

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

Management Structure

● Number of years as Director of the Company ○ Number of shares of the Company actually held ⚙ Number of dilutive shares of the Company held
 ○ Attendance at the Board of Directors Meetings

Directors



Representative Director, President Corporate Officer

Masashi Osada

● 7 years ○ 4,500 ⚙ 5,758 ○ 14/14

Joined the Company in 1983. Previously worked as Senior General Manager, Global Business Management Dept., Paint Finishing System Division; Managing Corporate Officer, Chief Executive, Corporate Planning Headquarters; Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division. In the current position since April 2023. Served concurrently as Chief Executive of the Business Development Headquarters since April 2024.



Director, Managing Corporate Officer, Chief General Manager, Paint Finishing System Division

Yukinori Hamanaka

● 4 years ○ 3,373 ⚙ 0 ○ 12/12

Joined the Company in 1981. Director, Managing Corporate Officer, Vice Chief General Manager, Paint Finishing System Division, and President, TKS Industrial Company. In the current position since April 2023.



Outside Director

Masasuke Kishi

● 3 years ○ 2,100 ⚙ 0 ○ 14/14

Mr. Kishi was appointed as an Outside Director in 2021. He has years of experience as a manager of a leading business corporation, and has abundant expertise and experience regarding the information and communications sector, internal control, and governance. He chairs the Compensation Advisory Committee. He chairs the Board of Directors and Compensation Advisory Committee.



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

Yasushi Nakajima

● 7 years ○ 13,300 ⚙ 14,287 ○ 14/14

Joined the Company in 1982. Previously worked as Director, Managing Corporate Officer, Vice General Manager, Green Technology System Division; Director, Executive Corporate Officer, Chief General Manager, Green Technology System Division; Chief Executive, Administrative Management Headquarters. In the current position since April 2023.



Director, Managing Corporate Officer, Chief General Manager, Green Technology System Division

Tadashi Sobue

● 1 year ○ 3,700 ⚙ 0 ○ 12/12

Joined the Company in 1987. Previously worked as Director, Taikisha (Thailand) Co., Ltd.; Senior General Manager, Engineering Supervisory Dept., Osaka Branch Office, Green Technology System Division; Corporate Officer, Senior General Manager, Engineering Supervisory Dept. and Senior General Manager, Global Engineering Supervisory Dept., Green Technology System Division. In the current position since April 2023.



Outside Director

Nobuyuki Soda

● — ○ 600 ⚙ 0 ○ —

Mr. Soda had worked as Audit & Supervisory Board Member since 2020 and was appointed as an Outside Director in 2024. He has served as a manager of a leading life insurance company and other organizations for many years, and has abundant knowledge and experience regarding human capital, group governance, and finance and accounting, etc. He chairs the Nomination Advisory Committee.



Director, Executive Corporate Officer, Chief Executive, Corporate Planning Headquarters and in charge of Sustainability Promotion

Masanori Nakagawa

● 6 years ○ 12,237 ⚙ 12,629 ○ 14/14

Joined the Company in 2012 after serving as General Manager, Strategic Investment Department, Business Administration Division of a leading bank. Previously worked as Director, Managing Corporate Officer, Chief Executive, Administrative Management Headquarters and in charge of CSR; Director, Executive Corporate Officer, Chief Executive, Corporate Planning Headquarters, in charge of CSR. In the current position since April 2023.



Outside Director

Hirokazu Hikosaka

● 7 years ○ 2,200 ⚙ 0 ○ 14/14

Mr. Hikosaka had worked as Audit & Supervisory Board Member since 2015 and was appointed as an Outside Director in 2017. He has abundant experience and a high level of insight regarding internal control and governance, etc., through his long tenure as an attorney. He chairs the Governance Committee.



Outside Director

Suga Soejima

● — ○ 0 ⚙ 0 ○ —

Ms. Soejima was appointed as an Outside Director in 2024. She has abundant experience of auditing the operations of multinational corporations during her tenure at major auditing firms, as well as specialized knowledge regarding finance and accounting, internal control, and governance, etc. She chairs the Sustainability Committee.

