," "compliance with laws and regulations," and "asset protection," Taikisha Ltd. performed audits by visiting its business offices in Japan and overseas from the perspective of legitimacy and rationality of the status of compliance with laws and ordinances that are closely related to Taikisha's operations including the Construction Business Act and the Antimonopoly Act, the status of construction project contract management, and appropriateness of construction activities.

The Internal Audit Office also evaluated the status of establishment and operation of internal control over the Group's financial reporting and reported on the effectiveness thereof to the Board of Directors.

Functions that Support Corporate Governance

As functions to support its corporate governance, Taikisha has set up and operates: 1) Management Meeting; 2) Corporate Policy Review Meeting; 3) Risk management system; and 4) Compliance system. Taikisha makes improvements to each function while conducting a review on an ongoing basis.



Corporate Governance Report

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

Evaluation of the Effectiveness of the Board of Directors

Evaluation method

Taikisha 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.

In FY2019, Taikisha was committed to further augmenting the supervisory function of the Board of Directors, including a review of the roles and operation method of each meeting body, the improvement of matters to be reported to the Board of Directors, the expansion of discussions about the risk management system of the Taikisha Group, the holding of a meeting to be attended only by the Outside Directors and the Outside Audit & Supervisory Board Members to exchange opinions, and the improvement of the functions of the Nomination Advisory Committee and the Compensation Advisory Committee. Considering these factors, in the analysis and evaluation of the effectiveness of the Board of Directors in FY2019, which targeted the Board of Directors as a whole under the direction of the Chairman of the Board of Directors, all of the Directors and the Audit & Supervisory Board Members replied to a self-evaluation questionnaire for the purpose of collecting their opinions about matters on the conventional "roles to be played by the Board of Directors" and "matters that should be considered by the Board of Directors in order to fulfill its roles" as well as other matters that should be preferentially discussed to further improve the effectiveness of the Board of Directors in view of the business environment surrounding Taikisha. In addition, based on the results of an objective analysis by an external advisor, deliberations were held on the sharing of issues recognized by the Board of Directors and policies to address such issues, and other matters.

Results of evaluation

As a result of the above, it was determined that the Board of Directors of Taikisha is sufficiently effective.

The Board of Directors of Taikisha has the role of making decisions on important management matters and effectively demonstrating its supervisory function over general management to put into practice the "Customers First" Mission Statement and contribute to sustained growth and the medium- to long-term improvement of corporate value. To fulfill these roles, the provision of materials and the time for discussions have been sufficiently ensured to stimulate deliberations at the Board of Directors meetings. Meanwhile, the status of the execution of important duties is regularly reported to the Board of Directors.

Initiatives to address the issues raised

With regard to the matters identified as issues in the effectiveness analysis and evaluation conducted in the preceding fiscal year, Taikisha has been improving such matters in order of precedence. In connection with long-term plans, the members of the Board of Directors held an off-site discussion envisaging the industrial structure, changes in the social environment, and future vision both 10 years and 20 years from now. Taikisha has commenced efforts in view of the changes resulting from the novel coronavirus (COVID-19) crisis and improved the method of reporting to the Board of Directors with the aim of effectively supervising the progress of the Mid-Term Business Plan. Moreover, Taikisha has expanded the scope of the content to be reported by the executive side about the status of the construction and operation of the risk management system of the Taikisha Group and analyzed and deliberated matters to a deeper level at meetings of the Risk Management Committee, the Corporate Policy Review Meeting, etc. based on the opinions of the Board of Directors. At the Nomination Advisory Committee, the election of candidates for directors and the planning of the President's successor were deliberated, and at the Compensation Advisory Committee, efforts were made to improve its effectiveness and transparency by deliberating, for example, the stock-based compensation plan for Directors introduced in August 2019.

In order to further strengthen the supervisory function of the Board of Directors, Taikisha will continue to discuss the long-term strategy and consider the effective supervision of the risk management and internal control systems of the Taikisha Group, including overseas affiliates.

