

Governance

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

Management Structure

Directors

Representative Director,
President Corporate Officer

Koji Kato



April 1978 Joined the Company
June 2005 Director
April 2007 Assistant to Chief General Manager, Green Technology System Division
April 2009 Corporate Officer; General Manager, Engineering Planning Dept., Green Technology System Division
April 2010 Managing Corporate Officer, Chief General Manager, Green Technology System Division, and General Manager, Engineering Planning Dept., Green Technology System Division
June 2010 Director, Managing Corporate Officer, Chief General Manager, Green Technology System Division, and General Manager, Engineering Planning Dept., Green Technology System Division
April 2012 Director, Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters and in charge of Environment, and General Manager, Corporate Planning Office
April 2013 Director, Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters and in charge of CSR
April 2014 Director, Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR
April 2016 Director, Executive Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR
April 2017 Representative Director, Executive Vice President Corporate Officer, in charge of Administrative Management Headquarters
April 2018 Representative Director, Executive Vice President Corporate Officer
April 2019 Representative Director, President Corporate Officer (current position)

Director, Executive Corporate Officer /
Chief General Manager,
Paint Finishing System Division

Kazuhide Hayakawa



April 1979 Joined the Company
April 2012 Corporate Officer, Senior General Manager, Engineering Supervisory Dept., Green Technology System Division
October 2013 Corporate Officer, Senior General Manager, Sales and Marketing Dept., Green Technology System Division
April 2014 Senior Corporate Officer, Senior General Manager, Sales and Marketing Dept., Green Technology System Division
April 2016 Senior Corporate Officer, Vice General Manager in charge of sales and Senior General Manager, Sales and Marketing Dept., Green Technology System Division
April 2017 Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters
June 2017 Director, Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters
April 2018 Director, Managing Corporate Officer, Vice General Manager, Paint Finishing System Division
April 2019 Director, Executive Corporate Officer, Chief General Manager, Paint Finishing System Division (current position)

Director, Executive Corporate Officer /
Chief Executive,
Administrative Management Headquarters

Yasushi Nakajima



April 1982 Joined the Company
April 2014 Corporate Officer, Senior General Manager, Engineering Supervisory Dept., Green Technology System Division
April 2015 Senior Corporate Officer, Senior General Manager, Engineering Supervisory Dept., Green Technology System Division and Senior General Manager, Global Business Management Dept.
April 2016 Senior Corporate Officer, Vice General Manager in charge of technology and Senior General Manager, Engineering Supervisory Dept., Green Technology System Division and Senior General Manager, Global Business Management Dept.
April 2017 Managing Corporate Officer, Vice General Manager, Green Technology System Division
June 2017 Director, Managing Corporate Officer, Vice General Manager, Green Technology System Division
April 2019 Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division
April 2021 Director, Executive Corporate Officer, Chief Executive, Administrative Management Headquarters (current position)

Director, Executive Corporate Officer /
Chief Executive,
Corporate Planning Headquarters,
in charge of CSR

Masanori Nakagawa



April 2009 General Manager, Strategic Investment Department, Headquarters Business Administration Division of Mizuho Corporate Bank, Ltd. (current Mizuho Bank, Ltd.)
October 2012 Joined the Company
April 2013 General Manager, Corporate Planning Office, Corporate Planning Headquarters
April 2014 Vice Executive, Administrative Management Headquarters
April 2017 Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR
June 2018 Director, Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR
April 2021 Director, Executive Corporate Officer, Chief Executive, Corporate Planning Headquarters, in charge of CSR and General Manager, Global Strategy Dept.
October 2021 Director, Executive Corporate Officer, Chief Executive, Corporate Planning Headquarters, in charge of CSR (current position)

Director, Executive Corporate Officer /
Chief General Manager,
Green Technology System Division

Masashi Osada



April 1983 Joined the Company
April 2007 Corporate Officer, General Manager, Planning Office, Green Technology System Division
April 2009 Managing Corporate Officer, Chief Executive, Planning Headquarters and in charge of Environment, and General Manager, Corporate Planning Office
June 2009 Director, Managing Corporate Officer, Chief Executive, Planning Headquarters and in charge of Environment, and General Manager, Corporate Planning Office
April 2012 Director, Managing Corporate Officer, General Manager, Chubu Branch Office, Green Technology System Division
April 2015 President, Taikisha (Singapore) Pte. Ltd.
April 2019 Assistant Director, Senior General Manager, Global Business Management Dept., Paint Finishing System Division
April 2020 Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters
April 2021 Executive Corporate Officer, Chief General Manager, Green Technology System Division
June 2021 Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division (current position)

