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DAIKEN CORPORATION

Representative Director, President Masanori Okuda

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Securities code: 7905

<https://www.daiken-ad.com/company/info/gaiyou/>

Note : This document has been translated from the Japanese original for reference purposes only. In the event of any discrepancy between this translated document and the Japanese original, the original shall prevail.

The corporate governance of DAIKEN CORPORATION (the “Company”) is described below.

I. Basic Approach on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic Approach

Under the group corporate philosophy, the Daiken Group is committed to sustainable improvements in corporate value for all shareholders and stakeholders. In order to achieve efficient, sound, and transparent management, we enrich the management system, the organizational system, and the internal control system, and take the basic approach that always seeks to optimize corporate governance, and we constantly work to improve it. Based on the basic policy on corporate governance established in 2015, we are making constant improvements to respond to the ever-changing business environment surrounding the group in the ceaseless pursuit of the optimal corporate governance system.

<Basic Policy on Corporate Governance>

<https://www.daiken-ad.com/company/management/governance/>

Reasons for Non-compliance with the Principles of the Corporate Governance Code

[Principle 3.1] (i) Company objectives (e.g., business principles), business strategies, and business plans

We formulate and disclose the Group Corporate Philosophy, long-term vision, and GP25, With respect to the Medium-Term Management Plan GP25 3rd Stage (fiscal years 2023 to 2026), a four-year plan starting in the fiscal term ending March 2023, which is an implementation plan to achieve these ideas mentioned above, Daiken is currently scrutinizing the plan again given the extremely high future uncertainties that remain ongoing, such as the surging commodity prices and the supply chain disruptions associated with the increase in geopolitical risks, in addition to the impact of the COVID-19 pandemic. Daiken will disclose the plan based on the results of the scrutiny after the resolution is passed by its Board of Directors. The delayed disclosure of the medium-term management plan is also partially affecting the implementation status of the principles below.

Disclosure Based on the Principles of the Corporate Governance Code

[Principle 1.3]Basic policies for capital and shareholder distributions

Our capital policy is based on striving for effective management that places emphasis on return on equity (ROE) while being aware of the capital cost and improving corporate value by improving shareholder return and optimizing the balance between financial soundness and strategic investments.

For shareholder distributions, the goal is a dividend payout ratio of at least 30% while maintaining a stable dividend and aiming for the distribution of earnings linked with results of operations.

Decisions about the repurchase of stock will be made based on the current level of capital, the market environment and other applicable considerations.

Shareholders' equity will be effectively used for the improvement of production, sales and construction systems as well as for new businesses, global operations and other activities in order to achieve medium- and long-term growth and build a solid foundation for business operations.

[Principle 1.4]Policy on Cross-Shareholdings

The Company's basic policy for holding shares for purposes other than pure investments (cross shareholdings) is to focus on the shares of companies that are expected to enable the Company to generate appropriate synergy by maintaining and strengthening business ties and relationships with other companies. Nevertheless, the Company will sell the cross-held shares if such shares are deemed no longer sufficiently meaningful as cross-shareholdings.

To ensure that the effects and reasonableness of cross-shareholdings are in line with their purposes, the Company shall

closely and specifically examine, both from the qualitative and quantitative aspects, whether the benefits and risks associated with cross-shareholdings justify the cost of capital and report the results of such an examination to the Board of Directors annually to review all cross shareholdings.

With regard to the exercise of voting rights, the Company shall exercise voting rights to ensure that such rights contribute to the improvement of corporate value. In exercising voting rights, the Company shall not make cookie-cutter decisions based on quantitative criteria alone. Decision on how to exercise voting rights shall be made on the basis of a comprehensive assessment of whether such decisions will contribute to improvement of medium- to long-term corporate value of both the Company and the investee companies.

For further explanations of the purpose and rationality of holding shares in each individual company as cross shareholdings, please refer to the Company's annual securities report.

<https://www.daiken.jp/company/ir/document/yukashoken/> (Japanese Only)

[Principle 1.7] Related Party Transactions

So that direct transactions between our group companies and the individual officers or their relatives will not compromise the shared interest of the companies and their shareholders, the Regulations for Directors and the Regulations for Executive Officers state that approval by the Board of Directors is required for important and/or irregular transactions.

The rationality of transactions between our company and its key shareholders is reported to the Board of Directors by the transacting department. The Board of Directors monitors such transactions so that they will not compromise the shared interest of the companies and their shareholders from the independent and objective viewpoints of more than one outside director.

To emphasize an objective viewpoint, the steps and procedures pertaining to transactions between related parties are subject to deliberation and recommendation by the Governance Committee, where the majority consists of independent directors, and determination by the Board of Directors.

[Supplementary Principle 2.4.1] Ensuring diversity in the promotion to core human resources

We implement continuous measures from the perspectives of the promotion of diversity, workstyle reform, human resource development, and health management, so that our group will become a workplace where employees are happy to work, and each individual can fully exercise their diverse values and abilities. We are seeking to generate a virtuous circle through the implementation of continuous measures through these perspectives, leading to the maximization of human resource value and the resultant improvement of corporate value through increased individual performance.

< Policies and voluntary and measurable goals and progress for ensuring diversity >

To satisfy the expectations of stakeholders and make enhanced contribution to society, we focus on the promotion of diversity under the Daiken Diversity Promotion Policy, aiming to become a company that continuously creates new value and where human resources with diverse personalities and values can fully exercise their abilities. We pursue gender-equal recruitment and appointments by setting an objective to achieve 50% as the share of females in recruits. We also take proactive measures to convert part-time employees into full-time employees and from temp staff into direct employees, as well as mid-career recruitment and re-employment after mandatory retirement.

We particularly promote the increase in the share of females in managerial positions as a prioritized requirement characteristic to our business fields. It will be our future tasks to present and disclose voluntary and measurable goals regarding the promotion of foreign nationals and mid-career hires.

Our specific objectives and initiatives are described on our website at the following link:

https://www.daiken-ad.com/company/ir/human_resources.html

<https://www.daiken-ad.com/company/csr/projectcsr/plan.html>

< Policies for human resource development and internal environment development to ensure diversity, as well as the status of their implementation >

Based on the belief that the development of autonomous human resources is indispensable for the maximization of human resource value and the resultant improvement of corporate value through the increased performance of individuals with diverse values and abilities, we have established systematic seminars for acquiring the various knowledge and skills targeted at different service years, layers, and job types. To ensure diversity, we particularly focus on a program for developing female leaders, seminars for female leader candidates, and career plan seminars for young employees to urge diverse career planning. We have also prepared diversity training for division directors and training programs for managers as key persons to set diversity in place.

To enable employees from diverse backgrounds to continue working in fulfilling roles, we are proactively promoting workstyle reform under the Workstyle Reform Promotion Committee headed by directors, including the preparation of flexible work styles, support for achieving work-life balance, and the optimization of work hours.

Policies and specific initiatives for human resource development and internal environment development (workstyle reform) are described on our website at the following link:

https://www.daiken-ad.com/company/ir/human_resources.html

[Principle 2.6] Roles of Corporate Pension Funds as Asset Owners

Our group has established the Corporate Pension Fund (hereinafter referred to as the "Fund") as an independent organization for the management of corporate pension funds, as well as the Pension Asset Management Committee (hereinafter referred to as "Management Committee") for monitoring the management status.

The funds are managed with the aim of acquiring overall long-term profit while considering the involved risks. The management status is regularly monitored based on the policy asset portfolio from the medium-term and long-term viewpoints.

Regarding asset managers, decision-making concerning the Fund is undertaken by the board of delegates, including the representatives of employees. The Management Committee consists of individuals representing the HR, Accounting, and Finance divisions and having the respective specialties. In this way, we have established a structure that enables the sound management of pension assets to ensure the protection of beneficiaries and the required specialties.

