

Corporate Governance Report

Last Update: June 30, 2021

Taikisha Ltd.

Representative Director, President, Koji Kato

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]

(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)

[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, chaired by the Representative Director, President and composed of the 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 Department, the General Manager of Finance and Accounting Department 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.co.jp/corporate/philosophy/>

■Taikisha Ltd. Code of Conduct

<https://www.taikisha.co.jp/sustainability/governance/compliance/>

■Mid-Term Business Plan

<https://www.taikisha.co.jp/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 for Audit by 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 the Representative Director, President 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 recommendation by the Representative Director, President 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.co.jp/ir/stock/meeting/>

■Securities report

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

(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 4.11.1]

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.

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

[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.co.jp/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 efforts toward further enhancement of the supervisory function of the Board of Directors, such as a review of the roles and operation method of each meeting body, a review of matters to be reported to the Board of Directors, the enrichment of discussions concerning the risk management system of the Taikisha Group, the holding of meetings for exchanging opinions with the participation of only the Outside Directors and the Outside Audit & Supervisory Board Members, and the establishment of the Nomination Advisory Committee and the Compensation Advisory Committee. 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 2020, the Company held intensive discussions, including off-site discussions. Considering these factors, in the analysis and evaluation of the effectiveness of the Board of Directors in fiscal 2020 conducted 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 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” and on the other matters for the purpose of collecting opinions about matters that should be preferentially discussed in view of the business environment surrounding the Company to further improve the effectiveness of the Board of Directors. In addition, based on the results of an objective analysis by an external advisor, the Company discussed the sharing of opinions on issues recognized by the Board of Directors, policies to address such issues, and other matters, and confirmed, as a result, that the effectiveness of the Board of Directors is 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, the Company has been improving such matters in order of precedence. With regard to a long-term strategy, during off-site opportunities, the members of the Board of Directors have actively discussed themes such as the strengthening of technological competitiveness and innovation, which will form the core of value creation toward the future of the Company, the integration of global-scale social issues into strategies, and digital innovation and improvement in productivity, considering the responses to preliminary questionnaires. In connection with the risk management and internal control systems of the Taikisha Group, the Company enhanced the supervisory function of the Board of Directors by, for example, having an opportunity to discuss governance related to M&A. The Company also deliberated the planning of the successor to the President, as well as the process of electing Executive Director candidates and Audit & Supervisory Board Member candidates in a meeting of the Nomination Advisory Committee with the aim of improving the effectiveness and transparency of the process. In order to address the risk of novel coronavirus infection, the Board of Directors extended management’s assistance for business operations through reports etc. from the Crisis Management Committee and continued to focus efforts on the supervision of the status of management.

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. The Company is determined to further increase opportunities for off-site discussions about the long-term strategy, set more multifaceted themes in light of the responses to and opinions on the questionnaire for this fiscal year, and continue activities contribute to the development of a policy for “an ideal image of the business portfolio for the future.” In addition, the Company will identify a skill matrix for the members of the Board of Directors in order to achieve improved diversity, which lists the knowledge, experience, capabilities, etc. they should accumulate in view of the business strategies. Regarding digital transformation, the Company will supervise the progress of the promotion thereof by the Digital Strategy Committee newly established by the executive side. To realize a global-scale risk management system, the Company will contemplate supervision focusing on both growth and effectiveness under the initiative of the Governance Committee newly established as an advisory committee to the Board of Directors, maintaining close cooperation with the executive side Internal Control Committee. The Company will also supervise the progress of activities for promoting the “development of human resources who aware of individuality and diversity and competent on a global scale,” which looks ahead to medium- and long-term business models.

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, Finance & Accounting, Legal Affairs, General Affairs and Investor Relations, 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 Department, Corporate Planning Headquarters discusses how to respond to the request with the Representative Director, President 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.

2. Capital Structure

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

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	3,306,300	9.67
Kenzaisha Ltd.	1,730,000	5.06
Custody Bank of Japan, Ltd. (Trust Account 9)	1,690,100	4.94
Custody Bank of Japan, Ltd. (Trust Account)	1,134,300	3.32
The Bank of New York Mellon (International) Limited 131800	1,054,900	3.08
Taikisha Business Partners Shareholding Association	1,053,100	3.08
Taikisha Employees Shareholding Association	1,020,300	2.98

Dai ni Kenzaisha Ltd.	1,000,000	2.92
Sumitomo Realty & Development Co., Ltd.	981,800	2.87
Nippon Life Insurance Company	866,416	2.53