Audit & Supervisory Board Members

Full-time Audit & Supervisory Board Member	Full-time Audit & Supervisory Board Member	Outside Full-time Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member
Makoto Wakida	Hiroyuki Matsunaga	Junichi Sakurai	Koichi Nagao	Shoko Yamashita

Directors' specialized knowledge and experience

Name	Position	Directors' specialized knowledge and experience							Nomination Advisory Committee	Compensation Advisory Committee	Governance Committee	Sustainability 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				
Masashi Osada	Representative Director, President Corporate Officer	●		●	●		●		●	●	●	●
Yasushi Nakajima	Representative Director, Executive Corporate Officer, Chief Executive, Administrative Management Headquarters	●	●	●	●	●	●		●	●	●	●
Masanori Nakagawa	Director, Executive Corporate Officer, Chief Executive, Corporate Planning Headquarters and in charge of Sustainability Promotion	●		●		●	●	●			●	●
Yukinori Hamanaka	Director, Managing Corporate Officer, Chief General Manager, Paint Finishing System Division	●	●	●	●							●
Tadashi Sobue	Director, Managing Corporate Officer, Chief General Manager, Green Technology System Division		●	●	●							●
Hirokazu Hikosaka	Outside Director						●	●	●	●	○	●
Masasuke Kishi	Outside Director	●	●				●		●	○	●	●
Nobuyuki Soda	Outside Director	●				●		●	○	●	●	●
Suga Soejima	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."*

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.

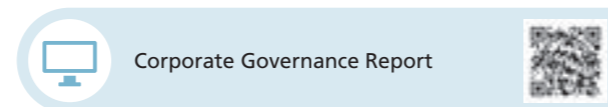
*"Customers" is defined as Overall Society in a broad sense. The Spirit of "Customers First" is to win persistent trust from the "Customers."

Initiatives that Support Corporate Governance

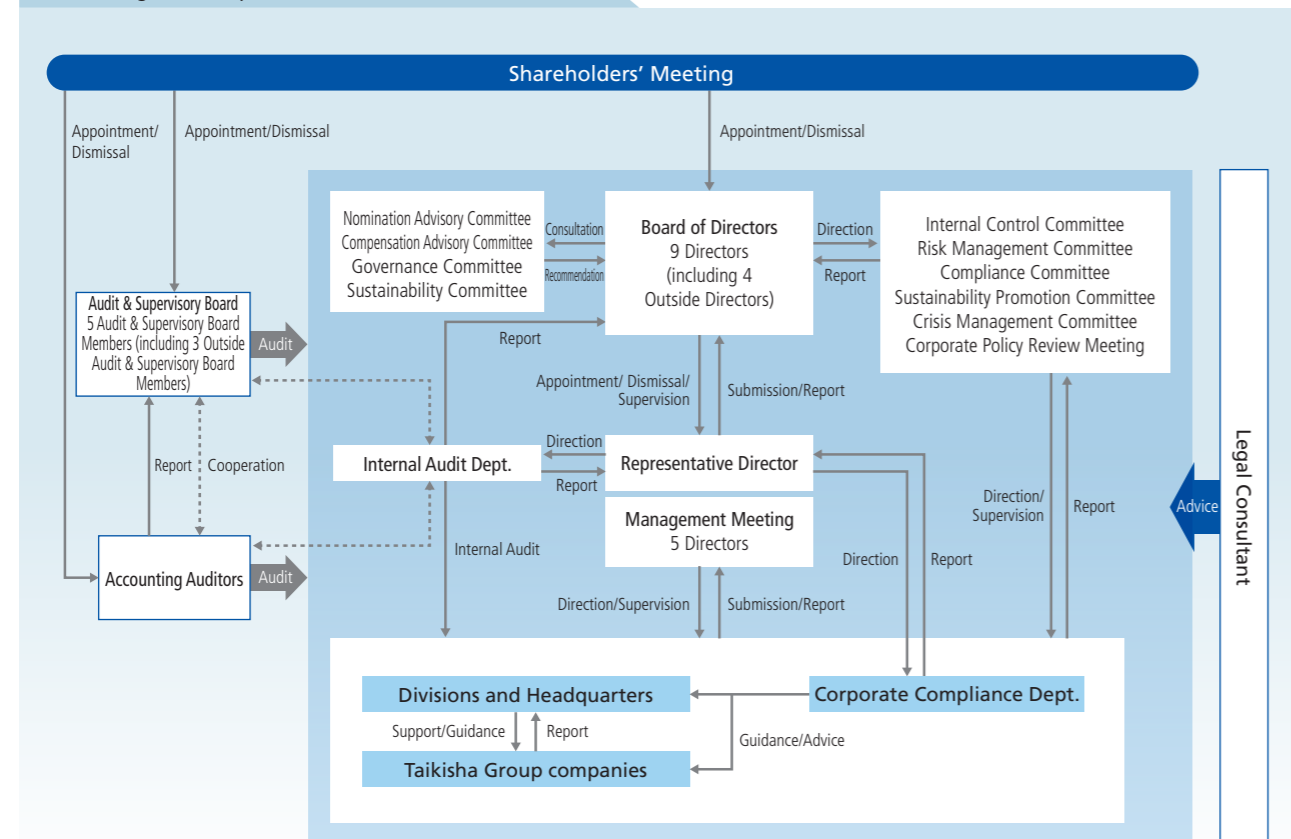
As initiatives to support its corporate governance, Taikisha has set up meeting bodies and committees under the Board of Directors, including the Management Meeting, the Internal Control Committee, the Risk Management Committee, the Compliance Committee, the Sustainability Promotion Committee, the Crisis Management Committee, and the Corporate Policy Review Meeting with the aim to reinforce its governance through independent activities of and collaboration among them. In addition, the Company established the Nomination Advisory Committee, the Compensation Advisory Committee, and the Governance Committee,

which are voluntary advisory bodies to the Board of Directors and mainly consist of Outside Directors, to improve the effectiveness and transparency of decision making and other matters of the Board of Directors.