The Fund avoids conflicts of interest between the beneficiaries of the corporate pension and our company by respecting the determination of contract asset managers based on the stewardship code in their exercise of voting rights in our group and at invested companies.

[Principle 3.1]

(i) Company objectives (e.g., business principles), business strategies, and business plans

We formulate the group corporate philosophy, long-term vision, and medium-term management plan and disclose them on our websites at the following links:

Group Corporate Philosophy

<https://www.daiken-ad.com/company/management/principle.html>

DAIKEN Global Environmental Vision 2050

<https://www.daiken-ad.com/company/csr/csr.html>

Long-Term Vision GP25

<https://www.daiken-ad.com/company/management/gp25.html>

Medium-Term Management Plan

<https://www.daiken-ad.com/company/management/mediumterm.html>

(ii) Basic views and guidelines on corporate governance

See 1 "Basic Approach" above.

(iii) Policies and procedures in determining the remuneration of the directors (excluding those who serve as Audit and Supervisory Committee members) and executive officers

[Policies]

The basic policies concerning the remuneration of directors are as follows.

1. The remuneration system shall be based on the practice of the group corporate philosophy.
2. The remuneration system shall be designed reflecting the long-term vision GP25 and the medium-term management plan, prevent too great an emphasis on short-term inclinations, and motivate the improvement of medium- to long-term corporate value.
3. The standards and system of remuneration shall be effective enough to secure excellent human resources to whom we can entrust our future.
4. The procedure for determining remuneration shall be transparent, fair, and objective to achieve the responsibilities of explanations to all stakeholders including shareholders, investors, and employees.

[Procedures]

The total amount of remuneration for directors (excluding those who serve as Audit and Supervisory Committee members) is determined at the general meeting of shareholders. The remuneration consists of mission remuneration based on responsibilities and performance remuneration based on corporate performance and achievements in the respective fields. The detailed rules for procedures concerning remuneration are determined by the Board of Directors.

The remuneration for executive officers consists of mission remuneration based on responsibilities, performance remuneration based on corporate performance and achievements in the respective fields, and stock-based compensation. The Board of Representative Directors prepares a draft plan for the remuneration of directors (excluding those who serve as Audit and Supervisory Committee members) and executive officers, which is subject to deliberation and recommendations by the Governance Committee, where the majority consists of independent outside directors, and determination based on the results thereof.

(iv) Policies for the nomination of directors and executive officers and procedures for appointment/dismissal

[Policies]

Based on the Basic Policy on Corporate Governance and the Policy concerning the Balance, Diversity, and Extent of Knowledge, Experience, and Abilities of the Board of Directors, it is our policy to nominate individuals who have good personalities, insights, abilities, abundant experience, and high ethics for directors and executive officers.

[Procedures]

The Representative Director prepares a draft plan for the candidates for directors and executive officers, which is subject to

deliberation and recommendations by the Governance Committee, where the majority consists of independent outside directors, and resolutions by the Board of Directors based on the results thereof. For the nomination of directors who serve as Audit and Supervisory Committee members, the resolutions by the Board of Directors require deliberation and agreement by the Audit and Supervisory Committee. The dismissal of the Representative Director requires deliberation and recommendations by the Governance Committee, followed by the resolution of the Board of Directors.

(v) Explanations with respect to the individual appointments/dismissals and nominations

The explanation concerning the appointment of individual director candidates is provided in the Notice of the Annual General Meeting of Shareholders.

<https://www.daiken-ad.com/company/ir/stock/soukai.html>

[Supplementary Principle 3.1.3] Initiatives on sustainability

< Initiatives on sustainability >

Our mission under the group corporate philosophy declares that "We will create a wonderful future with our technology, ideas, and passion," and our vision is to harmonize affluent society with the environment. To achieve this philosophy, we formulate the long-term vision and medium-term management plan. For ESG fields and themes that are considered particularly important, we promote specific initiatives and objectives as ESG targets in the medium-term management plan in order to improve our medium-term and long-term corporate value. The Sustainability Promotion Committee chaired by the top management monitors the promotional status, which is subject to reporting and deliberation at the Board of Directors' meeting for incorporation into management strategies and plans.

Our specific sustainability initiatives are described on our website at the following link:

<https://www.daiken-ad.com/company/csr/csr.html>

< Investments in human capital and intellectual properties >

We set a proactive investment policy for human resource development in the medium-term management plan and implement vigorous measures for workstyle reform, the promotion of diversity, human resource development, and employee rewards under the principle of sound management.

Specific initiatives are described on our website at the following links:

<https://www.daiken.jp/company/csr/social/talent.html> (Japanese Only)

https://www.daiken.jp/company/csr/social/working_reform.html (Japanese Only)

https://www.daiken-ad.com/company/ir/human_resources.html

For investment in R&D and intellectual property, we set a proactive investment policy in R&D to develop the next generation in the medium-term management plan. We promote the development of new technologies focused on social issues and the proactive utilization of open innovation as our core missions and pursue the expansion of existing businesses and the creation of new businesses by nourishing a culture that praises and supports taking on challenges.

Specific initiatives are described on our website at the following link:

https://www.daiken-ad.com/company/sdgs/r_d_innovation.html

The specific R&D activities in each fiscal year are disclosed in our annual securities report.

<https://www.daiken.jp/company/ir/document/yukashoken/> (Japanese Only)

< Impact of climate change-related risks and earning opportunities on our business activities and profits >

In October 2021, we formulated the Daiken Global Environmental Vision 2050, which states that the response to climate change and other environmental issues is one of our important managerial requirements leading to business risks and opportunities, and endorses the recommendations of TCFD.

We disclose the response to the impact of climate change-related risks and opportunities on our company on our website in accordance with the TCFD recommended disclosures. We will continue to analyze the relevant risks and opportunities, as well as the financial impact thereof, formulate the necessary measures and plans, incorporate them into management strategies, and enhance information disclosure based on the TCFD framework and respect the purpose of Japan's Corporate Governance Code revised in June 2021.

Our response to the Task Force on Climate-Related Financial Disclosures (TCFD) is published on our website at the following link:

<https://www.daiken.jp/company/csr/environment/tcfcd.html> (Japanese Only)

[Supplementary Principle 4.1.1] Scope of the matters delegated to the management

We determine the range of execution by each director on the Board of Directors and disclose it in the Notice of the Annual General Meeting of Shareholders.

We also clarify the division of roles between the Board of Directors and management and have introduced an executive officer system to ensure rapid decision-making. The ranges and matters of deliberation and approval regarding the decision-making process are specified in the Rules for the Board of Directors and the Regulations for Approval and Authorization.

The respective responsibilities and roles of the Board of Directors and of individual directors and executive officers are specified in 2 "Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)" under "Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management" in this report.

[Principle 4.9] Independence Standards

We have established criteria for assessing the independence of outside directors, which are specified in "Matters Concerning Independent Directors " of 1 "Organizational Composition and Operation " under " Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management " in this report.

[Principle 4.10.1] Mandates and roles of the nomination and remuneration committees, as well as the policy regarding the independence of the composition

The mandates and roles of the nomination and remuneration committees, as well as the policy regarding the independence of the composition, are specified in " Voluntary Established Committee " of 1 "Organizational Composition and Operation " under " Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management " in this report.

[Supplementary Principle 4.11.1] The Policy concerning the Balance, Diversity, and Extent of Knowledge, Experience, and Abilities of the Board of Directors, and the Skill Set

We have appointed nine directors (including more than one outside directors), which we consider to be an appropriate size for achieving higher effectiveness and vigorous discussion.