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

Supplementary Explanation

1. The above descriptions on the Foreign Shareholding Ratio and Major Shareholders are based on the shareholder registry as of March 31, 2021.
2. The Company holds 877,423 treasury shares but excludes these shares from the list of major shareholders above. The above treasury shares do not include 132,000 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 136,400 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).
3. The percentage of the Major Shareholders is calculated by subtracting treasury shares from all issued shares.
4. Based on the Change Report pertaining to the Report of Possession of Large Volume submitted by Sumitomo Mitsui Trust Asset Management Co., Ltd. on December 7, 2020, the Company has been informed that Sumitomo Mitsui Trust Asset Management Co., Ltd. and one other joint holder held 2,604 thousand shares (shareholding ratio: 7.42%) as of November 30, 2020. However, these shareholdings were not included in the Major Shareholders as the Company could not confirm the actual number of shares owned as of March 31, 2021.
5. Based on the Change Report pertaining to the Report of Possession of Large Volume submitted by Invesco Asset Management (Japan) Limited on April 4, 2019, the Company has been informed that Invesco Asset Management (Japan) Limited held 3,378 thousand shares (shareholding ratio: 9.63%) as of March 29, 2019. However, these shareholdings were not included in the Major Shareholders as the Company could not confirm the actual number of shares owned as of March 31, 2021.
6. 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 Schroder Investment Management (Japan) Limited and three other joint holders held 1,757 thousand shares (shareholding ratio: 5.01%) as of May 15, 2018. However, these shareholdings were not included in the Major Shareholders as the Company could not confirm the actual number of shares owned as of March 31, 2021.

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
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 ¥10 billion to less than ¥100 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]

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	9
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

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												
Nobuko Mizumoto	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

a. Executive of the Company or its subsidiaries

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

c. Executive of a fellow subsidiary company of the Company

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

e. Major client or supplier of the company or an executive thereof

f. 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

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

h. 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)

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

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Hirokazu Hikosaka	○	There are no interests including personal, capital and	[Reason for appointment as Director]

		<p>transactional relationships between him and the Company.</p>	<p>He has professional expertise and abundant experience as a lawyer, 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 1.35%.(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 2020, the respective amount of the relevant transactions did not</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</p>

		<p>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 (meaning fiscal 2018 through fiscal 2020; 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>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>
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. By utilizing his specialized knowledge based on his abundant expertise and experience, he is expected to provide advice and supervision on the management of the Company from an independent and objective standpoint. 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>
Nobuko Mizumoto	○	There are no interests including personal, capital and transactional relationships between her and the Company.	<p>[Reason for appointment as Director] She has abundant expertise and experience as a manager at a leading business corporation, as well as specialized knowledge regarding the DX sector, operational reforms, human resources development, etc. from her business experience hitherto. By utilizing her specialized knowledge based on her abundant expertise and experience, she is expected to provide advice and supervision on the management of the Company from an independent and objective standpoint. The Company has judged that she 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 she 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 she maintains independence that presents no risk of causing a</p>

			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

	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	1	1
Outside Directors	4	4
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation

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 nomination and compensation of senior management and Directors. Each Committee is chaired by an Outside Director and comprises 4 Outside Directors and the Representative Director, President.

[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 Department, 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
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Number of Outside Audit & Supervisory Board Members	3
Number of Independent Auditors	3

Outside Audit & Supervisory Board Members' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Toshiyuki Hanazawa	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)

Name	Designation as Independent Auditor	Supplementary Explanation of the Relationship	Reasons of Appointment
Toshiyuki Hanazawa	○	He had worked at Sampo Japan Nipponkoa Insurance Inc. but retired as a director in 2014. Although this company holds the Company's shares, its shareholding ratio is 0.29%. Although this company and the Company had transactions such as construction contracts and insurance contracts in fiscal 2020, the respective amount of the relevant transactions did not exceed the amount of payments	[Reason for appointment as Audit & Supervisory Board Member] As he has abundant expertise and experience nurtured during his tenure as a manager of a leading non-life insurance company and professional knowledge about finance and accounting as a person who served as a general manager of finance and accounting department, the Company has judged that he is qualified to perform duties as

		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 non-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.
Shigeo Kobayashi	○	He had worked at KPMG AZSA LLC but resigned in 2019. Although this company and the Company had transaction of consulting agreement in fiscal 2020, 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.)	[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. [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.
Nobuyuki Soda	○	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 2.53%.	[Reason for appointment as Audit & Supervisory Board Member] As he has abundant expertise and experience nurtured during his tenure as a manager at a

		<p>Although this company and the Company had transactions such as construction contracts and insurance contracts in fiscal 2020, 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.)</p>	<p>leading life insurance company, 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>
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[Independent Directors/Auditors]