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



Pattern Diagram of Corporate Governance (as of June 30, 2024)



	Chair	Composition	Content	FY2023: Frequency of meetings
Board of Directors	Outside Director	9 Directors (Inside: 5, Outside: 4) (Male: 8, Female: 1)	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.	14 times
Audit & Supervisory Board	Audit & Supervisory Board Member	5 Audit & Supervisory Board Members (Inside: 2, Outside: 3) (Male: 4, Female: 1)	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.	14 times

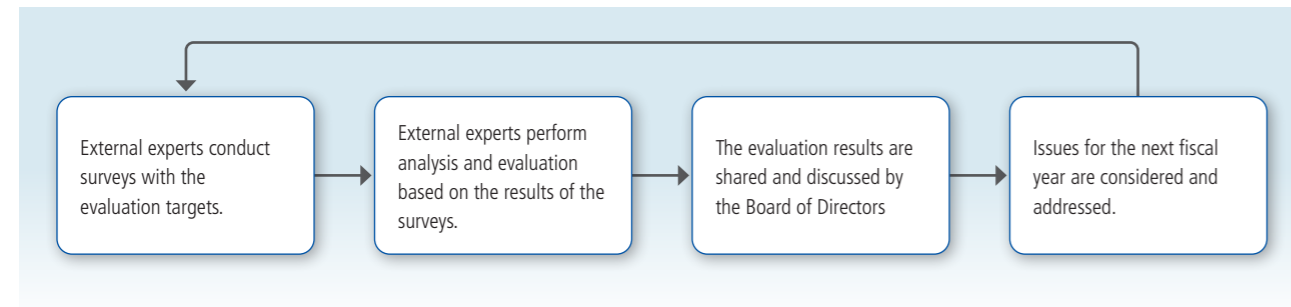
	Chair	Composition	Content	FY2023: Frequency of meetings
Nomination Advisory Committee	Outside Director	6 Directors (Inside: 2, Outside: 4)	The Nomination Advisory Committee was established as an advisory body for the Board of Directors, with the aim of enhancing the independence and objectivity of functions and the accountability of the Board of Directors regarding nomination of CEO and Directors. Based on consultation from the Board of Directors, the Committee carries out deliberations on the process of electing Director candidates and Audit & Supervisory Board Member candidates as well as the planning of the successor to the president.	16 times
Compensation Advisory Committee	Outside Director	6 Directors (Inside: 2, Outside: 4)	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 establishment and revision of compensation and assessment system for Directors and Audit & Supervisory Board Members, the appropriateness of the assessment results and the amounts of fixed compensation and performance-linked compensation.	7 times
Governance Committee	Outside Director	7 Directors (Inside: 3, Outside: 4) 1 Audit & Supervisory Board Member (Inside)	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.	11 times
Sustainability Committee	Outside Director	9 Directors (Inside: 5, Outside: 4)	The Sustainability Committee was established as an advisory body for the Board of Directors, with the aim of enhancing initiatives related to social issues, from the perspective of realizing a sustainable society and achieving long-term growth for the company. The Sustainability Committee replies to questions from the Board of Directors about the Group's response to sustainability issues, and makes proposals or recommendations to the Board of Directors.	once

Evaluation of the Effectiveness of the Board of Directors

Taikisha conducts an analysis and evaluation of the effectiveness of the Board of Directors 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.

Evaluation period and scope	Meetings of the Board of Directors held from April 2023 to March 2024 (including the Nomination Advisory Committee, Compensation Advisory Committee, Governance Committee, and Sustainability Committee)
Evaluation items	<ul style="list-style-type: none"> The Board of Directors' response to issues in FY2022 Roles the Board of Directors should fulfil, and the items to be considered in fulfilling those roles

● Evaluation process



Overview of the Results of Analysis and Evaluation for FY2023

Led by the Chairman of the Board of Directors, issues recognized by the Board of Directors were shared and response policies, etc. were discussed. In the effectiveness analysis and evaluation for FY2023, feedback was collected from all Directors and Audit & Supervisory Board Members in preparation for the formulation of the new Mid-Term Business Plan starting in FY2025.