We nominate individuals who have good personalities, insights, abilities, abundant experience, and high ethics as director candidates, regardless of gender, age, or nationality. In particular, we nominate individuals who have expertise in corporate management, law, accounting, and risk management for outside directors (non-executive directors), and individuals who have experience and knowledge in the business fields and managerial functions of our company, as well as passion for management, for executive directors. In this way, we ensure the overall balance and diversity of knowledge, experience, and skills of the Board of Directors. We nominate outside directors based on our Criteria for the Independence of Outside Directors and report them as independent directors to the Tokyo Stock Exchange.

The respective skills of each director are assessed by the Governance Committee, which is chaired by an independent outside director and is made up by independent outside directors to the majority, and are classified based on our management strategies, managerial environment, and business characteristics to be confirmed by the Board of Directors. The skill matrix of the present structure is disclosed on our website (<https://www.daiken-ad.com/company/management/governance/>).

[Supplementary Principle 4.11.2] Directors also serving in other positions

Our directors who are also serving in other positions are specified in " Outside Directors' Relationship with the Company (2) " of 1 "Organizational Composition and Operation " under " Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management " in this report..

[Supplementary Principle 4.11.3] Analysis and evaluation of the effectiveness of the board as a whole

We analyze and evaluate the effectiveness of the board as a whole every year, referring to the self-evaluation by each director and other sources, and disclose the summarized results on our website (<https://www.daiken-ad.com/company/management/governance/>).

[Supplementary Principle 4.14.2] Training policy for directors

When we appoint outside directors, other directors, and executive officers, we provide opportunities for acquiring the necessary knowledge on our group's financial status, legal compliance, and corporate governance, as well as adequate understanding of the required roles and responsibilities. We also provide or arrange training opportunities that match the respective roles aimed at continuous updating during their terms, as well as support for expenses on such training.

We urge outside directors and outside audit and supervisory board members to understand our group's management philosophy, business details, and corporate culture. We also hold periodic report meetings on our management strategies and requirements in order to adequately share the relevant information.

[Principle 5.1] Policy for Promoting Constructive Dialogs with Shareholders

To build a medium- to long-term relationships of trust with shareholders and investors and to ensure that investor relations (IR) activities contribute to the sustainable improvement of our corporate value, we have established the following policy for active and constructive dialogs with shareholders and investors:

(1) Top management's engagement and appointment of a director for dialogs with shareholders

Because we position IR as one of the top priorities of corporate management, top management actively engages in IR activities as the persons ultimately responsible. In addition, we appoint an executive officer in charge of IR to ensure consistency and continuity by centrally managing the deployment of IR activities. Our outside directors, other directors, and executive officers play proactive roles in such activities when necessary, considering the purpose of the activities and the topics of dialogs.

(2) Measures to ensure organic coordination among departments

We specify the department in charge of IR in its division of duties policy and ensures that the necessary management resources (such as skilled human resources) and authority are provided to that department for the execution of IR duties. In

order to promote constructive dialogs with shareholders and investors, we support dialogs by directors and executive officers with shareholders and investors through a framework that ensures coordination with the divisions in charge of corporate planning, finance, accounting, general affairs, legal affairs, public relations, and ESG at all times.

(3) Initiatives to enrich dialogs with shareholders and investors

We hold earnings briefings for shareholders and investors semiannually and publishes its financial results briefing materials on our website. We also have interviews with individual investors and provide explanations to shareholders when necessary. To promote a better understanding of our company, we strive to provide easy-to-understand information concerning financial and nonfinancial information, such as the Group Corporate Philosophy, medium-term and long-term management strategies, and ESG initiatives. When developing and publishing the Group's management strategies and management plans, we clearly specify the earnings plan, investment plan, and capital policy, among other matters, based on a full understanding of the overall cost of capital. Among the disclosed documents, we endeavor to disclose and provide the necessary information in English for dialogs with shareholders and investors.

* Please note that, from the standpoint of preventing the spread of COVID-19 infections, we will voluntarily refrain from holding in-person event-type earnings briefing sessions and individual face-to-face interviews.

(4) Measures to provide feedback to management and the Board of Directors

The opinions and concerns of shareholders and investors identified through dialogs are reported quarterly by the executive officer in charge of IR to the Board of Directors and the Executive Committee, which is the decision-making body for the execution of business. At the same time, we shall ensure that the thought-provoking opinions and concerns all shareholders and investors are reflected in corporate management to help improve corporate value on a sustainable basis.

(5) Measure to control insider information in conducting dialogs with shareholders and investors

With regard to the control of insider information in conducting dialogs with shareholders and investors, we set a certain period of time before we make any earnings announcements as a quiet time when the content of any dialogs is restricted. In order to prevent the risk of insider information leaks in interviews with shareholders and investors, we shall ensure that only those directors, executive officers, and other authorized persons who are fully educated about fundamental information management are allowed to conduct interviews with shareholders and investors.

2. Capital Structure

Foreign Shareholding Ratio

10% or more and less than 20%

Status of Major Shareholders

Name or Company Name	Number of Shares Owned	Percentage (%)
ITOCHU Corporation	9,475,300	34.99
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,253,800	8.32
Sumitomo Mitsui Banking Corporation	986,980	3.64
SUMITOMO LIFE INSURANCE COMPANY	931,200	3.44
DAIKEN CORPORATION Trading-Partner Shareholding Association	824,600	3.05
DAIKEN CORPORATION Employee Shareholding Association	729,539	2.69
Custody Bank of Japan, Ltd. (Trust Account)	614,400	2.27
Nippon Life Insurance Company	545,669	2.02
The Norinchukin Bank	463,667	1.71
Jutec Corporation	376,390	1.39

Supplementary Explanation

1. The information of major shareholders is current as of March 31, 2022.
2. We hold 1,022,456 shares as treasury stock, which are excluded from the information of major shareholders above.
3. The ratios of shares held in the outstanding shares (excluding treasury stock) are rounded to the nearest first decimal place.

3. Corporate Attributes

Listed Stock Exchange and Market Segment	Prime Market
Fiscal Year-End	March
Business Sector	Other Products
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥100 billion or more and less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 or more and fewer than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

5. Other Special Circumstances which May have Material Impact on Corporate Governance

None in particular

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Corporate Governance System	Company with Supervisory Committee
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Directors

Number of Directors Stipulated in Articles of Incorporation	12
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	9
Election of Outside Directors	Elected
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Shingo Ishizaki	From another company											
Yuko Asami	Academic											
Kiyoshi Mukohara	From another company					△						

*Categories for "Relationship with the Company".

(Use "○" when the director presently falls or has recently fallen under the category; "△" when the director fell under the category in the past; "●" when a close relative of the director presently falls or has recently fallen under the category; and "▲" when a close relative of the director fell under the category in the past.)