Outside Director

Hirokazu Hikosaka



April 1983 Joined Asahi Shinkin Bank (resigned in March 1985)
April 1992 Admitted as attorney and joined Nakajima Law Office (current Akanekusa Law Office) (current position)
April 1999 Commissioner, Kanto Federation of Bar Associations
April 2005 Executive Commissioner, Japan Federation of Bar Associations
June 2006 Outside Director, Adways Inc.
June 2010 Audit & Supervisory Board Member, Adways Inc. (current position)
April 2014 Vice President, Tokyo Bar Association
June 2015 Audit & Supervisory Board Member of the Company
June 2017 Director of the Company (current position)
April 2019 Vice President, Kanto Federation of Bar Associations (retired in March 2020)

Outside Director
Chairman of the Board of Directors

Kiyotaka Fuke



April 2014 Deputy President, Executive Officer, Meiji Yasuda Life Insurance Company
July 2014 Director, Deputy President, Executive Officer, Meiji Yasuda Life Insurance Company
April 2016 Director, Meiji Yasuda Life Insurance Company (retired in July 2016)
June 2016 Outside Audit & Supervisory Board Member, Mizuho Trust & Banking Co., Ltd.
July 2016 Advisor, Meiji Yasuda Life Insurance Company (retired in June 2019)
June 2017 Member of the Board of Directors (Outside Director and Audit & Supervisory Committee Member), Mizuho Trust & Banking Co., Ltd. (retired in June 2020)
June 2019 Director of the Company (current position)

Outside Director

Masasuke Kishi



April 1980 Joined Oki Electric Industry Co., Ltd.
April 1995 Manager, Multimedia Systems Development Dept., Multimedia Systems Development Center, Information Systems Business Division, Oki Electric Industry Co., Ltd.
April 2004 Vice President, Silicon Solutions Company and General Manager, Design Division, Oki Electric Industry Co., Ltd.
April 2006 Executive Officer, Oki Electric Industry Co., Ltd.
April 2008 Senior Vice President, Oki Electric Industry Co., Ltd.
October 2008 Representative Director and President, OKI Networks Co., Ltd. (retired in March 2010)
June 2010 Director, Oki Electric Industry Co., Ltd. (retired in June 2012) Director, Oki Electric Cable Co., Ltd.
June 2012 Representative Director and President, Oki Electric Cable Co., Ltd. (retired in March 2018)
April 2018 Executive Vice President and General Manager, Electronics, Manufacturing Services Division, Oki Electric Industry Co., Ltd.
April 2020 Executive Vice President, and General Manager, Components & Platforms Business Group, and General Manager, Development Division, Components & Platforms Business Group, Oki Electric Industry Co., Ltd. (retired in March 2021)
June 2021 Director of the Company (current position)

Outside Director

Nobuko Mizumoto



April 1982 Joined Ishikawajima-Harima Heavy Industries Co., Ltd. (current IHI Corporation)
July 2004 General Manager, TX Preparation Division, IHI Corporation
April 2006 General Manager, New Business Creation Group, Corporate Planning Division, IHI Corporation
October 2008 General Manager, Recruitment Group, Human Resources Division, IHI Corporation
April 2012 General Manager, CSR Promotion Division, IHI Corporation
April 2014 Executive Officer, General Manager, Group Business Process Platform Control Division, IHI Corporation
April 2016 Executive Officer, General Manager, Procurement Strategy Planning, IHI Corporation
April 2017 Managing Executive Officer, General Manager, Procurement Strategy Planning, IHI Corporation
April 2018 Managing Executive Officer, General Manager, Intelligent Information Management Headquarters, IHI Corporation
June 2018 Director, Managing Executive Officer, General Manager, Intelligent Information Management Headquarters, IHI Corporation
April 2020 Director, IHI Corporation
June 2020 Advisor, IHI Corporation (current position)
June 2021 Director of the Company (current position)