Number of Independent Directors/Auditors	7
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Matters relating to Independent Directors/Auditors

<p>[Designation of Independent Director/Auditor] The Company designates all of the qualified Outside Director and Audit & Supervisory Board Members as Independent Director/Auditor.</p> <p>[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.</p> <ol style="list-style-type: none"> 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 ¥10million 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). <ol style="list-style-type: none"> (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.
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(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 Company’s consolidated ordinary income 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

The details of the compensation to Directors and Audit & Supervisory Board Members in fiscal 2020
Amount of annual compensation paid to Directors (excluding Outside Directors):
¥420 million in total (basic compensation: ¥297 million, bonus: ¥61 million, stock-based compensation: ¥61 million)
Amount of annual total compensation paid to Outside Directors:
¥24 million in total (basic compensation: ¥24 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:
¥32 million in total (basic compensation: ¥32 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 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 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. 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.

2. Methods for decisions on compensation

Based on "1. (1) Basic views on the system of compensation" above, the Representative Director, President, 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 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 General Affairs 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.

[Retired presidents/CEOs holding advisory positions (sodanyaku, komon etc.)]

Information on retired presidents/CEOs holding advisory positions.

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/CEO ended	Term
Hiroshi Mukai	Executive Adviser	Provision of support for maintaining the relationship with alliance partners	Part-time; with compensation	June 29, 2021	For 1 year

Number of retired presidents/CEOs holding
advisory positions (sodanyaku, komon, etc.)

1

Others

The Executive Adviser, at the request of the Company, provides advice, etc. designed to maintain the favorable relationships with alliance partners, 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)

1. Board of Directors and Directors

The Board of Directors, chaired by an Outside Director, which consists of 9 Directors (8 males and 1 females), including 4 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 6 members, namely 5 Outside Officers including the chairperson (4 Outside Directors and 1 Outside 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. 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.

4. 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 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.

5. 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.

6. 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.

In preparation for situations in which measures should be taken to respond to exposed major risks which have not been deterred (hereinafter referred to as a crisis), the company established the Crisis Management Committee for the purpose of crisis response and daily crisis management. 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.

7. 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 Department, and the General Manager of the Internal Audit Department 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 Department, and the General Manager of the Internal Audit Department shall be convened promptly in order to deal with such event.

8. 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 Toshiyuki Hanazawa 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.

9. Internal Audits

The Internal Audit Department (consisting of 11 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 the Representative Director, President. The Internal Audit Department conducts audits on the effectiveness and efficiency of the overall business activities in the Taikisha Group, and reports the audit results to the Representative Director, President.

The Internal Audit Department 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 reported to the Representative Director, President, as well as the Board of Directors, the Audit & Supervisory Board and the Accounting Auditor.

9. Accounting Auditor

In fiscal year 2020, the certified public accountants who conducted accounting audits of the Company were Hiroaki Kagami (who has been conducting audits for 2 years), Kenji Oka (who has been conducting audits for 2 years), and Daisuke Miyanohara (who has been conducting audits for 4 years). All of them belong to A&A Partners (auditing corporation.). Assistants involved in the Company's accounting audits consist of 9 certified public accountants and 10 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 Individual Investors	Briefings are held for individual investors (approximately twice each year).
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, Shareholder newsletters, Fact Books (both in English and Japanese), Annual Reports (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 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

	<p>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 CSR 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.co.jp/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 (Revised as of March 28, 2018):

[Objectives]

This resolution shall stipulate the outline regarding the establishment and operation of the Company’s internal control system, pursuant to the Companies Act and the Ordinance for Enforcement of the Companies Act, in order to recognize the fact that the biggest current managerial risk is violation of the laws and regulations, and to familiarize and thoroughly carry out execution of observance of the laws and regulations. The internal control system, in accordance with this resolution, shall be thoroughly established and operated, and shall be improved by constant review with the purpose of ensuring an efficient and proper company structure.

1. The System to Ensure Directors and Employees of the Company Conform to Laws and Regulations and the Articles of Incorporation

(1) According to the Company’s Mission Statement and Corporate Philosophy, the Company shall consider its Management Vision—to conduct transactions through free and fair competition by abiding by the laws and their spirit, and to contribute to our customers, partners, shareholders, employees, community, society and global environment through transparency and high ethical standards—and the Taikisha Ltd. Code of Conduct as performance guidelines for directors and employees, and shall remind all persons involved about these standards.