- Person who executes business of the Company or a subsidiary
- Person who executes business or a non-executive director of a parent company
- Person who executes business of a fellow subsidiary
- Person/entity for which the Company is a major client or a person who executes business for such person/entity
- Major client of the Company or a person who executes business for such client
- Consultant, accounting expert, or legal expert who receives large amounts of cash or other assets in addition to director/Audit and Supervisory Board Member compensation from the Company
- Major shareholder of the Company (in cases where the shareholder is a corporation, a person who executes business of the corporation)
- Person who executes business for a client of the Company (excluding persons categorized as any of d, e, or f above) (applies to self only)
- Person who executes business for another company holding cross-directorships/cross-auditorships with the Company (applies to self only)
- Person who executes business for an entity receiving contributions from the Company (applies to self only)
- Other

Outside Directors' Relationship with the Company (2)

Name	Membership of Supervisory Committee	Designation as Independent Director	Supplementary Explanation of the Applicable Relationship	Reasons for Appointment
Shingo Ishizaki	○	○	President and CEO of SI.Management Co., Ltd. Advisor of Asahi Broadcasting Group Holdings Corporation	Has been engaged in investment bank operations at securities companies for many years, and possesses abundant financial expertise acquired through said experience. Expected to play supervisory and advisory roles in the execution of duties by directors, from a specialized perspective based on the said expertise, especially in financial accounting, thereby contributing to the increased governance of our company. Involves no risk of conflicts of interest with the general shareholders of our company regarding human relationships, capital relationships, business relationships, or other relationships with our company, and satisfies the Criteria for the Independence of Outside Directors specified by our company.
Yuko Asami	○	○	Chairperson and Professor, Graduate School of Management, Gakushuin University Professor, Faculty of Economics, Gakushuin University Auditor of Ibaraki University	Is a professor at the Faculty of Economics, Gakushuin University, and has served as a committee member for the Ministry of Finance, the Financial Services Agency, and other organizations demonstrating adequate expertise in finance and accounting. Expected to play supervisory and advisory roles in the execution of duties by directors

			Member of the Certified Public Accountants and Auditing Oversight Board, Financial Services Agency Examiner of Certified Public Tax Accountant Examination, National Tax Agency Member of Standards Advisory Council, Financial Accounting Standards Foundation Member of the Committee on Grants-in-Aid for Scientific Research, Japan Society for the Promotion of Science Member of the Appeals Review Committee, Financial Futures Association of Japan Member of the Disclosure Basic Issues Committee, PRONEXUS Inc.	from a specialized perspective based on the said expertise, especially in corporate accounting, thereby contributing to the increased governance of our company. Has no experience of engagement in corporate management other than serving as an outside director but is considered capable of properly executing the duties of an outside director for the reasons above. Involves no risk of conflicts of interest with the general shareholders of our company regarding human relationships, capital relationships, business relationships, or other relationships with our company, and satisfies the Criteria for the Independence of Outside Directors specified by our company.
Kiyoshi Mukohara	○	○	Has a history of serving as a director and deputy chairman at Sumitomo Mitsui Trust Bank, Limited, a major lender of Daiken Corporation, until March 2015, and as a director at Sumitomo Mitsui Trust Holdings, Inc., which is the parent company of the above, until June 2015. Our company has loans and other transactions with Sumitomo Mitsui Trust Bank, Limited, and the loans account for approx. 1% of our consolidated total assets as of the end of the fiscal year ending March 2022.	Has been engaged in the management of financial institutions for many years and possesses abundant financial and managerial expertise acquired through the said experience. Expected to play supervisory and advisory roles in the execution of duties by directors from a specialized perspective based on the said expertise, especially in corporate management, thereby contributing to the increased governance of our company. Has a history of working at Sumitomo Mitsui Trust Bank, Limited, a major lender of Daiken Corporation, until March 2015, and as a director at Sumitomo Mitsui Trust Holdings, Inc., which is the parent company of the above, but has resigned as a director of the two companies and all other executive positions seven years ago and, therefore, involves no risk of conflicts of interest with the general shareholders of our company regarding human relationships, capital relationships, business relationships, or other relationships with our company, and satisfies the Criteria for the Independence of Outside Directors specified by our company.

Supervisory Committee

Composition of Supervisory Committee and Attributes of the Chairperson

	All Committee Members	Full-time Members	Inside Directors	Outside Directors	Committee Chair
Supervisory Committee	5	2	2	3	Inside Director

Appointment of Directors and/or Staff to Support the Supervisory Committee

Appointed

Matters Concerning Independence of Said Directors and/or Employees from Executive Officers

We appoint one employee to assist with the duties of the Audit and Supervisory Committee (hereinafter referred to as "assistant employee"), who also serves in the internal audit division. When the assistant employee receives orders for the necessary assistance in audit operations from the Audit and Supervisory Committee, the assistant employee shall not receive any instructions or orders from directors (excluding those who serve as Audit and Supervisory Committee members). The transfer, appraisal, and disciplinary action of the assistant employee require agreement by the Audit and Supervisory Committee.

Status of Coordination between Supervisory Committee, Accounting Auditor, and Internal Audit Department

To strengthen our internal audit function, we have an internal audit division that is directly controlled by the Audit and Supervisory Committee. The internal audit division conducts periodic internal audits based on the regulations concerning internal audits under instructions of the Audit and Supervisory Committee and reports the results to the Audit and Supervisory Committee and the president. The appointed employee to assist with the duties of the Audit and Supervisory Committee also serves in the internal audit division. We also have a structure that ensures periodic reporting by the auditors to the Audit and Supervisory Committee.

Voluntary Established Committee(s)

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee

Established

Status of Voluntarily Established Committee(s), Attributes of Members Constituting the Committee and the Committee Chair (Chairperson)

	Committee's Name	All Members	Full-time Members	Inside Directors	Outside Directors	Outside Experts	Other	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Governance Committee	4	0	1	3	0	0	Outside Director
Voluntarily Established Committee Equivalent to Remuneration Committee	Governance Committee	4	0	1	3	0	0	Outside Director

To obtain appropriate engagement and advice from independent directors in the examination of particularly important matters, including the nomination and remuneration of directors and executive officers, improvement in the effectiveness of the entire Board of Directors, and the establishment of governance structures, we have established the Governance Committee as an advisory institution for the Board of Directors, thereby ensuring the effectiveness of the Board's supervisory function on execution.

The Governance Committee is made up by independent outside directors to the majority and is chaired by an independent outside director.

< Membership of Governance Committee >

- Shingo Ishizaki, Outside Director and Chair
- Masanori Okuda, Director
- Yuko Asami, Outside Director
- Kiyoshi Mukohara, Outside Director

< Authority of Governance Committee >

At the request of the Board of Directors, the Governance Committee deliberates the matters below and provides advice and proposals to the Board. The Governance Committee is authorized to urge reporting by the directors, executive officers, and employees regarding the necessary matters in the execution of duties. The Basic Policy on Corporate Governance and the Regulations for the Governance Committee state that the Board shall respect the deliberation and recommendations by the Governance Committee to the maximum.

1. Matters pertaining to the nomination and remuneration of directors and executive officers

- Proposals to the general meeting of shareholders concerning the appointment and dismissal of directors
- Appointment and dismissal of executive officers
- Formulation and disclosure of draft skill matrix concerning directors and executive officers
- Succession planning for directors and executive officers
- Establishment, change, and abolition of the basic policy, rules, and procedures required for the resolution of the four preceding items
- Detailed remuneration for individual directors (excluding those who serve as Audit and Supervisory Committee members) and executive officers
- Appraisal methods and calculation standards for the remuneration of individual directors (excluding those who serve as Audit and Supervisory Committee members) and executive officers
- Establishment, change, and abolition of the basic policy, rules, and procedures required for the resolution of the two preceding items

2. Matters pertaining to the evaluation of the effectiveness of the entire Board of Directors and the establishment of governance structures

- Evaluation of the effectiveness of the entire Board of Directors
- Establishment, important change, and abolition of systems and policies concerning governance structures, including the basic policy for the establishment of internal control system
- Establishment, change, and abolition of transactions among the related parties
- Analysis and measures concerning dissenting votes exceeding a specified number in the resolution of the general meeting of shareholders
- Necessity and rationality in the examination of capital policies that may compromise the shared profit of shareholders, such as MBO and capital increase

< Sessions held in FY 2022 >

7

< Key agenda items in FY 2022 >

- Proposal for the appointment of directors
- Remuneration amounts for directors
- Method for the effectiveness evaluation of the Board and the evaluation results
- Review of the corporate governance structures and policies
- Method for the disclosure of the skill set to be possessed by the directors
- Disclosure details based on Japan's revised Corporate Governance Code

Matters Concerning Independent Directors

Number of Independent Directors

3

Other Matters Concerning Independent Directors

We have established the criteria for assessing the independence of outside directors as follows.