Audit & Supervisory Board Members

Outside Full-time Audit &
Supervisory Board Member

Toshiyuki Hanazawa

Full-time Audit &
Supervisory Board Member

Makoto Wakida

Full-time Audit &
Supervisory Board Member

Hiroyuki Matsunaga

Outside Audit &
Supervisory Board Member

Shigeo Kobayashi

Outside Audit &
Supervisory Board Member

Nobuyuki Soda

Name	Number of years as Director	Specialized knowledge and experience that candidates for Director have							Nomination Advisory Committee	Compensation Advisory Committee	Governance Committee
		Corporate management	Technological development, IT strategies	Global business	Industrial insights, market awareness	Human resources development, personnel and labor management	Internal control, governance	Laws, finance and accounting			
Koji Kato	12 years 9 months	●	●		●	●	●		●	●	●
Kazuhide Hayakawa	4 years	●	●		●						
Yasushi Nakajima	4 years	●	●	●	●						●
Masanori Nakagawa	3 years	●		●		●	●	●			●
Masashi Osada	-	●		●	●						
Hirokazu Hikosaka (Outside Director)	4 years						●	●	●	●	○
Kiyotaka Fuke (Outside Director)	2 years	●				●	●		○	●	●
Masasuke Kishi (Outside Director)	-	●	●				●		●	○	●
Nobuko Mizumoto (Outside Director)	-	●	●			●			●	●	●

(Notes) 1. The table above does not represent all the knowledge and experience possessed by the candidates.
2. ○ represents chairperson.

Corporate Governance

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

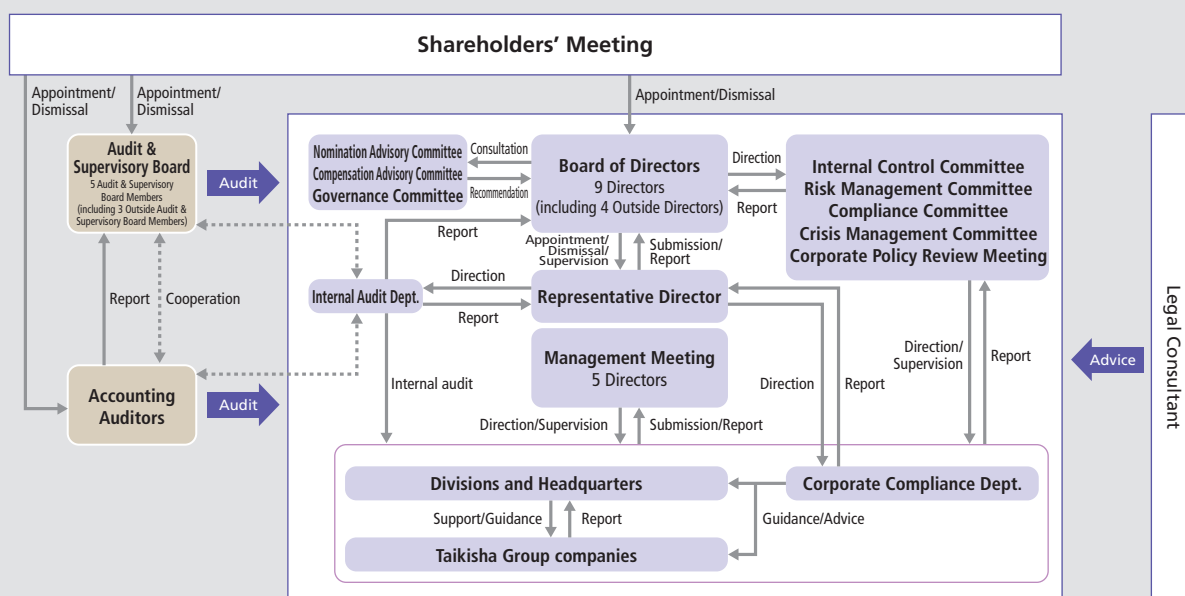
Basic Policy

Taikisha has established a basic policy of corporate governance to gain the trust of all stakeholders and aims to become a corporate group that grows and develops in a healthy manner by thoroughly incorporating

compliance awareness and realizing fair and highly transparent management. The aim is to achieve its Corporate Philosophy and management vision in accordance with Taikisha's Mission Statement: "Customers First."*

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

● Pattern Diagram of Corporate Governance (as of June 30, 2021)



Corporate Governance System

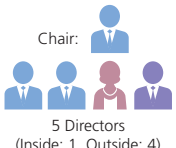
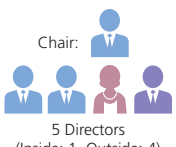

In conformity with the basic policy and based on the organizational structure of a company with an audit & supervisory board, Taikisha is continuously working to strengthen the Taikisha Group's governance and

reform its management by reinforcing the supervisory function of the Board of Directors through the utilization of Outside Directors and speeding up the decision-making of the Board of Directors through the adoption of the corporate officer system, aiming to further enhance and reinforce the corporate governance of Taikisha.

