

### Compliance System

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

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

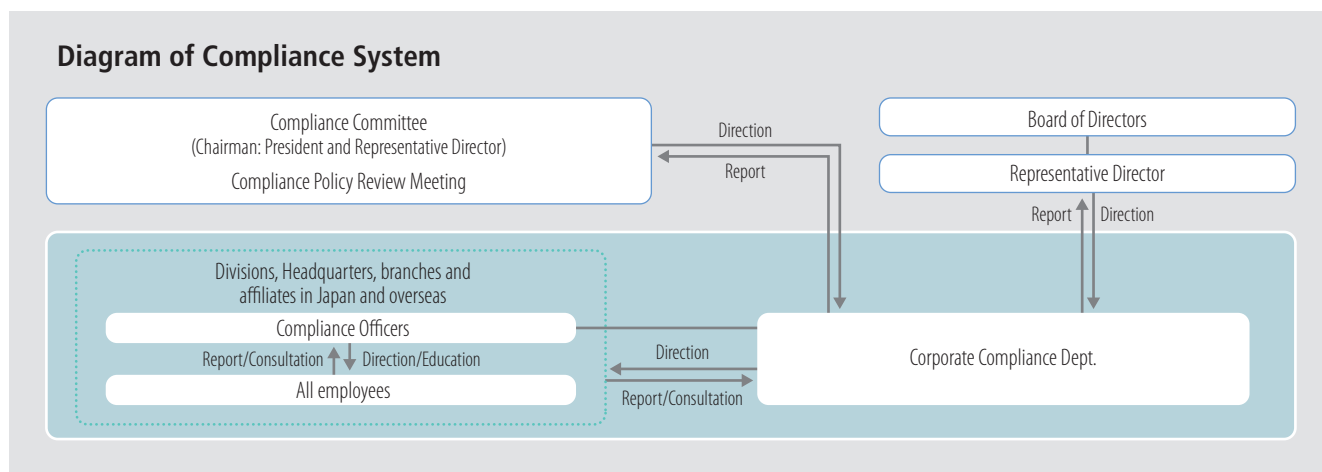
The Compliance Committee headed by the Representative Director meets every months (two of the meetings are held as the Compliance Policy Review Meeting). The Compliance Committee meets to examine and respond to compliance issues regarding overall business operation of the Company, and to validate the status of compliance with laws and regulations. When a significant compliance event has occurred or is possibly to occur, the Corporate Compliance Committee shall be

convened promptly in order to deal with such an event.

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

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

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



## Technologies for realizing sustainable society

### The Minister of Climate Change and Environment of UAE visited “Vege-factory”

Taikisha’s hydroponics plant factory solely using artificial lighting “Vege-factory” has provided the world’s first stable mass production of headed lettuce, and services that consistently support from production to sales channels.

Currently, the Company has two demonstration development facilities in Japan and overseas, and is striving to meet customer needs and raise awareness.

In particular, the Taikisha Plant Factory Demonstration and Development Center in Itabashi, Tokyo, Japan provides the introduction of mass production at Taikisha brand, the quality improvement by changing the cultivation environment, and the demonstration experiment of mass production technology or

new product development etc. And since the facility was opened, inquiries from various fields are increasing.

In July 2019, the Minister of Climate Change and Environment of UAE (United Arab Emirates) visited the facility for the desire to visit Japan’s advanced agriculture.

The group seemed to be very interested when The Company introduced them to “Vege-factory,” which is able to grow crops stably without being affected by climate change, which is of global concern.

The Company will continue to contribute to the realization of a sustainable society as an engineering company related to “Energy, Air, and Water.”

### Monitoring of Compliance Risk

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

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

### Whistle-blowing System

The Company has the Whistle-blowing System in place to identify at an early stage and resolve violation of laws, regulations and internal rules, or unethical conduct, and has a Whistle-blowing Contact Window in the Corporate Compliance Department and a law firm. The Whistle-blowing

System is available to employees of the Company and its affiliates as well as employees dispatched to the Company and employees of business partners.

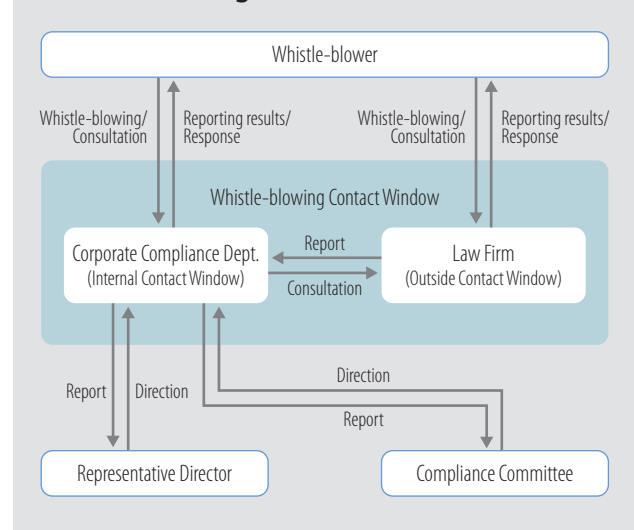
In operating the Whistle-blowing System, the Company ensures that whistle-blowers are protected by stipulating in its Whistle-blowing Rules that information on whistle-blowers are to be kept confidential and that dismissal and other disadvantageous treatment of whistle-blowers on the grounds of their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

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

#### ● Compliance Risk Rating by Monitoring

Grade	Level
A	Minor incidents recognized, but detected and controlled properly by yourselves.
B	Non-minor incidents recognized. The compliance system needs to be improved.
C	Material incidents recognized that could threaten the sustainability of business or a risk equivalent thereto.

### Whistle-blowing Flow Chart



#### ● Number of Whistleblowing Reports

FY2016	FY2017	FY2018	FY2019
11	8	6	8