[Criteria for the Independence of Outside Directors]

The Company has established the following criteria to determine the independence of outside directors.

The Company considers an outside director independent if the person meets the requirements of category 1, has met them at any time in the past, currently meets the requirements of categories 2–6, and has met them for the past five years.

1. Persons affiliated with the Daiken Group

A person shall not be a director (excluding an outside director), an Audit and Supervisory Committee member (excluding an outside Audit and Supervisory Committee member), an accounting advisor, a corporate officer, an executive officer, or an employee (hereinafter collectively called "Directors") of the Company or any of its subsidiaries and affiliates (hereinafter collectively called the "Daiken Group").

2. Holder of voting rights of the Company

A person shall not be a shareholder who owns 10% or more of the Company's voting shares nor a Director of such shareholder entity.

A person shall not be a Director of a company wherein 10% or more of the voting shares are owned by the Daiken Group

3. Person affiliated with a business partner entity

A person shall not be a Director of a business partner entity that has business transactions with the Company worth 2% or more of its consolidated annual sales or annual purchase amount as appropriate, or with which the Daiken Group has business transactions worth 2% or more of its consolidated annual sales or annual purchase amount as appropriate.

A person shall not be a Director of a financial institution that is a major lender of the Daiken Group (which lends an amount equivalent to 2% or more of the Daiken Group's consolidated total assets).

A person shall not be a Director of the Daiken Group's lead managing underwriter.

4. Professional (attorney, certified public account, consultant, or others)

A person shall not be a certified public accountant who serves as the Daiken Group's accounting auditor, or an employee, partner or associate of an auditing firm that is the Daiken Group's accounting auditor.

A person shall not receive compensation of 10 million yen or more from the Daiken Group as a public certified accountant, certified tax accountant, attorney, or consultant, in addition to compensation as a director or auditor of the Daiken Group.

5. Recipient of donations

A person shall not receive donations that exceed 10 million yen annually from the Company nor shall the person serve in an executive role in an organization that receives donations that exceed 10 million yen annually from the Company.

6. Other

A person shall not be a relative within two degrees of kinship of a person who fails to meet the requirements of the above categories 1 to 5 (excluding an unimportant person).

A person shall not be a Director of a company between which the Daiken Group directors are mutually appointed.

Incentives

Implementation Status of Measures related to Incentives Granted to Directors

Introduction of Performance-linked Remuneration System, etc.

Supplementary Explanation for Applicable Items

Our remuneration for executive officers consists of the mission remuneration based on responsibilities, the performance remuneration based on corporate performance and achievements in the respective fields, and stock-based compensation.

See "Director Remuneration" below for the policy concerning the shares of performance-linked remuneration and other remuneration, indicators pertaining to the performance-linked remuneration, reasons for selecting the indicators, and the method for determining the amounts of performance-linked remuneration.

Persons Eligible for Stock Options

Supplementary Explanation for Applicable Items

Director Remuneration

Status of Disclosure of Individual Directors' Remuneration

Individual remuneration is not disclosed

Supplementary Explanation for Applicable Items

1. Details of executive remuneration

We disclose the total amount of remuneration for each executive category, the total amount of remuneration by type, and the number of applicable executive officers.

2. Details of audit remuneration

We disclose the remuneration paid to or payable to auditing public accountants by submitting companies and the consolidated subsidiaries of the submitting companies divided into the remuneration based on audit certification operations and remuneration based on other operations.

Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

Established

Disclosure of Policy on Determining Remuneration Amounts and the Calculation Methods Thereof

[Matters pertaining to the policy for determining remuneration amounts and calculation methods]

(Policy)

The Board of Representative Directors prepares a draft plan for the executive remuneration systems, which is subject to deliberation and recommendations by the Governance Committee, where the majority consists of independent outside directors, and determination by the Board of Directors based on the results thereof. The basic policy is as follows. The respective remuneration amount for each title is determined based on the comprehensive consideration of their range of responsibilities and authorities.

- a. The remuneration system shall be based on the practice of the group corporate philosophy.
- b. The remuneration system shall be designed reflecting the long-term vision GP25 and the medium-term management plan, prevent too great an emphasis on short-term inclinations, and motivate the improvement of medium- to long-term corporate value.
- c. The standards and system of remuneration shall be effective enough to secure excellent human resources to whom we can entrust our future.
- d. The procedure for determining remuneration shall be transparent, fair, and objective to achieve the responsibilities of explanations to all stakeholders including shareholders, investors, and employees.

(Share of performance-linked remuneration)

Our remuneration for executive officers consists of the mission remuneration based on responsibilities, performance remuneration based on corporate performance and achievements in the respective fields, and stock-based compensation. The share of performance-linked remuneration in the overall remuneration is approx. 40% and varies in accordance with performance.

(Performance indicators and reasons for use)

As performance indicators, we use profit attributable to owners of the parent and operating profit. Profit attributable to owners of the parent and operating profit are managerial indexes of the medium-term management plan, and we consider them suitable as indicators for determining the remuneration for directors.

(Method for determining performance-linked remuneration)

The total amount of performance remuneration in the overall performance-linked remuneration and the individual payment amounts are calculated by the calculation formula specified in the detailed rules resolved by the Board of Directors. The calculated remuneration amounts are subject to deliberation and recommendations by the Governance Committee and determination based on the results thereof.

(Details of nonmonetary compensation)

Our shares are provided as nonmonetary compensation. We provide our directors (excluding those who serve as Audit and Supervisory Committee members) with annual monetary compensation receivables up to 30 million yen as compensation for shares with restrictions on transfer based on the resolution of our Board of Directors. Each director receives the allocation of up to 48,000 shares with restriction on transfer by the investment in kind of the entire monetary compensation receivables above. The payment amount for the shares with restrictions on transfer is determined by our Board of Directors within a range that is not particularly advantageous for the directors who receive the relevant shares with restrictions on transfer based on the closing price of our common shares (closing price on the previous trading day if no trade has been made on the day) at

the Tokyo Stock Exchange on the business day preceding the day of the resolution by the Board of Directors pertaining to the relevant issuance or disposition. The monetary compensation receivables above are provided on condition that the relevant director agrees to the investment in kind described above, and that the director has concluded an agreement for the allocation of shares with restrictions on transfer.

(Resolution of the general meeting of shareholders concerning executive remuneration)

At the 105th Annual General Meeting of Shareholders on June 25, 2021, resolutions were made that the annual remuneration ceiling for directors (excluding those who serve as Audit and Supervisory Committee members) should be 300 million yen (excluding the employee payment for directors who also serve as employees), and the annual remuneration ceiling for directors who serve as Audit and Supervisory Committee members should be 108 million yen. At the same general meeting of shareholders, it was also resolved that the total amount of annual monetary compensation receivables paid to directors (excluding those who serve as Audit and Supervisory Committee members) for shares with restrictions on transfer should be 30 million yen apart from the remuneration specified above.

(Authority and discretion for the determination of policy concerning executive remuneration amounts and calculation methods, and the procedures, roles, and activities of committees)

The Board of Directors has the authority for the determination of policy concerning executive remuneration amounts and calculation methods. The authority is delegated to the Board of Representative Directors based on the resolution of the Board of Directors. The reason for delegation is that we consider the Board of Representative Directors is suitable for the evaluation of the divisions handled by each director considering the performance of the entire company. To ensure transparency, impartiality, and objectivity in the determination of remuneration, the remuneration is subject to deliberation and recommendations by the Governance Committee and determination by the Board of Directors. As committee activities concerning executive remuneration for this fiscal year, the Board of Representative Directors meetings were held on April 25, 2022, and the Governance Committee meeting was held on May 9, 2022.