Inside Director
 Outside Director
 Inside Audit & Supervisory Board Member
 Outside Audit & Supervisory Board Member

	Composition	Content	Frequency of meetings
Board of Directors	<p>Chair: </p> <p>9 Directors (Inside: 5, Outside: 4)</p>	The Board of Directors makes decisions regarding the Taikisha Group's management policy, items stipulated in laws and regulations 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.	Once a month Additional meetings as required
Audit & Supervisory Board	<p>5 Audit & Supervisory Board Members (Inside: 2, Outside: 3)</p>	The Audit & Supervisory Board mainly deliberates the audit plan, exchanges opinions on audit result reports, etc., and considers 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 regarding the compensation to be paid to the accounting auditor.	Once a month in principle

 Inside Director
  Outside Director
  Outside Audit & Supervisory Board Member

	Composition	Content	Frequency of meetings
Nomination Advisory Committee	 <p>Chair: 5 Directors (Inside: 1, Outside: 4)</p>	The Nomination Advisory Committee was established as an advisory body 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 of CEO and Directors. The Committee also deliberates succession plans for the CEO in addition to selection of director candidates.	As required (FY2020: 11 times)
Compensation Advisory Committee	 <p>Chair: 5 Directors (Inside: 1, Outside: 4)</p>	The Compensation Advisory Committee was established as an advisory body 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 compensation of Directors. The Compensation Advisory Committee deliberates on the performance-linked stock-based compensation system for Executive Directors introduced in August 2019, with the aim to enhance its effectiveness and transparency.	As required (FY2020: 5 times)
Governance Committee	 <p>Chair: 7 Directors (Inside 3, Outside: 4) 1 Auditor (Outside: 1)</p>	The Governance Committee was established 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 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.	Twice a year or more Additional meetings as required

Initiatives that Support Corporate Governance

As initiatives to support its corporate governance, Taikisha has set up meeting bodies and committees including: 1) Management Meeting; 2) Internal Control Committee; 3) Risk Management Committee; 4) Compliance Committee; 5) Corporate Policy Review Meeting with the aim to reinforce its governance system through independent activities of and collaboration among them.

Taikisha monitors the initiatives periodically, and conducts reviews on an ongoing basis.

Evaluation of the Effectiveness of the Board of Directors

Evaluation method

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

Taikisha has conducted analysis and evaluation of the effectiveness of the Board of Directors since FY2015. Every year, the Board of Directors deliberates on issues and policies to address them based on the evaluation results. The Company has since further augmented the supervisory function of the Board of Directors through 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 expansion of discussions about the risk management system of the Taikisha Group, meetings for the Outside Directors and the Outside Audit & Supervisory Board Members to exchange opinions, and the establishment of the Nomination Advisory Committee and the Compensation Advisory Committee. From FY2019, the members of the Board of Directors have held discussions about long-term strategy, envisaging the industrial structure, changes in the social environment, and future vision in the coming 10 to 20 years based on the results of the effectiveness analysis and evaluation. They had constructive discussions including an off-site session in FY2020.

Considering these factors, in the analysis and evaluation of the effectiveness of the Board of Directors in FY2020, which targeted the Board of Directors as a whole under the direction of the Chairman of the Board of Directors, all of the Directors and the Audit & Supervisory Board Members replied to a questionnaire for the purpose of collecting their opinions about matters on the conventional "roles to be played by the Board of Directors" and "matters that should be considered by the Board of Directors in order to fulfill its roles" as well as other matters that should be preferentially discussed to further improve the effectiveness of the Board of Directors in view of the business environment surrounding Taikisha. In addition, based on the results of an objective analysis by an external advisor, deliberations were held on the sharing of issues recognized by the Board of Directors and policies to address such issues and other matters.

Results of evaluation

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

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

Initiatives to address the issues raised

With regard to the matters identified as issues in the effectiveness analysis and evaluation conducted in the preceding fiscal year, Taikisha has been improving such matters in order of precedence. 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 COVID-19 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 that 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 global human resources based on individuality and diversity" which looks ahead to medium- and long-term business models.

In order to further enhance and strengthen corporate governance, Taikisha will address the management issues identified through this year's effectiveness analysis and evaluation in order of priority as well as continuously examine measures to improve the effectiveness of the Board of Directors.