Additionally, in FY2023, all Directors and Audit & Supervisory Board Members were asked to state reasons and make specific proposals about

the matters they expect to further improve in order to enhance the Company's corporate value, as well as issues they believe require immediate improvement in light of the Company's current situation. Opinions were also gathered on prioritizing these improvements.

As a result, the Board of Directors of Taikisha was determined to be sufficiently effective.

● Issues and improvement measures in FY2022

(1) Realization of long-term vision

- In September 2023, an offsite discussion on the overseas business expansion strategy was held by the members of the Board of Directors.
- In February 2024, to install long-term strategic thinking among employees, an offsite discussion was held by the members of the Board of Directors and employees who will lead the next generation, focusing on what the Company should look like in 2040.

(2) Enhancement of the supervision of the Digital Strategy Committee by the Board of Directors

- While continuing to monitor the utilization of digital technologies through reports from the Digital Strategy Committee, the Board of Directors also oversees the introduction of core systems for affiliated companies aimed at management control, as well as the status of information security measures, including responses to cyber threats.

(3) Supervision of the implementation status of the M&A guidelines

- To enhance the governance of overseas affiliates, the Board of Directors reviews the Business Investment Committee's operation based on the M&A guidelines and confirms the status of deliberations on individual cases.

(4) Governance tailored to the situation of affiliated companies

- A discussion was held on the autonomy of affiliated companies, rules for affiliated companies were developed, and the roles of Directors in affiliated companies were clarified.

(5) Other matters

- Under the leadership of the Nomination Advisory Committee and the Compensation Advisory Committee, a "performance-linked stock-based compensation plan" was newly introduced into the compensation system for Corporate Officers, and an incentive system linked to stock value was established, with the aim of fostering a sense of responsibility for enhancing the Company's medium- to long-term corporate value.

● Issues for further enhancing effectiveness

- Establishment of a free discussion forum aimed at formulating the Long-Term Business Plan, along with discussions on management resource allocation for the realization of business portfolio management, including the development of new businesses
- Deepening discussions on global strategy, in line with the new Long-Term Business Plan, and the concretization of an action plan in the formulation of the new Mid-Term Business Plan
- Supervision of activities by the execution side, such as "calculation and reduction of greenhouse gas (GHG) emissions," "responses to human rights due diligence," and "further enhancement of human capital" by the Sustainability Committee
- Monitoring the introduction of digital tools for enhancing global communication, human resource initiatives for creating opportunities for national staff, and the formulation of diversity and inclusion (D&I) initiatives
- Continued supervision by the Board of Directors on discussions within the Digital Strategy Committee regarding the promotion of digital technology usage to improve productivity and reform work style, considering the application of overtime regulations in the construction industry
- Revisiting the roadmap concerning the significance of cross-shareholdings

Going forward, in order to further enhance and strengthen corporate governance, we will address the identified issues in order of priority, and continuously examine measures to improve the effectiveness of the Board of Directors.

Internal Audit

The Internal Audit Department (with 12 members), an independent department directly under the President and Representative Director, conducts audits in accordance with the Internal Audit Rules.

The Internal Audit Department audits the effectiveness and efficiency of the Group's overall business activities and reports the audit results to the President and Representative Director and also directly to the Board of Directors, the Audit & Supervisory Board, and the Accounting Auditor.

In addition, matters that need to be improved are communicated to the audited departments and follow-up audits are conducted.

The Internal Audit Department also evaluates the internal control over the Group's financial reporting.

management supervisory function of the Board of Directors will work most effectively and efficiently. In order to ensure the diversity of the Board of Directors and increase the effectiveness of supervision, the Company selects candidates for Inside Directors in view of their expertise and performance from each business area within the Company in a balanced manner. In addition, the Company selects candidates for Outside Directors who have deep insight and experience in various business areas.

With regard to the composition of the Audit & Supervisory Board, one or more Audit & Supervisory Board Members who have expertise in finance and accounting shall be appointed in light of its roles and responsibilities of auditing the execution of duties by Directors and execution of the authority relative to the appointment and dismissal of external Accounting Auditors and audit fee.

The candidates for Audit & Supervisory Board Members are selected among persons who are considered to have the abilities necessary for performing their duties set forth in the Standards for Audit by Audit & Supervisory Board Members.

Supporting System for Outside Directors and Audit & Supervisory Board Members

For Outside Directors, the Legal Dept., Administrative Management Headquarters and the Corporate Planning Dept., Corporate Planning Headquarters mainly support as an executive office of the Board of 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 needed.

For Outside Audit & Supervisory Board Members, the Corporate Auditor Office, established as a secretariat for the Audit & Supervisory Board, supports 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 needed.