Support System for Outside Directors

- The Management Planning Department is in charge of providing support, including the notification of Board of Directors' meetings and the prior distribution of materials.
- We have established a system for the periodic reporting of execution status including the summarized results of deliberation by the Executive directors committee.
- We have also an environment for periodic information exchange in order to strengthen coordination among outside directors.

2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System)

[Execution of operations]

We introduced an executive officer system in June 2002 to ensure expedited, efficient, and sound decision-making. The present management structure consists of 20 executives consisting of 9 directors (including 3 outside directors and 3 directors who also serve as executive officers) and 11 executive officers. The executive directors, executive officers, and employees execute their duties in accordance with the Group Corporate Philosophy and the Group Conduct Guidelines as the bases of compliant management.

[Board of Directors]

The Board of Directors consists of 9 directors (including 3 outside directors).

The responsibility and role of the Board of Directors is to exercise its supervisory function over management, thereby ensuring impartiality and transparency in management, and to make important executive decisions for our company.

To properly fulfill its role and responsibility, the Board of Directors has established the Governance Committee, which consists of independent outside directors to the majority. The Governance Committee provides advice and proposals at the request of the Board of Directors, in the examination of particularly important matters including the nomination and remuneration of directors and executive officers, improvement in the effectiveness of the entire Board of Directors, and the establishment of governance structures, thereby further enhancing the effectiveness of the Board's supervisory function on execution.

In accordance with the applicable laws, the Articles of Incorporation, the resolutions of the general meeting of shareholders, the Rules for the Board of Directors, the Group Corporate Philosophy, and the Group Conduct Guidelines, the Board of Directors makes decisions concerning the management policy of the company, management strategies, business plans, the acquisition and disposition of important properties, and important organizational and personnel matters, while supervising the execution of operations at our company and its subsidiaries.

[Directors and executive officers]

The executive directors execute their duties based on the roles determined by the Board of Directors in accordance with the applicable laws, the Articles of Incorporation, the resolutions of the Board of Directors, the Regulations for Operational Authorities, the Regulations for the Division of Duties, the Regulations for Approval and Authorization, and other in-house regulations. They also report the status of execution to the Board of Directors to share the status of execution of duties at least once every three months and whenever necessary.

The executive officers are appointed by the Board of Directors following deliberation by the Governance Committee and are engaged in the execution of operations in specified fields in accordance with the applicable laws, the Articles of Incorporation, the resolutions of the Board of Directors, the Regulations for Executive Officers, and other in-house regulations. They determine specific objectives in each assigned field and efficient methods for attaining them, and periodically report the status of execution to the Executive directors committee thereby striving to achieve efficient execution.

[Establishment of nomination, remuneration, and governance structures]

To obtain appropriate engagement and advice from independent directors in the examination of particularly important matters that include the nomination and remuneration of directors and executive officers, improvement in the effectiveness of the entire Board of Directors, and the establishment of governance structures, we have established the Governance Committee as an advisory institution for the Board of Directors, thereby ensuring the effectiveness of the Board's supervisory function on execution.

The Governance Committee is made up by independent outside directors to the majority and is chaired by an independent outside director.

[Audit and Supervisory Committee and its members]

The Audit and Supervisory Committee consists of five Audit and Supervisory Committee members, including three independent outside directors.

The Audit and Supervisory Committee conducts audit in accordance with the annual audit plan.

The Audit and Supervisory Committee exercises its authority specified by applicable laws and conducts audits of the proper execution of duties by directors in accordance with the Rules for the Audit and Supervisory Committee and the Audit Standards for the Audit and Supervisory Committee in collaboration with the auditors and the internal audit division.

They also pursue the improved quality of audit through participation in important management meetings and access to important documents and have periodic opinion exchanges with the president.

[Internal audit]

To strengthen our internal audit function, we have an internal audit division that is directly controlled by the Audit and Supervisory Committee. The division conducts internal audits of overall operations, and provide reporting and explanation concerning operational improvement to the Audit and Supervisory Committee and the president when necessary, thereby promoting information sharing.

The internal audit division evaluates the establishment and management of internal control concerning financial reporting from an independent viewpoint.

[Accounting audit]

We have concluded audit agreement with Gyosei & Co. to receive statutory audits required by the Companies Act and by the Financial Instruments and Exchange Act. The Auditors conduct audits of financial statements from an independent third-party standpoint. We receive reports on audit results, exchange opinions when necessary, and ask for advice for improvement.

We provide information and data and establish an environment that enables rapid and correct audit.

3. Reasons for Adoption of Current Corporate Governance System

Under the group corporate philosophy, we are committed to sustainable improvements in corporate value for all shareholders and other stakeholders; therefore, we continuously pursue and improve the optimal corporate governance system. As part of this pursuit, we have divided the executive function and the supervisory function and have strengthened the supervisory function of the directors who serve as Audit and Supervisory Committee members. In June 2021, we shifted to a company with Audit and Supervisory Committee aiming to further strengthen our corporate governance and improve our medium-term and long-term corporate value by further expediting the execution of operations and the relevant decision-making process. In addition, we established the mechanisms below, which we consider the most efficient structure to maximize the effectiveness of corporate governance at present.

1) We have introduced executive officer system and the executive position system to achieve efficient execution and clarify responsibilities.

2) To strengthen the impartiality, transparency, and soundness of management, we established the Governance Committee, which consists of independent outside directors to the majority. The Governance Committee provides advice and proposals at the request of the Board of Directors, in the examination of particularly important matters including the nomination and remuneration of directors and executive officers, improvement in the effectiveness of the entire Board of Directors, and the

establishment of governance structures.

3) To strengthen the supervisory and audit functions, we select highly independent outside directors.

4) To strengthen the decision-making function, we established the Executive directors committee.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Facilitate Exercise of Voting Rights

	Supplementary Explanation
Early Posting of Notice of the General Shareholders Meeting	We published the notice on our website and the website of the Tokyo Stock Exchange 25 days prior to the date of the general meeting of shareholders and sent it to shareholders 18 days prior to the meeting. (Actual data of 2022)
Electronic Exercise of Voting Rights	We accept the exercise of voting rights online.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	We prepare the English translation of the notice and reference documents for the general meeting of shareholders and publish it on our website and on the information service website of the TSE listed companies

2. Status of IR-related Activities

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Regular Investor Briefings held for Analysts and Institutional Investors	We hold financial results briefing sessions every six months. The president and the executive officers in charge provide explanation and respond to questions from analysts and institutional investors. The video of the sessions are distributed on our website.	Held
Online Disclosure of IR Information	We publish materials to be disclosed, annual securities report, materials on financial results, corporate governance status, Notice of the Annual General Meeting of Shareholders, Shareholder newsletter, Integrated report, invitation to IR events, internal control report, and other documents in a timely manner.	
Establishment of Department and/or Placement of a Manager in Charge of IR	The IR Department serves as the contact for IR.	

3. Status of Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	We stipulate matters pertaining to respect for the standpoints of all stakeholders in the Group Corporate Philosophy and the Group Conduct Guidelines in order to broadly announce our attitude to outside, and endeavor to disseminate the attitude throughout the company.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	Since our foundation, we have pursued environment-oriented manufacturing leveraging recycled materials and unused resources. We are expanding business with eco-friendly industrial materials at its core, based on our proprietary ecological technologies that we have accumulated and upgraded as a resource-recycling company. We also implement other environmental conservation activities, which are reported in our Integrated report, and other reports, as well as on our website.