What is more, in order to address the COVID-19 crisis, the Board of Directors is extending management's support to business operations based on the "basic policy that places the highest priority on securing the safety of employees and external parties involved and preventing the spread of infection," and focusing energies on the supervision of the status thereof. Taikisha will also continue to analyze the issues that have come to the surface in the current COVID-19 crisis, deepen deliberations for the purpose of further strengthening the crisis management system in preparation for the occurrence of situations that are difficult to predict even in normal times, and utilize the outcomes for deliberations on a "long-term strategy toward sustainable growth."

In order to further enhance and strengthen corporate governance, Taikisha 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.

Appointment and Development of Directors and Audit & Supervisory Board Members

In light of the business environment surrounding Taikisha Ltd., it maintains the diversity and the appropriate number of Board members to ensure that decision-making and management supervisory function of the Board of Directors will work most effectively and efficiently. The Audit & Supervisory Board appoints one or more Audit & Supervisory Board Members who have sufficient 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 relative to the appointment and dismissal of external Accounting Auditors and audit fee. Common requirements for candidates for Directors and Audit & Supervisory Board Members are as follows: persons who have a good personality, deep insights and a strong sense of ethics and compliance; and persons who are free of health concerns in executing their duties.

The Company selects candidates for Inside Directors in view of their expertise and performance from each business area in a balanced manner. Requirements are as follows: persons who have an adequate understanding of Taikisha's Mission Statement and Corporate Philosophy and an excellent ability for corporate governance; persons who have adequate knowledge, experience and ability for the businesses and operations as well as an ability for realizing future development; persons who have an excellent ability for analyzing and making decisions objectively and promptly from the viewpoint of supervising the company-wide management.

The Company selects candidates for Outside Directors who have deep insight and experiences in different business areas. Persons who can appropriately reflect opinions in Board of Directors meetings from objective and independent standpoints are required.

Candidates for Audit & Supervisory Board Members shall be persons who are considered to have the abilities necessary for performing their duties as Audit & Supervisory Board Members as set forth in the internal rules for audit by Audit & Supervisory Board Members. Inside Audit & Supervisory Board Members are required to be well versed in the Company's operations and have sufficient knowledge, experience and ability. Requirements for Outside Audit & Supervisory Board Members are as follows: persons who have extensive knowledge and experience in areas of specialization, such as company management, finance, accounting and legal affairs, etc.; persons who can allocate sufficient time and energy necessary for fulfilling the roles of Outside Audit & Supervisory Board Members appropriately.

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, and provides information related to the above-mentioned matters when necessary.

Compensation to Directors and Audit & Supervisory Board Members

Policy

Taikisha Ltd. has determined the following policy concerning the amount of compensation to Directors and Audit & Supervisory Board Members or 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

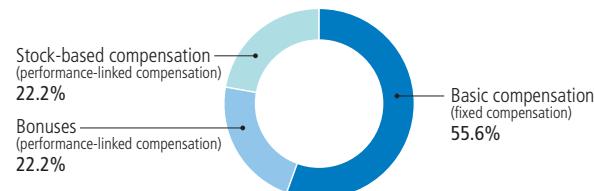
correlation with the company's consolidated ordinary income to serve as an incentive for achieving their performance goals. Compensation to Non-executive Directors and Audit & Supervisory Board Members is limited to basic compensation and no bonus and stock-based compensation shall be paid.

(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 reflect the content of the "(3) Performance-linked compensation scheme" below.

● Ratio of Executive Directors' compensation



(3) Performance-linked compensation scheme

Performance-linked compensation is composed of bonus and stock-based compensation. A fixed percentage of the company's consolidated ordinary income shall be paid as the base payment amount of performance-linked compensation, with an amount equal to 50% of the base payment amount paid each as bonus and stock-based compensation.

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.

Consolidated ordinary income is one of the key KPIs in the company's Mid-Term Business Plan, and is thus selected as an 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 numerical targets in the Mid-Term Business Plan, thereby further improving the company's operating performance.

(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.