Appointment of Directors and Audit & Supervisory Board Members

In light of the business environment surrounding Taikisha, the Company maintains the diversity and the appropriate size of the Board of Directors (the number of Board members) to ensure that the decision-making and

Training for Directors and Audit & Supervisory Board Members

For Directors and Audit & Supervisory Board Members including Outside Directors and Outside Audit & Supervisory Board Members to fully perform their management supervision and auditing functions, the Company continuously provides trainings, etc. aimed at helping them acquire the necessary knowledge about the Company's management issues, finance, compliance with laws and regulations, etc. In addition, the Company will help them find external education and training, as necessary, and bear the costs.

In addition to the above, the Company provides training (including visits to each facility, construction sites, affiliated companies, etc.) aimed at deepening the understanding of the Group's Corporate Philosophy, corporate management, business activities, organization, etc. to Outside Directors and Outside Audit & Supervisory Board Members and also provides information about these, as necessary.

Compensation to Directors and Audit & Supervisory Board Members

(1) Basic views on the system of compensation

The compensation to Executive Directors 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 evaluation of financial indicators (company's consolidated ordinary income) and non-financial indicators (initiatives for long-term strategy and enhancement of governance) 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.

(2) Compensation structure

Classification	Contents of compensation
Executive Directors	Basic compensation (fixed compensation), and bonus and stock-based compensation (performance-linked compensation) <ul style="list-style-type: none"> The ratio of basic compensation to performance-linked compensation is approximately 5:5 on a standard payment basis, and it fluctuates according to the "(3) Performance-linked compensation scheme." 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 at the time of the retirement in the form of the company's shares or cash equivalent to the fair value thereof, in principle.)
Non-Executive Directors and Audit & Supervisory Board Members	Basic compensation

(3) Performance-linked compensation scheme

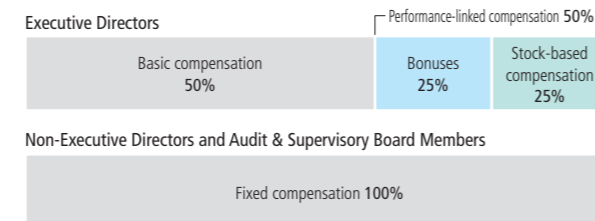
Performance-linked compensation is composed of bonus and stock-based compensation, with an amount equal to 50% of the total amount paid

● Total amount of compensation, etc. to Directors and Audit & Supervisory Board Members

Classification	Total amount of compensation, etc.	Total amount of compensation, etc. by type			Number of persons
		Fixed compensation	Performance-linked compensation		
		Basic compensation	Bonuses	Stock-based compensation	
Directors (excluding Outside Directors)	554 million yen	210 million yen	171 million yen	171 million yen	7
Outside Directors	48 million yen	48 million yen	—	—	4
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	45 million yen	45 million yen	—	—	2
Outside Audit & Supervisory Board Members	38 million yen	38 million yen	—	—	4

as bonus and the remaining 50% as stock-based compensation. For performance-linked compensation, evaluation is made based on financial indicators and non-financial indicators. The evaluation ratio is 70% for financial indicators and 30% for non-financial indicators. In addition, as for the 30% portion related to non-financial indicators, the actual payment ratio fluctuates between 70% and 130%, depending on the target achievement level.

● Ratio of basic compensation to performance-linked compensation



(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 and policy

• Compensation

Delegated by the Board of Directors, the President and Representative Director newly determines the compensation upon consultation with the Compensation Advisory Committee. 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.

• 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.