Internal Audit

The Internal Audit Department, a department directly under the President and Representative Director, conducts audits on business execution departments and reports the findings to the Representative Director, the Board of Directors, Audit & Supervisory Board and Accounting Auditor. The Internal Audit Department also gives guidance and advice on points to be improved to business execution departments and follows up on the status of improvement.

In FY2020, from perspectives of "effectiveness and efficiency of operations," "reliability of financial reporting," "compliance with laws and regulations," and "asset protection," the audit was conducted at offices in Japan and overseas to evaluate the status of compliance with laws and ordinances that are closely related to Taikisha's operations including the Construction Business Act, the Antimonopoly Act, and the Competition Act, the status of construction project contract management, and appropriateness of construction activities.

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

Appointment and Development of Directors and Audit & Supervisory Board Members

In light of the business environment surrounding Taikisha Ltd., it maintains the diversity and the appropriate number of Board members to ensure that the decision-making and management supervisory function of the Board of Directors will work most effectively and efficiently. 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 Audit & Supervisory Board appoints one or more Audit & Supervisory Board Members who have sufficient expertise in finance and accounting in light of its roles and responsibilities of auditing the execution of duties by the Board of Directors and execution of the authority relative to the appointment and dismissal of external Accounting Auditors and audit fee. 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 on the execution of duties as needed in order to keep track of important decision-making processes and the progress of the execution of duties. 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.

Appointment criteria for Directors and Audit & Supervisory Board Members

Directors and the Audit & Supervisory Board Members	<ul style="list-style-type: none"> 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
Inside Director	<ul style="list-style-type: none"> Selected in view of their expertise and performance from each business area in a balanced manner Persons who have an adequate understanding of Taikisha's Mission Statement and Corporate Philosophy and an excellent ability for corporate governance Persons who have adequate knowledge, experience and ability for the businesses and operations as well as an ability for realizing future development Persons who have an excellent ability for analyzing and making decisions objectively and promptly from the viewpoint of supervising the company-wide management
Outside Director	<ul style="list-style-type: none"> Persons who have deep insights and experiences in various business areas Persons who can appropriately reflect opinions in Board of Directors' meetings from objective and independent standpoints
Inside Audit & Supervisory Board Member	<ul style="list-style-type: none"> Persons who are considered to have the abilities necessary for performing their duties set forth in the Rules for Audit by Audit & Supervisory Board Members Persons who are well versed in the Company's operations and have sufficient knowledge, experience and ability

Outside Audit & Supervisory Board Member	<ul style="list-style-type: none"> Persons who are considered to have the abilities necessary for performing their duties set forth in the Rules for Audit by Audit & Supervisory Board Members Persons who have extensive knowledge and experience in areas of specialization, such as company management, finance, accounting and legal affairs, etc. and can allocate sufficient time and energy necessary for fulfilling their roles
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The Company constantly provides training, etc. with an aim 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 abovementioned matters when necessary.

Compensation to Directors and Audit & Supervisory Board Members

Policy

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

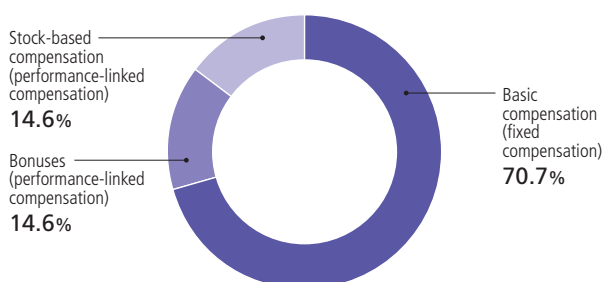
(1) Basic views on the system of compensation

The compensation to Executive Directors (Directors who concurrently serve as Corporate Officers) is composed of basic compensation, which is fixed compensation, and bonus and stock-based compensation, which are performance-linked compensation. The amount of bonus and stock-based compensation fluctuates in close correlation with the company's consolidated ordinary income to serve as an incentive for achieving their performance goals. Compensation to Non-Executive Directors (Outside Directors and Directors who are not concurrently serving as Corporate Officers) 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:

● Ratio of Executive Directors' compensation (FY2020)



- Directors (excluding Outside Directors): Basic compensation, bonuses, stock-based compensation
 - Outside Directors: Basic compensation
 - Audit & Supervisory Board Members: Basic compensation
- (ii) The ratio of fixed compensation to performance-linked compensation (total bonus and stock-based compensation) within the total compensation paid to Executive Directors shall be approximately 6:4 based on the standard payment amount, and reflect the content of the "(3) Performance-linked compensation scheme" below.