Methods for decisions on compensation

Based on "(1) Basic views on the system of compensation" above, the Representative Director, delegated by the Board of Directors, determines the system and level, etc. of Directors' compensation upon consultation with the Compensation Advisory Committee, which is chaired by an Independent 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.

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.

Message from an Outside Director

With two Outside Directors and three Outside Audit & Supervisory Board Members as independent directors/auditors, Taikisha's management structure proactively takes in supervision and advice from an external perspective. Taikisha introduces Mr. Kiyotaka Fuke's insight into Taikisha's corporate governance. He has been serving as Outside Director since June 2017.



Kiyotaka Fuke,
Outside Director

Given that uncertainty is expected to increase as a result of changes in the business environment surrounding the industry as well as the coronavirus (COVID-19) pandemic, the Taikisha Group is required to make decisions more drastically and promptly than ever before under these circumstances, in order to move on to the next stage of growth.

For this very reason, Outside Directors—who are in a position independent from the management—are also being called into question for their part in shaping governance to support such resolute decision-making. I believe that not only the fulfillment of "accountability for dealing with materiality and as a measure for improving corporate value" and "supervisory responsibility through timely and appropriate monitoring operation," but also the provision of "support for appropriate risk-taking" through the oversight of tolerable risks is important in terms of boosting the dynamism of management.

In addition to such meeting bodies as the Board of Directors and the Advisory Committees, Taikisha has created a wide range of opportunities to exchange opinions, whereby lively discussions are being held from the respective viewpoints of each committee member—namely, "Inside and Outside Directors and Audit & Supervisory Board Members," "Executive and Non-executive Directors" and "Directors and Audit & Supervisory Board Members."

Consequently, as verified in the evaluation of the effectiveness of the Board of Directors, I recognize that Taikisha's initiatives to enhance governance have been implemented steadily, and further efforts are underway for the current fiscal year as well, based on its key selected themes, i.e., "reinforcement of global risk management," "company-wide systematization of internal controls," and "enhancement of functions of Advisory Committees."

Risk Management

Taikisha endeavors to thoroughly manage, avoid and reduce risks on an organizational level.



Basic Policy

Taikisha has upheld the corporate philosophy of "Establish a company which can continuously grow and contribute to society." Guided by this philosophy, Taikisha is working to reduce material risks and minimize risks before they materialize, in order to continue with businesses and achieve their sustainable development. From the Taikisha Group's integrated perspective, the Risk Management Committee performs such tasks as assessing the risk level (degree of importance) of each risk, selecting risks that need to be addressed, and formulating a policy to reduce risks. In addition, to prepare for the occurrence of a crisis such as a disaster, an accident or an incident, Taikisha has established a crisis management system and formulated a Business Continuity Plan (BCP).

Risk Management System

Taikisha, in accordance with the Risk Management Rules that have been in place, has established the Risk Management Committee to implement effective, efficient and integrated risk management in the Taikisha Group. The Risk Management Committee is chaired by the President and Representative Director and meets twice a year and as required. The 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 assigned to each department, such as quality control, safety control, compliance, and finance, each responsible department extracts risks, selects risks that need to be addressed on a priority basis after determining the risk level (degree of importance) in consideration of "impact on management" and "frequency of occurrence," and then develops priority management policies and goals to be reported to the Risk Management Committee. The Risk Management Committee discusses the risk level assessment and priority management policies and goals of each risk from a group-wide and integrated perspective, and formulates the basic policy. Each responsible department monitors the status of execution of action plans and reports the results to the Risk Management Committee. The Chairman of the Risk

Management Committee puts together the status of group-wide risk management and reports it to the Board of Directors twice a year.

During FY2019, the Risk Management Committee took up work style reform and long working hours as immediate risks and issues for the second consecutive fiscal year and formulated a policy to continue to take a multidimensional approach. Additionally, based on the recognition that the novel coronavirus (COVID-19) pandemic that broke out during FY2019 is one of the most significant risks of having a major impact on management, the Committee launched a task force to tackle COVID-19 on a group-wide scale.