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

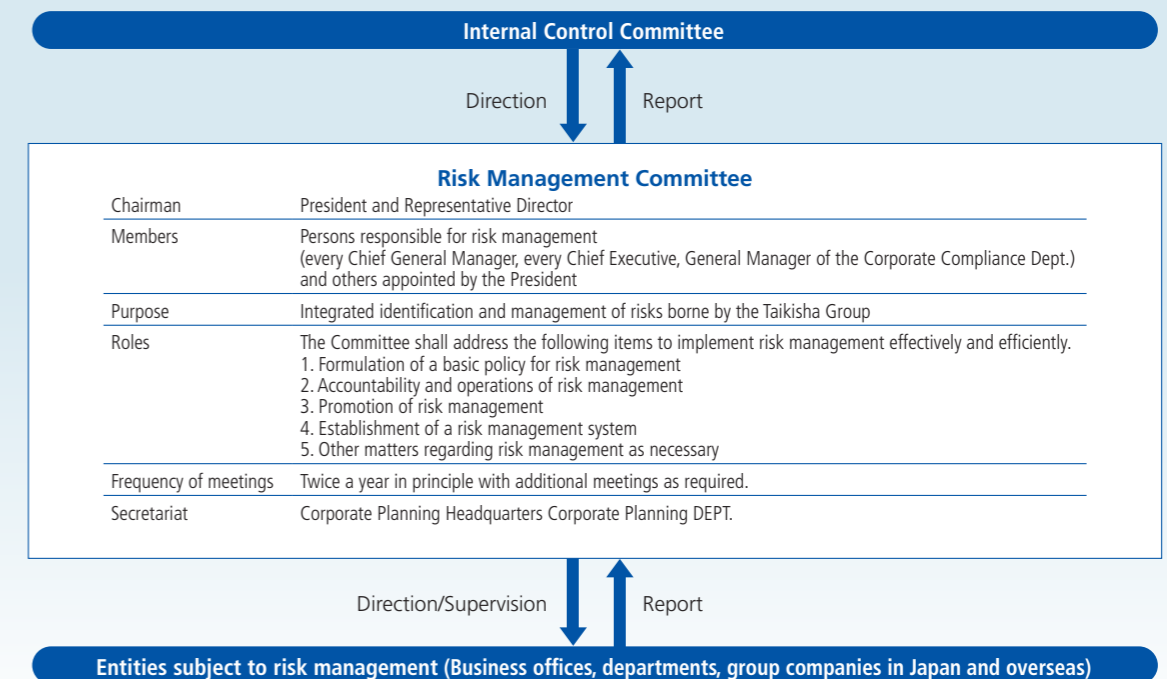
Taikisha, in accordance with the Risk Management Rules that have been in place, has established the Risk Management Committee to implement effective, efficient and integrated risk management in the Taikisha Group. The Risk Management Committee is chaired by the President and Representative Director and 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.

In FY2023, the Risk Management Committee clarified the persons and divisions in charge and their roles and responsibilities concerning risks to be addressed across the company and discussed remedial policies on a company-wide basis in a comprehensive manner.

Risk Management Structure



● Major Risks and countermeasures

Risk	Content	Remedial Policy and countermeasures
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 ● Accelerate the development of technologies that will change customers' production facilities ● Tap new markets and new clients in painting field based on automation technology
Risk associated with large-scale natural disasters	Losses, direct physical and human damage, and impact on customers' business activities and economic conditions caused by natural disasters such as earthquakes, tsunamis, storms and flooding, and global epidemics of infectious diseases, etc.	<ul style="list-style-type: none"> ● Establish basic policies for crisis management and develop a crisis management system ● In the event of a crisis, implement crisis response measures according to the level of impact (classified into three levels)
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 and risk of uncollectibility of receivables 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. ● Strengthen credit management through screening before accepting orders ● Make overseas affiliates' governance system more sophisticated
Risk concerning technological development	Inability to differentiate from other companies in terms of technology, resulting in loss of sales opportunities and a decline in customer confidence and corporate reputation	<ul style="list-style-type: none"> ● Solve social issues through the development and demonstration of environmental impact reduction and automation technologies ● Expand the breadth of communication by utilizing the Research and Development Center and the R&D satellite facility ● Strengthen Group-wide activities through the use of digital technologies ● Promotion of innovative technology development through integration with academic institutions/start-up companies
Human resource-related risks in project execution	Delays in the development of engineers, shortage of skilled and experienced engineers, and decrease in the total working hours of engineering employees due to the application of regulations for upper limits on overtime work in the construction industry effective from April 2024	<ul style="list-style-type: none"> ● Streamline on-site work and level the workload by promoting front-loading of on-site operations ● 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 ● Clearly indicate the health management promotion system to maintain and promote mental and physical health of employees, and plan and implement health measures
Risk concerning legal compliance	Violation of Antimonopoly Act, violation of Construction Business Act, violation of Labor Standards Act, etc.	<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 ● Establish the Company-wide Review Meeting to strengthen systems and activities ensuring technical and quality standards across the company
Risk of fluctuations in material prices and unit labor costs	Rising procurement prices for construction materials and rising unit labor costs due to low birthrate, aging population, and shortage of workers	<ul style="list-style-type: none"> ● Reflect appropriate costs by region into the contract amount at the time of receiving an order ● Hedge risk against price fluctuations in contracts
Risk of confidential information leakage	Leakage of confidential information such as personal information and customer information through cyberattacks and data exfiltration	<ul style="list-style-type: none"> ● Develop and implement a roadmap for risk mitigation measures based on the results of IT security diagnostics ● Establish a response system for IT incidents (Taikisha's version of Computer Security Incident Response Team, or CSIRT) and promote employee education
Risk concerning climate change	Loss of customers due to inability to adapt to customer needs, a decline in competitiveness due to delays in the development of technologies, cost increases due to the introduction of carbon taxes, lower labor productivity due to a rise in average temperature, etc.	<ul style="list-style-type: none"> ● Develop low-carbon construction technologies and systems ● Expand the construction of energy saving-equipment ● Promote mechanization and automation
Risk concerning human rights	Additional costs arising for corrective measures and remedies, a decline in social credibility, and the resulting stagnation in business activities, in cases where negative impacts on human rights occur in business activities, or situations that promote such impacts	<ul style="list-style-type: none"> ● Establish the Taikisha Group's Human Rights Policy as a standard for human rights ● Implement human rights due diligence ● Conduct educational and awareness-raising activities for officers and employees

