

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