Risk Management Structure

Board of Directors



Risk Management Committee

Chairman	: President and Representative Director
Members	: Representative Director and Executive Vice President, Persons responsible for risk management (Chief General Managers, Chief Executive of the Administrative Management Headquarters, Chief Executive of the Safety Headquarters, General Manager of the Corporate Compliance Dept.) and others appointed by the President
Purpose	: Integrated identification and management of risks borne by the Taikisha Group.
Roles	: The Committee shall address the following items to implement risk management effectively and efficiently. <ul style="list-style-type: none"> 1. Formulation of a basic policy for risk management 2. Accountability and operations of risk management 3. Promotion of risk management 4. Establishment of a risk management system 5. Other matters regarding risk management as necessary
Frequency of meetings	: Twice a year in principle with additional meetings as required.
Secretariat	: Corporate Planning Headquarters



Entities subject to risk management (Business offices, departments, group companies in Japan and overseas)

Major Risks and Remedial Measures

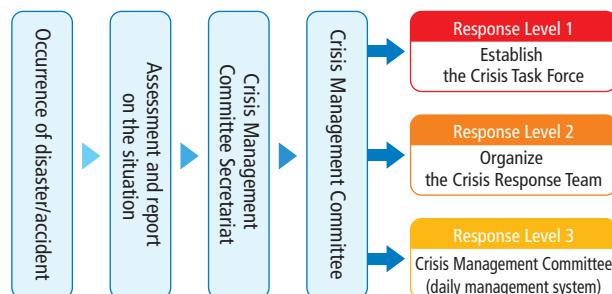
Risk	Content	Remedial Policy and Measures
Risk of fluctuations in private-sector capital investment	Decrease in orders received due to deterioration of environment for receiving orders, fall in capital investment by clients and change in investment fields	<ul style="list-style-type: none"> • Broaden the client base by enhancing sales system • Enhance competitiveness in receiving orders by lowering costs • Tap new markets and new clients in painting field based on automation technology
Risk related to COVID-19 pandemic	Health hazard to employees, delays in procurement of construction materials, suspension of construction process, etc. due to COVID-19 pandemic	<ul style="list-style-type: none"> • Group-wide crisis management response by Crisis Task Force headed by President • Thoroughly implement measures for health & safety management and infection prevention at construction sites • Promote staggered working hours and telecommuting
Risk related to management and control of overseas businesses and overseas affiliates	Deterioration in business performance due to overseas affiliates' failure to fulfill business plan attributable to unexpected amendment of local laws and regulations, political instability, etc.	<ul style="list-style-type: none"> • Proactively collect information on political, economic, legal and regulatory information at overseas sites • Reduce risks through hedging based on forward exchange contracts, etc. • Make overseas affiliates' governance system more sophisticated
Risk concerning human resources	Delays in engineers' growth, shortage of skilled and experienced engineers	<ul style="list-style-type: none"> • Improve basic technological capabilities through training and promote on-site practical education • Create an appealing workplace and secure human resources by conducting work style reform and taking measures against long working hours • Introduce global human resource system, secure and train key human resources and promote localization at overseas sites
Risk concerning legal compliance	Violation of Antimonopoly Act, violation of Construction Business Act, violation of Labor Standards Act	<ul style="list-style-type: none"> • Conduct compliance education programs on an ongoing basis as well as follow-up activities • Develop a culture and mechanism that prevent rules from being violated
Risk of serious accident or defects, etc. due to poor quality	Serious accident in construction stage, material defects due to poor quality, etc.	<ul style="list-style-type: none"> • Enhance safety management system • Take out various non-life insurance, etc. to prepare against occurrence of accidents and poor quality

Crisis Management System

Taikisha has established the Basic Policy for Crisis Management and built the crisis management system to prepare for the occurrence of unforeseen disasters, accidents and incidents in Japan and overseas.

In the event of a crisis, Taikisha classifies crises into three response levels depending on the severity of impact on human lives and business continuity, and implement crisis response measures according to each response level. The Chief Executive of the Administrative Management Headquarters assumes the position of Chairman of the Crisis Management Committee. If it is decided that a particularly serious crisis has occurred, the President and Representative Director takes command as the Head of the Crisis Task Force.