(2) The Company shall establish the Governance Committee as 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 shall be chaired by an Outside Director and consist of 8 members, namely 5 Outside Officers including the chairperson (4 Outside Directors and 1 Outside Audit & Supervisory Board Member), the Representative Director, President, the Chief Executive, Administrative Management Headquarters, and the Chief Executive, Corporate Planning Headquarters. The Governance Committee shall reply to questions from the Board of Directors about the optimization of the Taikisha Group’s internal control, and make proposals or recommendations to the Board of Directors. In addition, the Internal Control Committee shall be established as an executive body on the executive side that shall act 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 shall discuss and implement measures for optimizing the internal control system.

(3) The Compliance Committee headed by the Representative Director, President as chairperson and consisting of members of the Management Meeting, the General Manager of the Corporate Compliance Department, and the General Manager of the Internal Audit Department 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 Department, and the General Manager of the Internal Audit Department shall be convened promptly in order to deal with such event.

(4) The Company shall, in the Taikisha Ltd. Code of Conduct, prescribe and implement a basic policy for Anti-Social Forces of refusing any involvement of Anti-Social Forces in its business, rejecting any requirement from Anti-Social Forces and prohibiting all directors and employees of the Company to have any relationship with Anti-Social Forces. In addition, the Company shall constantly conduct educational and dissemination activities related to compliance in order to familiarize all directors and employees of the Company, shall make every effort to prevent any violation of the policy, and shall gather information related to Anti-Social Forces from the outside of the Company regularly. If the Company receives undue demands from Anti-Social Forces, the Company is committed to confront Anti-Social Forces systematically in cooperation with outside experts.

(5) The Corporate Compliance Department, which is under the direct control of the Representative Director, President, shall constantly conduct educational and dissemination activities related to compliance in order to familiarize all directors and employees of the Company with the Management Vision and the Taikisha Ltd. Code of Conduct, and shall make every effort to prevent any violations of laws and regulations in cooperation with other compliance-related departments of business divisions, and shall report all relevant activities to the Compliance Committee.

(6) For instances where a director or employee finds a violation of laws and regulations and the Articles of Incorporation, an internal reporting system reporting to the Corporate Compliance Department shall be developed and an external reporting system reporting to independent outside attorneys shall be established. The Corporate Compliance Department shall remind all persons involved, both inside and outside the Company, of the reporting system so that those contacts are effectively utilized, and shall monitor and supervise the situation in accordance with the internal reporting rules so that a person who made a report pursuant to the preceding paragraph is not treated in a disadvantageous manner because he or she made such report.

(7) In the event of a compliance violation, the offenders concerned shall be severely disciplined according to work regulations.

2. The System regarding the Storage and Management of Information Related to the Execution of Duties by Directors of the Company

Information and materials related to the directors' 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. If necessary, management status shall be examined and internal rules and regulations shall be reviewed.

3. Rules regarding Management of Risk of Loss of the Company and Other Systems

(1) The Company shall, in accordance with the Risk Management Rules, establish the Risk Management Committee to identify risks of the Taikisha Group in an integrated fashion and to implement effective and efficient risk management. The Committee shall establish basic policies, responsibility systems, operations and other necessary measures for risk management of the Taikisha Group, and shall keep all persons involved informed about the establishment and implementation.

(2) Regarding risks associated with operations, such as quality control, safety control and compliance, assigned to each department, each department shall identify and prioritize the risks, draft specific measures against the risks and report to the Risk Management Committee. Each department shall implement internal rules and regulations, and shall keep all persons involved informed about the details of the implementation.

(3) On the assumption of situations in which measures should be taken to respond to exposed potential major risks (hereinafter referred to as crisis), the Company shall establish the Crisis Management

Committee for the purpose of crisis response and daily crisis management. In the event that crisis breaks out, the Crisis Management Committee shall organize the crisis management team or establish the crisis task force to respond to the crisis under the supervision of the Crisis Management Committee. On the assumption of the outbreak of the crisis, the Company shall establish a business continuity plan to restore the damage caused by the crisis.

(4) The Internal Audit Department, which is under the direct control of the Representative Director, President, shall conduct internal audits in accordance with the Internal Audit Rules. The effectiveness of internal audits shall be ensured by the appointment of the General Manager of the Internal Audit Department chosen from employees at the level of Corporate Officer or higher, and by the placement of other necessary personnel. Furthermore, the Internal Audit Department shall examine audit methods and items to be audited, and shall amend the audit procedures as needed.

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

(1) By adopting a corporate officer system, responsibilities and authorities of corporate management and duty execution shall be clarified, aiming for revitalization of the Board of Directors, promotion of rapid decision-making, and advancement of management reforms.

(2) Based on the Board of Directors Rules, Rules for Managerial Approval, and other internal rules, the matters applicable for submission to the Board shall be submitted to the Board of Directors. In this regard, the appropriate materials concerning the agendas shall be distributed to all directors in advance and the Board of Directors shall pass a resolution after a full discussion based on such materials.