IV. Matters Concerning the Internal Control System

1. Basic Views on Internal Control System and Status of Development

In accordance with the provisions of Article 399-13, paragraph (1), item (i), (b) and (c), of the Companies Act, we shall develop, as described below, the systems for deciding the matters necessary for the execution of the duties of our Audit and Supervisory Committee, the systems necessary to ensure that the execution of the duties by the directors complies with the laws and regulations and the articles of incorporation, and other systems necessary to ensure the properness of operations of our company and of the operations of a group of our company and its subsidiary companies (hereinafter collectively referred to as "internal control systems").

1. Systems necessary to ensure that the execution of the duties by the directors and employees complies with the laws and regulations and the articles of incorporation

(1) Corporate governance

- a. In accordance with the applicable laws, the Articles of Incorporation, the resolutions of the general meeting of shareholders, the Rules for the Board of Directors, the Group Corporate Philosophy, and the Group Conduct Guidelines, the Board of Directors makes decisions concerning important managerial matters and supervises the execution of duties by directors.
- b. The executive directors execute the operations of our company based on the roles determined by the Board of Directors, in accordance with the applicable laws, the Articles of Incorporation, the resolutions of the Board of Directors, the Regulations for Operational Authorities, the Regulations for the Division of Duties, the Regulations for Approval and Authorization, and other in-house regulations.
- c. The executive directors report the status of execution of operations to the Board of Directors at least once every three months and whenever necessary.
- d. More than one outside director is invited to strengthen the supervisory function of the Board of Directors and to ensure transparency in the decision-making process.
- e. The Audit and Supervisory Committee exercises its authority specified by applicable laws and conducts audits of the proper execution of duties by executive directors in accordance with the Rules for the Audit and Supervisory Committee and the Audit Standards for the Audit and Supervisory Committee in collaboration with the auditors and the internal audit division.

(2) Compliance

- a. The directors, executive officers, and employees shall act in accordance with the Group Corporate Philosophy, as well as with the Group Conduct Guidelines, which incorporate compliance-related matters. The Board of Directors shall promote the broad dissemination and observation of the Group Conduct Guidelines.
- b. We appoint the compliance division in order to establish the Risk and Compliance Management Committee (hereinafter referred to as "RCM Committee") for ensuring strict compliance.
- c. The RCM Committee establishes the overall compliance systems of our group and undertakes compliance control and management, while the compliance division promotes specific measures, disseminates preventive measures, and implements training.
- d. We establish a hot line based on the Regulations for Whistleblowing as a means for direct information provision by employees concerning legally questionable conduct to the executive officer in charge of crisis management and Audit and Supervisory Committee members in order to ensure the prevention and early detection of noncompliance issues.

(3) Establishment of systems for ensuring proper financial reporting

- a. We establish the Regulations for Accounting and other in-house regulations, while the finance and accounting division leads the establishment of internal control systems for financial reporting and accounting process, thereby enhancing systems to ensure proper financial reporting in compliance with the accounting standards and other applicable laws and regulations.
- b. We established the Information Disclosure Committee to ensure proper information disclosure.

(4) Internal audit

Under instructions of the Audit and Supervisory Committee and in accordance with the regulations for internal audit, the internal audit division conducts periodic internal audits of the status of compliance with the applicable laws and regulations, the Articles of Incorporation, and in-house regulations, as well as of the reasonableness of the procedures and practice of operations with regard to overall operations. The internal audit division reports the audit results to the Audit and Supervisory Committee and the president. The president may provide instructions to the internal audit division by way of the Audit and Supervisory Committee.

The internal audit division also conducts follow-up audits of the status of improvement based on findings and recommendations in internal audit.

2. Systems for the retention and management of information concerning the execution of duties by directors

- (1) We establish the Regulations for Information Management, the Regulations for Document Management, and other in-house regulations concerning the retention and management of information, in order to ensure the proper information retention and management.
- (2) The directors appropriately retain and manage the minutes of the general meetings of shareholders, the minutes of the Board of Directors meetings, and other statutory documents, as well as documents (including electromagnetic records;

the same applies hereinafter) that indicate important information concerning the execution of duties in accordance with the Regulations for Information Management, the Regulations for Document Management, and other in-house regulations.

(3) The directors may access information in the preceding paragraph at any time.

3. Regulations and other systems concerning the management of the risks of loss

(1) We formulate the RCM Program and designate the division in charge and headquarters concerning the risks pertaining to compliance, the environment, disasters, product quality, information security, and export control. We establish the Regulations for Risk Management and strengthen our risk management systems to ensure the proper monitoring and corporate-wide measures for risks throughout our group.

(2) We establish the RCM Committee chaired by the Representative Director and consisting of the related division directors. To ensure the effective functioning of management systems for risk identification, assessment, and handling, we develop applicable regulations and manuals and implement the periodic review thereof.

(3) We formulate the Disaster BCP Manual for disasters with high human life risks and economic risks, stipulate the procedures for early business recovery including contribution to the restoration of local communities placing the first priority on human lives, and undertake recovery activities starting with safety confirmation.

(4) We prevent credit risks in accordance with the provisions of the in-house regulations concerning credit limit.

(5) We deliberate investment risks at the Investment Assessment Committee, and review and determine proposed investments at the Board of Directors or the Executive directors committee referring to the results of deliberation at the Investment Assessment Committee.

4. Systems to ensure the efficient execution of duties by directors

(1) Executive officer system

a. The executive officer system is introduced to clarify the division of roles between the execution and supervision of management, as well as to enable rapid and efficient execution of duties.

b. The Executive directors committee consisting of executive officers is established to undertake multifaceted examination on important matters concerning the execution of duties and the general executive policies for corporate management.

c. The executive officers are appointed by the Board of Directors following preliminary deliberation by the Governance Committee, where the majority consists of independent outside directors, and are engaged in the execution of operations in specified fields in accordance with the applicable laws, the Articles of Incorporation, the resolutions of the Board of Directors, the Regulations for Executive Officers, and other in-house regulations.

d. The executive officers determine specific objectives in each assigned field and efficient methods for attaining them and execute operations. They also periodically report the status of execution to the Executive directors committee thereby striving to achieve efficient execution.

(2) Clarification of authorities and responsibilities

To ensure the proper and efficient execution of duties, we establish the Regulations for Operational Authorities, the Regulations for the Division of Duties, the Regulations for Approval and Authorization, and other in-house regulations, thereby clarifying the authorities and responsibilities of individual managers.

5. Systems necessary to ensure the properness of operations of our company and of operations of a group of our company and its subsidiary companies

(1) Systems for the management of subsidiaries

We appoint an executive officer in charge for each subsidiary, and the relevant executive officer and the responsible division undertake the business management and guidance for the subsidiary. In principle, directors and Audit and Supervisory Board members are dispatched to each subsidiary in order to ensure proper operations. The executive officer in charge of each subsidiary is reported to the Executive directors committee and the Audit and Supervisory Committee of the parent company when necessary. To ensure the proper and efficient execution of duties by the directors of subsidiaries, the Regulations for Approval and Authorization stipulate matters pertaining to subsidiaries to clarify the respective authorities and responsibilities.

(2) Compliance

We appoint a promotional manager at each subsidiary in order to establish compliance systems and risk management systems. The compliance division promotes and manages overall compliance measures throughout our group including subsidiaries.

(3) Internal audit

The overall operational activities at subsidiaries are included in the scope of internal audits by the internal audit division of the parent company. The internal audit division of the parent company promotes the establishment of internal audit systems in our group, and endeavors to improve the quality of audits in our group in collaboration with the Audit and Supervisory Board members of subsidiaries.