Diagram of Crisis Management System



Overseas Crisis Management System

The Taikisha Group's business fields are continuing to expand globally. For smooth business activities, Taikisha needs to implement crisis management measures overseas to be able to address diverse risks.

From the perspective of prioritizing human lives, for Taikisha employees deployed overseas and those on overseas business travel to be able to engage in business activities without concern, Taikisha has formulated the "Overseas Security Response Manual" to help employees prevent and avoid risks of crimes and terrorism and the "Overseas Crisis Management Guidelines (main vol.)," which stipulates the actions to be taken by Taikisha's headquarters and overseas affiliates in the event of an occurrence of a crisis.

Furthermore, to help each employee with his/her own safety management before overseas business travel, an e-learning course is provided to prepare for the trip.

Concerning business travel to a high-risk region, Taikisha investigates and obtains the latest information on the current situation of the country beforehand and takes safety measures such as ensuring safe transportation method, route and accommodation facilities before determining whether to permit the business travel.

To eliminate concern employees might have regarding their situation during and even after overseas travel and so that they can focus on business activities, Taikisha has a contract with a company that provides the referral of a hospital in case of an emergency such as illness or injury overseas, arranges transportation to the hospital and medical translators, guarantees payments of healthcare expenses, etc., and coordinates the transport of the patient on his/her behalf or his/her family's behalf.

Business Continuity Plan (BCP)

To prepare against the possibility of a crisis occurring, Taikisha has formulated a business continuity plan (BCP) for employees to restore operations promptly.

The Crisis Management Manual provides procedures for dealing with crisis situations, centering on large-scale earthquakes, by placing the highest priority on protecting the lives of its employees and their families. At business offices, Taikisha periodically conducts training, such as training on wireless phone communication, taking inventories and checking expiration dates on emergency food stocks. In addition, Taikisha carries out training on how to handle the safety confirmation system. To ensure the safety of employees, Taikisha has organized a company-wide self-defense firefighter team and conducts training activities. In addition to continually conducting evacuation drills and training sessions provided by the self-defense firefighter team, Taikisha holds training sessions on AED and first-aid rescue to train employees so that they can respond to emergencies not only inside but also outside the company. Taikisha continually conducts activities to raise employees' awareness of disaster control measures, such as carrying out a questionnaire to grasp employees' commuting distances assuming disruption of public transportation in the event of a disaster.



A disaster prevention drill



AED and first-aid rescue training session

Information Security

Taikisha has strengthened the Group's overall information management system to prevent the leakage of information of clients and business partners with whom Taikisha has business contact, as well as personal information of employees and others.

Taikisha has drawn up the Information Security Rules with detailed rules for all employees and persons with relevant responsibilities, such as persons in charge of IT system/facility development, and rules based on the privacy policy. Taikisha also distributed the Information Security Guidebook that shows concrete information security measures. Taikisha has thus been working to raise the awareness of information security among all officers and employees.

Type of measures	Measures
Ensuring thorough compliance with rules and regulations	Formation of the Information Security Rules Creation of the Information Security Guidebook Provision of e-learning programs to officers and employees
Measures to prevent information abuse	Encrypting information terminal data Password authentication at startup of information terminals ID and password management Security measures for entrance and exit control Automatic encryption of email attachments
Measures to protect against malware and other external threats	Anti-virus measures Automatic application of patches Website filtering Measures to block spam Monitoring of unauthorized communication on the company network

Compliance

Taikisha strives to thoroughly enforce compliance based on the recognition that one of the biggest managerial risk is a violation of laws and regulations.



Basic Policy

To thoroughly enforce compliance for fulfilling its Corporate Philosophy, Taikisha has established Taikisha Ltd. Code of Conduct, clarifying its objective to become a company that contributes to all stakeholders by realizing fair and highly transparent management while not only complying with laws and regulations but also observing ethics and common sense. Taikisha believes that raising awareness in this context and putting it into practice means fulfilling the social responsibility it is expected to uphold, leading to the establishment of compliance.