Information Security

In order to protect customer, business partner, and personal information from leaks and other risks, we are strengthening the information management system across the entire Taikisha Group, by establishing the Information Security Rules, which include detailed rules for all employees and persons in charge of IT system/facility development respectively, as well as rules based on the privacy policy.

To minimize the spread of damages in the event of an IT incident, we have formulated the IT Incident Response Policy, and established an response system in the event of an IT incident (Taikisha's version of CSIRT).

In addition, to address the cyber security threats that are becoming more diversified and sophisticated on a daily basis, we review the information security risks and conducts initiatives aimed at risk mitigation.

- Introduce specific countermeasures through the Information Security Guidebook
- Implement e-learning programs on IT security
- Conduct training against targeted phishing email attack

This fiscal year, based on the results of IT security diagnostics for the Group, we developed a roadmap for risk mitigation measures and implemented these measures across the Group companies.

● Other initiatives

Type of measures	Measures
Measures to prevent information abuse	Encrypting stored data in information equipment
	Access management through multifactor authentication
	Security measures for entrance and exit control
	Measures to prevent erroneous transmissions of e-mail
Measures to protect against malware and other external threats	Anti-virus and anti-malware measures
	Automatic application of patches
	Website filtering
	Measures to block spam
	Monitoring of misconducts on the company network

Crisis Management System

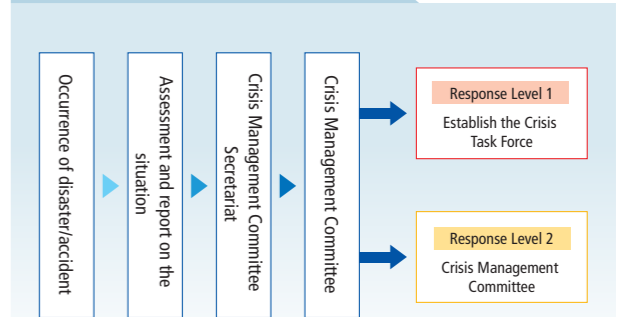
Taikisha has established the Basic Policy for Crisis Management and built the crisis management system to prepare for the occurrence of unforeseen disasters, accidents and incidents in Japan and overseas.

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.

For employees deployed overseas and those on overseas business travel to be able to engage in business activities without concern, we

have 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.

Diagram of Crisis Management System



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 BCP 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 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. With regard to the safety of employees, Taikisha has organized a company-wide self-defense firefighter team and conducts training activities. In addition to 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.

In addition, the Company formulated the "Pandemic preparedness business plan" based on its experience in responding to COVID-19. It is intended to respond accurately and promptly in order to take the utmost care for respecting human life and continue our business while placing the highest priority on securing safety even in the event of pandemic.



AED and first-aid rescue training session

Compliance

Taikisha is working to prevent compliance violations by raising awareness of compliance through a variety of activities

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 prevention of compliance violations.

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 composed of Executive Directors, the General Manager of the Corporate Compliance Department, and the General Manager of the Internal Audit Department, 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 significant compliance events or signs of possible occurrence, the Company shall convene the Compliance Committee, attended by all officers, to deal with the events.

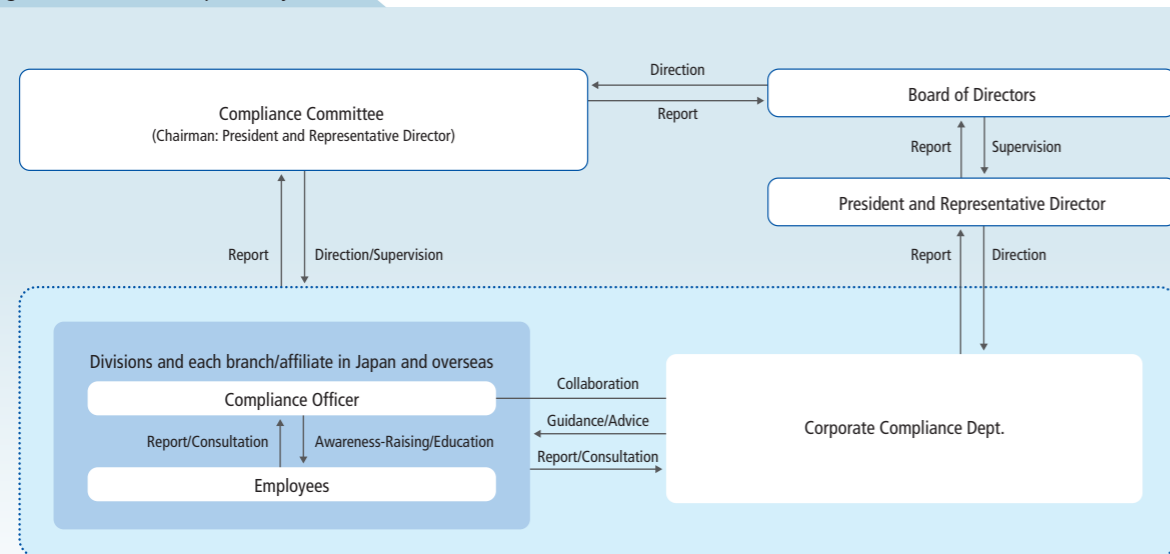
The Corporate Compliance Department, an independent department under the direct control of the President and Representative Director,