6. Matters pertaining to an employee to assist with the duties of the Audit and Supervisory Committee, the independence of the employee from directors (excluding those who serve as Audit and Supervisory Committee members), and ensuring the effectiveness of instructions to the employee

(1) We appoint an employee to assist with the duties of the Audit and Supervisory Committee (hereinafter referred to as "assistant employee"), who also serves at the internal audit division. When the assistant employee receives orders for the necessary assistance in audit operations from the Audit and Supervisory Committee, the assistant employee shall not

receive any instruction or order from directors (excluding those who serve as Audit and Supervisory Committee members).

(2) The transfer, appraisal, and any disciplinary action of the assistant employee require agreement by the Audit and Supervisory Committee.

7. Systems for directors (excluding those who serve as Audit and Supervisory Committee members) and employees to report to the Audit and Supervisory Committee, and systems concerning other reports to the Audit and Supervisory Committee

(1) The Audit and Supervisory Committee consists of five Audit and Supervisory Committee members including three independent outside directors. The Audit and Supervisory Committee members participate in the Executive directors committee and other important meetings to monitor the efficient execution of duties by directors.

(2) Directors (excluding those who serve as Audit and Supervisory Committee members) or employees of our company, as well as executive officers in charge of subsidiaries or employees of subsidiaries, shall promptly report any statutory issues, other matters that may have significant impact on our company or our group, implementation status of internal audit, reporting status to the whistleblowing hot line, and the details of such reporting.

8. Systems for ensuring that individuals reporting to the Audit and Supervisory Committee will not receive any disadvantageous treatment on the basis of such reporting

Individuals reporting to the Audit and Supervisory Committee shall not receive any disadvantageous treatment on the basis of such reporting. Directors, executive officers, and employees shall comply with this rule.

9. Matters pertaining to procedures for the advance payment and reimbursement of expenses incurred on the execution of duties for the Audit and Supervisory Committee, as well as policies for the treatment of expenses and payables incurred on the execution of such duties

The advance payment of expenses and receivables incurred on the execution of duties for the Audit and Supervisory Committee shall be promptly processed, unless it is proved that the expenses or receivables are not necessary for the execution of duties for the Audit and Supervisory Committee.

10. Other systems to ensure the effective conduct of audit by the Audit and Supervisory Committee

(1) The appointment, appraisal, and transfer of the internal audit division director requires prior agreement by the Audit and Supervisory Committee.

(2) Under instructions of the Audit and Supervisory Committee, the internal audit division determines internal audit plan, periodically reports progress to the Audit and Supervisory Committee, and pursues the improved quality of audit through close information exchange.

(3) A forum is established for periodic opinion exchange between the Audit and Supervisory Committee and the president.

2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development

The Group Conduct Guidelines distributed to employees declare and disseminate compliance with laws in individual countries and regions and behavior with high ethics. The Executive directors committee has determined the introduction and practice of provisions for the exclusion of antisocial forces from the agreements concluded by our group.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures

Not Adopted

Supplementary Explanation for Applicable Items

2. Other Matters Concerning the Corporate Governance System

Overview of Timely Disclosure

1. Policy

The Company has established the Group Code of Conduct with respect to the disclosure of corporate information, and we have declared that we will communicate not only with shareholders but also with society as a whole and disclose corporate information in an active and fair manner in order to increase the transparency of corporate activities. Additionally, we have communicated this commitment throughout the organization to ensure the full awareness and commitment of all employees.

2. Information Disclosure System

With regard to the information that must be disclosed under the Financial Instruments and Exchange Act and other applicable laws and regulations, our information disclosure system is designed so that when the Board of Directors of the Company resolve or decide to disclose information or when the Company recognizes the need for such disclosure, the information shall

be disclosed immediately.

In order to promptly and appropriately handle the risks that have already occurred, the Company has established the Risk Management Rules and the Crisis Response Manual, among other policies and regulations, to ensure that information on important matters is immediately communicated by each department and subsidiary to the Corporate Information Handling Officer.

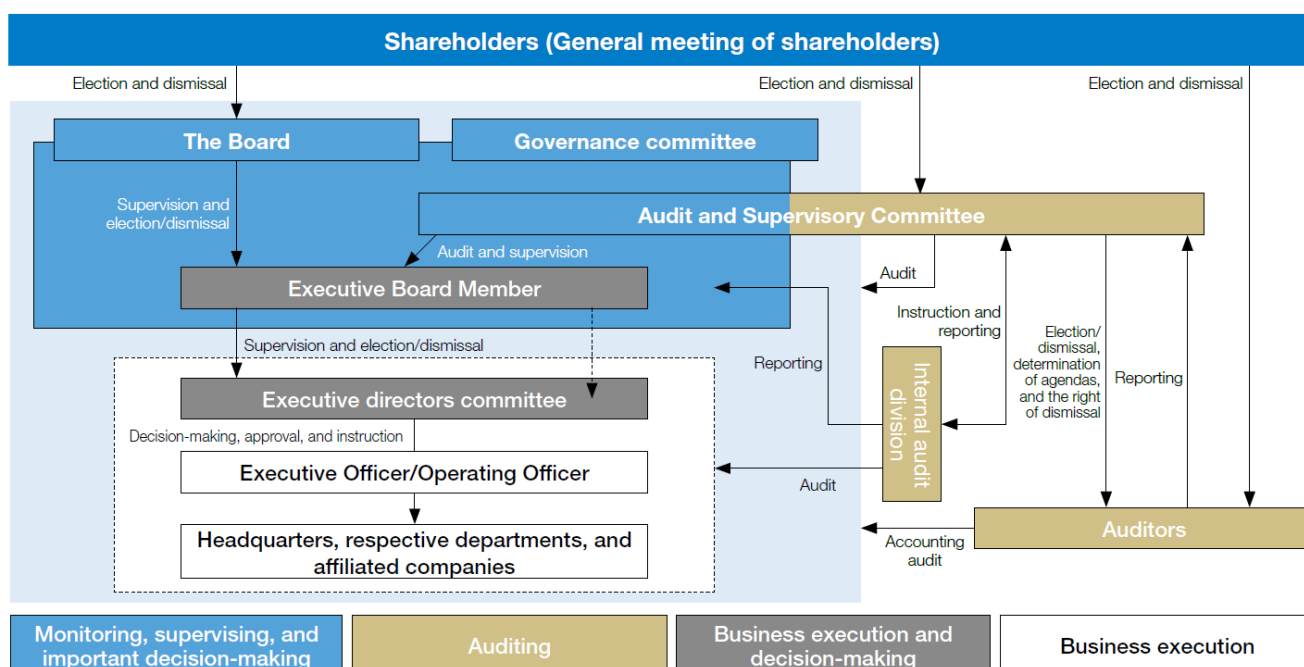
With regard to important information, the necessity and details of information disclosure are studied by the responsible committees, such as the Risk and Compliance Management Committee, as well as by the relevant departments, such as the Accounting Department and the Corporate Planning Department, and then the information is disclosed and made public under the instructions of the Corporate Information Handling Officer.

The Company's policy for the management of corporate information is set forth in the Information Management Rules, Rules regarding Insider Trading Regulations, and other documents to ensure the maintenance of confidentiality of important internal information and the prevention of insider trading.

3. Monitoring of Timely Disclosure System

In order for the Company to continue to maintain and improve the timeliness of information disclosure, the Audit and Supervisory Committee and Internal Audit Department supervise the execution of the Company's business operations from an independent standpoint to ensure that the Timely Disclosure System is established and effectively operated and that the business operations are conducted lawfully.

Corporate Governance Framework



END