Compliance System

To raise the awareness of corporate ethics and compliance among all officers and employees and to enhance compliance management, Taikisha has established the Compliance Policy Review Meeting, the Compliance Committee, and the Corporate Compliance Department. Taikisha has also assigned Compliance Officers and established a Whistle-blowing Contact Window.

The Compliance Policy Review Meeting is held twice a year attended by all Directors and Audit & Supervisory Board Members to examine the annual policy and plan for compliance activities and response to compliance issues, and to validate the implementation status thereof. The Representative Director reports a summary of the results of examination and validation at the Compliance Policy Review Meeting to the Board of Directors.

The Corporate Compliance Department, an independent department under the direct control of the Representative Director, prepares and distributes compliance manuals, disseminates information via the corporate intranet, makes the Whistle-blowing System well known, implements compliance education, monitors status of compliance with laws and regulations, and provides guidance on improvement on an ongoing basis, based on the annual policy and plan for compliance activities approved by the Compliance

Policy Review Meeting. The Department, in addition, reports on the status of its activities to the Compliance Committee.

Compliance Officers, who engage in compliance activities in collaboration with the Corporate Compliance Department, are assigned to each division/headquarters in the Head Office and each branch/affiliate in Japan and overseas. Compliance Officers at overseas affiliates share information regarding applicable local laws and regulations with the Corporate Compliance Department, disseminate information regarding compliance and carry out education/enlightenment activities.

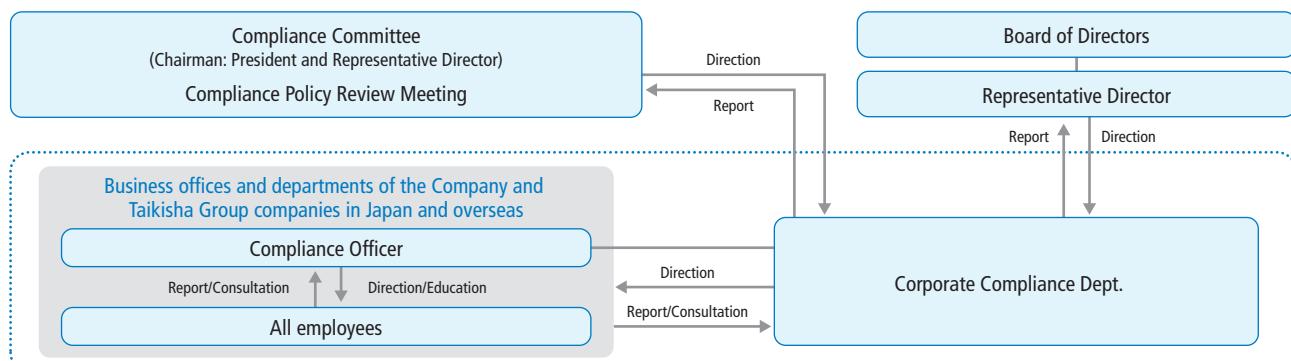
Taikisha works to enhance tax compliance and properly pays taxes in accordance with applicable tax-related laws and regulations of each country and region and international rules.

Monitoring of Compliance Risk

The Corporate Compliance Department regularly visits branches and affiliates in Japan and overseas to monitor the status of compliance with laws and regulations. The Corporate Compliance Department evaluates each branch and affiliate on a three-point-grading of A, B, and C, and provides guidance on recognition of issues and improvement.

In the monitoring in Japan, the Corporate Compliance Department broadly checks and validates the status of compliance with and application of laws and regulations, including the Antimonopoly Act, and internal rules, as well as the status of dissemination of its Corporate Philosophy and the Whistle-blowing System, and issues such as work environments. In the monitoring of overseas affiliates, the Corporate Compliance Department checks and validates risks specific to each affiliate based on the conditions of the country and region, the status of development and operation of the management system for the purpose of complying with laws and regulations related to such as bribery, cartels and bid rigging, and the status of dissemination of the Whistle-blowing System.