(3) Performance-linked compensation scheme

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

The bonus is paid in cash after the company's operating performance is finalized. For stock-based compensation, points are granted after the company's operating performance is finalized. The points granted will be provided, in principle, to Executive Directors at the time of their retirement in the form of the company's shares or cash equivalent to the fair value thereof.

Consolidated ordinary income is one of the key KPIs in the company's Mid-Term Business Plan, and is thus selected as an indicator for the calculation of performance-linked compensation. In addition to the base payment amount equal to a fixed percentage of consolidated ordinary income, if consolidated ordinary income exceeds a certain amount, an amount obtained by multiplying the base payment by the ratio of excess performance shall be paid as an extra payment, which is expected to serve as an incentive for achieving numerical targets in the Mid-Term Business Plan, thereby further improving the company's operating performance.

(4) Level of compensation

The Compensation Advisory Committee verifies the level of compensation by analyzing and comparing compensation data of industry peer companies from survey data compiled by a third-party organization.

Methods for decisions on compensation

Based on "(1) Basic views on the system of compensation" above, the Representative Director, delegated by the Board of Directors, determines the system and level, etc. of Directors' compensation upon consultation with the Compensation Advisory Committee, which is chaired by an Independent Outside Director. The compensation details thus determined are reported to the Compensation Advisory Committee. In this manner, the company improves the objectivity and transparency of the process for determining compensation.

Methods for decisions on policy

The policy for compensation, etc. of Directors and Audit & Supervisory Board Members is determined by the Board of Directors upon consultation with the Compensation Advisory Committee.



Corporate Governance Report

<https://www.taikisha-group.com/corporate/governance/pdf/pdf-index-01.pdf>

Risk Management

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

Basic Policy

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

Risk Management System

Taikisha, in accordance with the Risk Management Rules that have been in place, has established the Risk Management Committee to implement effective, efficient and integrated risk management in the Taikisha Group. The Risk Management Committee is chaired by the President and Representative Director and meets twice a year and as required. The Committee establishes basic policies, responsibility systems, operations, and other necessary measures for group-wide risk management, and keeps all persons involved well informed about the establishment and implementation of policies.

Regarding risks associated with operations assigned to each department, such as quality control, safety control, compliance, and finance, each responsible department extracts risks, selects risks that need to be addressed on a priority basis after determining the risk level (degree of importance) in consideration of “impact on management” and “frequency of occurrence,” and then develops priority management policies and goals to be reported to the Risk Management Committee. The Risk Management Committee discusses the risk level assessment and priority management policies and goals of each risk from a group-wide and integrated perspective, and formulates the basic policy. Each responsible department monitors the status of execution of action plans and reports the results to the Risk Management Committee. The Chairman of the Risk Management Committee puts together the status of group-wide risk management and reports it to the Board of Directors twice a year after discussing the matter at the Internal Control Committee.

During FY2020, the Risk Management Committee formulated a policy and visualized the changes in significance of impact from each risk and the level of its management, thereby enabling more detailed assessment. Additionally, based on the recognition that the COVID-19 pandemic that has been continuing since FY2019 is one of the most significant risks having a major impact on management, the Committee launched a task force and has been tackling COVID-19 on a group-wide scale.

Risk Management Structure



Major Risks and Remedial Measures

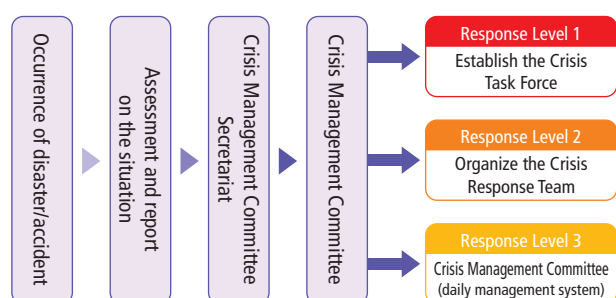
Risk	Content	Remedial Policy and Measures
Risk of fluctuations in private-sector capital investment	Decrease in orders received due to deterioration of environment for receiving orders, fall in capital investment by clients and change in investment fields	<ul style="list-style-type: none"> • Broaden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

Crisis Management System

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

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

● Diagram of Crisis Management System



Overseas Crisis Management System

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

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

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

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

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

Business Continuity Plan (BCP)

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

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



A disaster prevention drill



AED and first-aid rescue training session

Information Security

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

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

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

Compliance

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

Basic Policy

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

Compliance System

To raise the awareness of corporate ethics and compliance among all officers and employees and to enhance compliance management, Taikisha has established the Compliance Committee and the Corporate Compliance Department. Taikisha has also assigned Compliance Officers and established a Whistle-blowing Contact Window. The Corporate Policy Review Meeting is held to examine the annual policy and plan for compliance activities and to validate the implementation status thereof.