implements compliance education, monitors status of compliance with laws and regulations, provides guidance on improvement, disseminates information via the corporate intranet, and makes the Whistle-blowing System well known 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 and each branch/affiliate in Japan and overseas. The Corporate Compliance Department monitors the status of compliance with laws and regulations at the Group, and provides a feedback on the result to the Officers. The Officers implement necessary improvement measures within their respective organizations based on the feedback, and the Corporate Compliance Department follows up on the implementation status to build a system for the entire Group to continuously make improvements.

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

Diagram of Taikisha's Compliance System



Efforts to Spread and Firmly Establish Compliance Awareness

Taikisha 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, Taikisha 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 Taikisha Group's employees broadly to display the best slogans in Japan and overseas, respectively, in the form of awareness-raising posters in the corporate offices and on-site offices.

As part of efforts to instill its Corporate Philosophy and Taikisha's Code of Conduct, as well as to implement compliance education, we conduct e-learning, targeting all employees of the Group. In the e-learning program, themes are selected from items that all Group employees should understand, such as prevention of bid rigging, prevention of improper handling of construction costs, prevention of harassment, proper management of overtime hours, and the Whistle-blowing System. Additionally, we conduct training programs aimed at reducing the risk of compliance violations by familiarizing employees with important laws, regulations, and internal rules that are deemed to have a huge impact if violated.

● Overview of e-learning

Taikisha

Date	Number of participants	Question theme
First session: May 2023	1,718 (100% attendance)	Whistle-blowing system, prevention of abuse of authority
Second session: August 2023	1,717 (100% attendance)	Prevention of improper handling of construction costs, prevention of abuse of authority, proper management of overtime hours
Third session: November 2023	1,707 (100% attendance)	Prevention of abuse of authority, proper management of overtime hours, prevention of Insider Trading

[Affiliated companies]

Date	Number of participants	Question theme
First session: June 2023	2,285 (89.2% attendance)	Compliance of the Taikisha Group Whistle-blowing system
Second session: September 2023	2,658 (97.6% attendance)	The Taikisha Group's goal of "establishing an attractive company" Proper utilization of company assets

Compliance Awareness Survey

To confirm the degree of compliance awareness, we regularly conduct compliance awareness surveys targeting all Group employees. The survey results are shared with Compliance Officers and utilized to improve the workplace environment and enhance compliance activities, thereby continuing efforts to deepen awareness.

Monitoring of Compliance Risk

The Corporate Compliance Department regularly monitors the status of compliance of laws and regulations at the Group through the Compliance Awareness Survey, interviews, field visit, etc. Through compliance activities, the Corporate Compliance Department works to continuously improve the issues identified through the monitoring.

Additionally, we conduct surveys with subcontractors in Japan to confirm whether they have experienced any inappropriate requests from our employees. We also work to raise awareness about our Whistle-blowing Contact Window.

Whistle-blowing System

Taikisha has the Whistle-blowing System in place to identify at an early stage and resolve compliance violations, and has a Whistle-blowing Contact Window in the Corporate Compliance Department and a law firm. The hotline is also available to the employees and officers of affiliates and business partners as well as to the employees and officers of the Company. In case of receiving the reports related to or suspected to be related to the Company's Executive Directors, Taikisha addresses the case in consultation with the Audit & Supervisory Board Members. This process ensures that we can respond to the issue independently of executives.

In operating the Whistle-blowing System, Taikisha ensures that whistleblowers are protected by stipulating in its internal 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 FY2023, the Company's and major affiliates' Whistle-blowing Contact Window received 2 cases and took appropriate actions upon prompt investigation of each of these cases.

Whistle-blowing Flow Chart