Diagram of Taikisha's Compliance System



● Compliance Risk Grading in Monitoring

Grade	Rated at three levels
A	Minor incidents have occurred. However, the business office has detected them on its own and voluntarily dealt with them in an appropriate manner.
B	Non-minor incidents have occurred. The system for compliance with laws and regulations, etc. needs to be improved.
C	Serious incidents have occurred. There is a risk of corporate failure or a risk equivalent thereto.

Efforts to Firmly Establish Compliance

Taikisha distributes the Compliance Manual that summarizes the standards of practice for compliance to all employees, in an effort to familiarize them with compliance and thoroughly enforce compliance among them. Having designated October of each year as the Compliance Promotion Month, Taikisha strives to spread and instill compliance awareness by holding read-through sessions of the Compliance Manual targeting all employees, and calling for entries of compliance slogans internally. The entries involve inviting Taikisha Group's employees broadly to display the best slogans in Japan and overseas in the form of awareness-raising posters at branches and overseas affiliates in Japan and overseas respectively.

As part of efforts to instill its Corporate Philosophy and Taikisha Ltd. Code of Conduct as well as to implement compliance education, Taikisha conducts e-learning targeting all employees three times a year. E-learning covers matters that employees should understand, and is shaped to improve its effectiveness in terms such as the timing and method.

● Compliance posters



For business offices in Japan



For overseas business offices

Implementation of Compliance Training

The Corporate Compliance Department conducts compliance training targeting employees in Japan and overseas, in order to reduce the risk of compliance violations by familiarizing them with important laws, regulations and internal rules that are deemed to have a huge impact if violated and by thoroughly enforcing compliance with them among the employees.

In FY2019, Taikisha held 25 training sessions in Japan mainly on the themes of the Corporate Philosophy, case studies, the Whistleblowing System and prevention of harassment, and a total of 636 employees attended.

Taikisha held 15 compliance training sessions overseas, in which a total of 181 members attended. Themes of the training sessions included the Corporate Philosophy, case studies, the Whistle-blowing System, and laws and regulations related to bribery, cartels and bid rigging.

● Compliance Manual



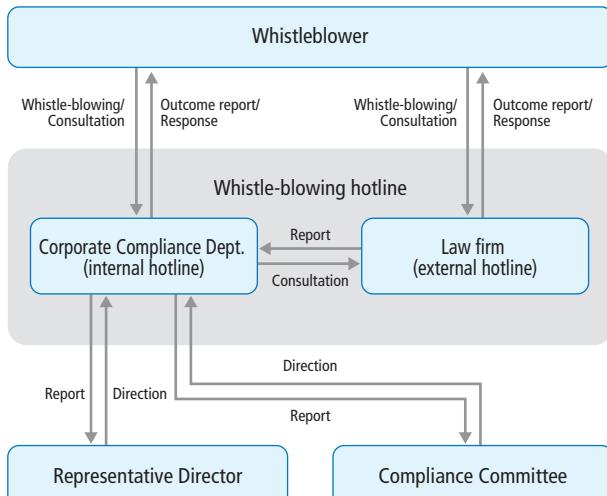
Whistle-blowing System

Taikisha has the Whistle-blowing System in place to identify at an early stage and resolve violation of laws, regulations and internal rules, or unethical conduct, and has a Whistle-blowing Contact Window in the Corporate Compliance Department and a law firm. The Whistle-blowing System is available to employees of Taikisha and its affiliates as well as employees dispatched to Taikisha and employees of business partners.

In operating the Whistle-blowing System, Taikisha ensures that whistle-blowers are protected by stipulating in its Whistle-blowing Rules that information on whistle-blowers are to be kept confidential and that dismissal and other disadvantageous treatment of whistleblowers on the grounds of their whistle-blowing is prohibited.

In FY2019, the Whistle-blowing Contact Window received 8 domestic cases and took appropriate actions upon prompt investigation of each of these cases.

● Whistleblowing Flow Chart



● Number of whistle-blowing cases

FY2016	FY2017	FY2018	FY2019
11	8	6	8