The Compliance Committee is chaired by the President and Representative Director, and holds monthly meetings. The Compliance Committee examines and responds to issues regarding compliance in the overall business operations of the Company and validates the status of compliance with laws and regulations. In the event of signs of a significant event, the Corporate Compliance Committee consisting of all officers shall be convened in order to deal with such event.

The Corporate Compliance Department, an independent department under the direct control of the President and 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. In addition, the department reports on the status of its activities to the Compliance Committee.

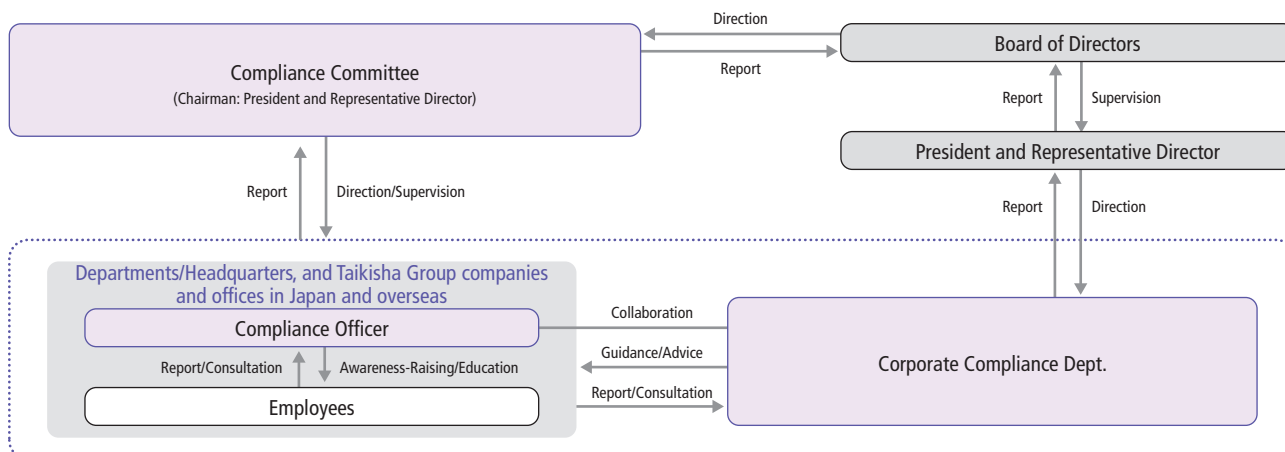
Compliance Officers, who engage in activities in collaboration with the Corporate Compliance Department, are assigned to each division/headquarters in the Head Office and each branch/affiliate in Japan and overseas. Compliance Officers at overseas affiliates share information regarding applicable local laws and regulations with the Corporate Compliance Department, disseminate information regarding compliance and carry out education/enlightenment activities. Taikisha works to enhance tax compliance and properly pays taxes in accordance with applicable tax-related laws and regulations of each country and region and international rules.

Monitoring of Compliance Risk

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

In the monitoring in Japan, the Corporate Compliance Department broadly checks and validates the status of compliance with and application of laws and regulations, including the Antimonopoly Act, and internal rules, as well as the status of dissemination of its Corporate Philosophy and the Whistle-blowing System, and issues such as work environments. In addition, the Corporate Compliance Department validates the conditions and contents of contracts with the business partners and ensures that there is no inappropriate activities by the employees of the Company regarding the business partners, and disseminates its Whistle-blowing System among business partners.

● Diagram of Taikisha's Compliance System



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, bid rigging, cartels, etc., and the status of dissemination of the Whistle-blowing System.

● Compliance Risk Grading in Monitoring

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

Efforts to Firmly Establish Compliance

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

As part of efforts to instill its Corporate Philosophy and Taishia's Code of Conduct as well as to implement compliance education, Taishia conducts e-learning targeting all employees. E-learning covers matters that employees should understand, including Construction Business Act and the Antimonopoly Act, improper handling of construction cost, prevention of harassment, and information security, and the Company plans the timing, methods, etc. to improve its effectiveness.