(3) 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.

(4) The Management Meeting, mainly consisting of the Executive Directors, shall be established to conduct deliberations regarding the Taikisha Group's important management issues to be addressed pursuant to the Rules for Management Approval, and shall make prompt decisions on these issues. In addition, the Management Meeting shall examine the progress toward annual target by monthly reviewing operating reports.

5. The System to Ensure the Appropriateness of Operations conducted by the Corporate Group Consisting of the Company and its Subsidiaries (including Affiliated Companies, the same hereinafter)

(1) Directors and employees of the subsidiaries of the Company who execute the business shall report the matters pertaining to the execution of duties to a responsible department and the responsible department shall manage subsidiaries based on the Affiliate Management Rules to enhance management efficiency of the Taikisha Group.

(2) The Company shall conduct regular audits mainly by the Internal Audit Department to audit whether any risk exists in subsidiaries in accordance with the Internal Audit Rules and other related internal rules. In addition, the Company shall immediately report a risk of loss in subsidiaries, detected in subsidiaries as a result of audit, to Directors, Audit & Supervisory Board Members and other departments in charge.

(3) Regarding a system to ensure the adequacy of materials concerning the finances and accounting of the Taikisha Group, and to ensure the adequacy of other related information pursuant to the Financial Instruments and Exchange Act, the Company shall, under the instructions of the Representative Director and President, establish the Basic Rules for Internal Control in compliance with the "Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting" and "Practice Standards for Management Assessment and Audit concerning Internal Control Over Financial Reporting" issued by the Financial Services Agency. In addition, the Company shall, in accordance with the Basic Rules, conduct improvement and management status assessments of internal control procedures carried out by the Taikisha Group.

(4) To ensure that directors and employees of the subsidiaries execute their duties in compliance with laws and regulations as well as their articles of incorporation, the Internal Audit Department shall play a central

role in regular audits and the Corporate Compliance Department shall conduct regular investigations in accordance with the Internal Audit Rules and other related internal rules. In addition, the Corporate Compliance Department shall remind all persons involved of the system so that the internal reporting systems of the Company are effectively utilized.

6. Matters regarding Employees in Cases where Audit & Supervisory Board Members Request to Hire the Employees to Assist in their Audits, and Matters regarding the Independence of the Employees from Directors, and Matters regarding the Ensuring of Effective Instructions to such Employees
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. Consent from Audit & Supervisory Board Members shall be required for appointment, dismissal and transfer of the employees from positions and personnel evaluation and the Company shall ensure that the employees are independent of directors and instructions to the employees are effective.

7. The System for Reporting Information Received from Directors and Employees of the Company and Directors, Statutory Auditors and Employees of Subsidiaries to the Audit & Supervisory Board Members and Other Systems relating to Reporting to the Audit & Supervisory Board Members

(1) Directors and employees shall be obligated to report the following matters to Audit & Supervisory Board Members, and shall also provide the necessary reports and information upon request from each Audit & Supervisory Board pursuant to the Audit & Supervisory Board Rules and the Rules for Audit by Audit & Supervisory Board Members;

- Matters resolved and reported by the Management Meeting
- Matters discussed at the Compliance Committee, Risk Management Committee and Crisis Management Committee
- Matters which may cause serious harm to the Company and its subsidiaries
- Violation of laws and regulations and the Articles of Incorporation by directors and employees or facts that may lead to such violations
- Results of internal audits by the Internal Audit Department
- Request forms for internal managerial decisions and proceedings of meetings requested by Audit & Supervisory Board Members

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

8. The System for Ensuring a Person who made a Report pursuant to the preceding Paragraph is not treated in a Disadvantageous Manner because He or She made Such Report
At the request of the Audit & Supervisory Board, the Company shall ensure that a person who made a report pursuant to the preceding paragraph is not treated in a disadvantageous manner because he or she made such report. In addition, the Corporate Compliance Department shall monitor and supervise the situation so that the person who made such report is not treated in a disadvantageous manner.

9. Matters regarding the Policy for Procedures for Advance Payment or Reimbursement of Expenses incurred with Respect to the Execution of Duties of Audit & Supervisory Board Members and Handling of Other Expenses or Obligations incurred with Respect to the Execution of Such Duties
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.

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

(1) The Representative Director, President, the Chief Executive of the Administrative Management Headquarters, the Chief Executive of the Corporate Planning Headquarters and the General Manager of the Internal Audit Department 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.

(2) 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.

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 General Affairs 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 Department, 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.