

Basic Policy

Taikisha Ltd. has established a basic policy of corporate governance to gain the trust of all stakeholders and aims to become a corporate group that grows and develops in a healthy manner by thoroughly incorporating compliance awareness and realizing fair and highly transparent management, 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 application 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.

Corporate Governance System

Taikisha Ltd. has reinforced the supervisory function of the Board of Directors through the application of Outside Directors and speeds 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.

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

The Board of Directors, chaired by an Independent Outside Director, which consists of 9 Directors, including 2 Independent Outside Directors, is held once each month with additional meetings as and when required. The Board of Directors makes decisions regarding the Taikisha Group's management policy, items stipulated in laws and regulation and the Articles of Incorporation, and important management matters, as well as monitors and supervises the execution of duties by each Director and Corporate Officer.

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

The Company has 5 Audit & Supervisory Board Members, including 3 Outside Audit & Supervisory Board Members.

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

Each Audit & Supervisory Board Member conducts audits in accordance with the audit standard stipulated by the Audit & Supervisory Board and the assignment given to him, and requests Directors and Corporate Officers, etc. to report the execution of duties as needed in order to keep track of important decision-making processes and the progress of the execution of duties within

the Company and group companies. The Audit & Supervisory Board Members also review important documents, including internal approval documents, attend major meetings, including meetings of the Board of Directors and the Management Meeting, and collect necessary information about the current progress of the process of considering important matters and making decisions on the same from the Internal Audit Office, the Corporate Compliance Dept., and other related departments and sections and make proposals for the improvement of operations as needed.

Functions that Support Corporate Governance

As functions to support its corporate governance, Taikisha Ltd. has set up and is managing the following systems: 1) compliance system; 2) information management system; 3) risk management system; 4) system to ensure the efficiency and transparency of management decisions; 5) group management system; 6) system regarding audit by Audit & Supervisory Board Members (system to support Audit & Supervisory Board Members, system regarding reporting to Audit & Supervisory Board Members, and system to ensure the effectiveness of audit and other systems). The Company reviews these systems continuously to make improvements where necessary.



Corporate Governance Report

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

Nomination Advisory Committee/ Compensation Advisory Committee

Taikisha Ltd. has established the Nomination Advisory Committee and the Compensation Advisory Committee as advisory bodies for the Board of Directors, with the aim of enhancing the independence and objectivity of functions and the accountability of the Board of Directors regarding nomination and compensation of senior management and Directors. Each Committee is chaired by an Independent Outside Director and comprises 2 Independent Outside Directors and 2 Representative Directors.

Evaluation of the Effectiveness of the Board of Directors

Evaluation method

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

In this fiscal year, the Company was committed to further augmenting the supervisory function of the Board of Directors, including a review of the roles and operation method of each meeting body, the improvement of matters to be reported to the Board of Directors, the expansion of discussions about the risk management system of Taikisha Group, the holding of a meeting to be attended only by the Outside Directors and the Outside Audit & Supervisory Board Members to exchange opinions, and the improvement of the functions of the Nomination Advisory Committee and the Compensation Advisory Committee. Considering these factors, in the analysis and evaluation of the effectiveness of the Board of Directors, as a whole, conducted under the direction of the Chairman of the Board of Directors in fiscal 2019, 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.

Results of the evaluation

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

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.

Initiatives to address the issues raised

With regard to the matters identified as issues in the effectiveness analysis and evaluation conducted in the preceding fiscal year, Taikisha Ltd. has been improving such matters in order of precedence. In connection with long-term plans, the members of the Board of Directors held an off-site discussion envisaging the industrial structure, changes in the social environment, and future vision both 10 years and 20 years from now. The Company has commenced efforts focusing on the changes resulting from the coronavirus crisis and improved the method of reporting to the Board of Directors with the aim of

effectively supervising the progress of the Mid-Term Business Plan. Moreover, the Company has expanded the scope of the content to be reported by the executive side about the status of the construction and operation of the risk management system of Taikisha Group and analyzed and deliberated matters to a deeper level at meetings of the Risk Management Committee, the Policy Review Meeting, etc. based on the opinions of the Board of Directors. The Company deliberated the election of candidates for director and the planning of the successor to the President at a meeting of the Nomination Advisory Committee, and made efforts to improve the effectiveness and transparency of the Compensation Advisory Committee by deliberating, for example, the stock-based compensation to Directors introduced in August 2019.

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

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

In order to further enhance and strengthen corporate governance, 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.

Conceptual Diagram of Corporate Governance