● Awareness-raising posters



For offices in Japan



For offices overseas

Implementation of Compliance Training

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

In FY2020, the Company held training sessions in Japan that mainly focused on prevention of harassment and information security. Overseas, the themes of the training sessions included the Corporate Philosophy, case studies of fraud, the Whistle-blowing System, and laws and regulations related to bribery, bid-rigging and cartels.

● Compliance Manual



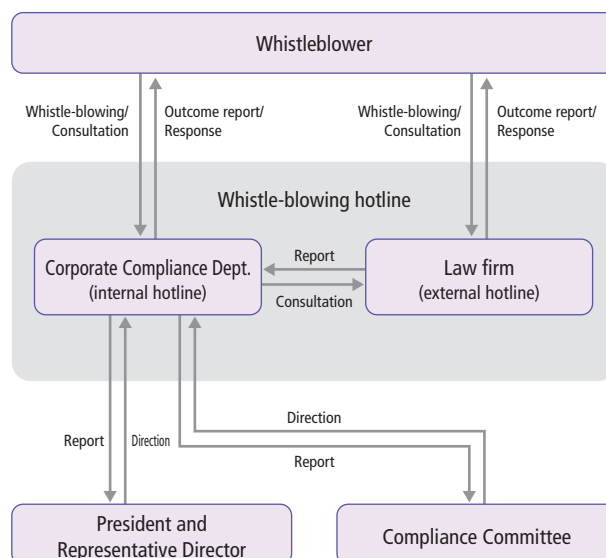
Whistle-blowing System

Taishia 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 hotline is available to employees of Taishia and its affiliates as well as employees dispatched to Taishia and employees of business partners.

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

In FY2020, the Company's and major affiliates' Whistle-blowing Contact Window received 24 cases and took appropriate actions upon prompt investigation of each of these cases.

● Whistle-blowing Flow Chart



Communication with Shareholders and Investors

Taikisha discloses financial data and management information to its shareholders and investors as a company with a higher level of transparency.

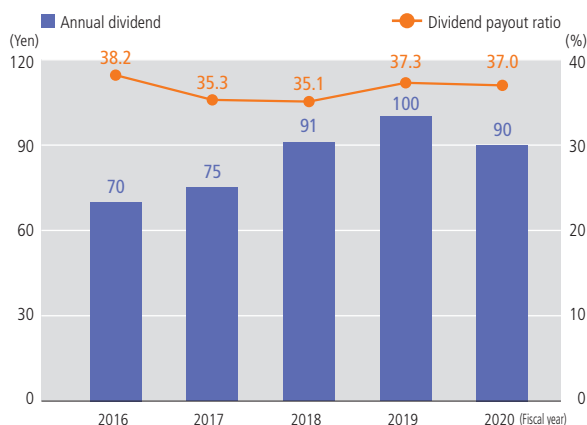
Information Disclosure Policy

Taikisha promptly discloses important information regarding Taikisha based on the transparency, fairness and consistency stated in the Taikisha Management Vision: "Conduct businesses appropriately under free and fair competition in compliance with laws and the spirit thereof; contribute to customers/business partners, shareholders, employees, communities/society and the global environment with transparency and integrity."

Basic Policy for Shareholder Returns

Taikisha considers providing shareholder return through dividend payouts to be one of the top-priority measures, and strives to pay stable dividends and target a consolidated dividend payout ratio of 35%.

● Transition in annual dividend and dividend payout ratio



Dialogue Status

In addition to the Annual Shareholders' Meeting in June, year-end and half-year financial results briefings are held in May and November. Also, company information sessions take place irregularly but several times a year for individual investors.

In FY2020, the Company held a financial results briefing session in November with 29 people from 22 companies, then in October published the company profile video on its website in place of the briefing session for individual investors.

Information Tools

Taikisha produces and distributes shareholder newsletters (issued in June and November) to its shareholders and investors.

On Taikisha's website, PDF files of the publications are made available to the public, as well as items disclosed at the Tokyo Stock Exchange such as earnings releases, annual securities reports, quarterly securities reports, mid-term business plans, materials for financial results briefings, and a Fact Book.

External Evaluation

Taikisha received the "AA Website" grade in the "All Japanese Listed Companies' Website Ranking 2020" by Nikko Investor Relations Co., Ltd.

In addition, Taikisha was adopted as a constituent of the Somo Sustainability Index managed by Somo Asset Management Co., Ltd. for the fourth consecutive year. Taikisha's addition to this index, which places importance on ESG (environment, social and governance) evaluation by research firms, reflects its continuous engagement in ESG efforts.



2021



Somo Sustainability Index