

(Translation)

March 29, 2022

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## **Notice Regarding the Amendment of the Basic Policy for the Internal Control System**

Taikisha Ltd. (the Company) announces that it has resolved at its Board of Directors meeting held on March 29, 2022, to amend the Basic Policy for the Internal Control System. The policy after amended is as follows:

### **Basic Policy for the Internal Control System**

#### **[Objectives]**

The Company shall provide for the basic policy for improvement and operation of the internal control system of the Company and the Taikisha Group as follows, pursuant to the Companies Act and the Ordinance for Enforcement of the Companies Act, in order to familiarize and thoroughly carry out execution of observance of the laws and regulations, and to ensure proper and efficient business operation.

#### **[Specific contents]**

##### **1. The System to Ensure the Appropriateness of Operations in the Taikisha Group**

(1) The Company shall provide for Mission Statement “Customers First”, Corporate Philosophy, and Management Vision, as well as remind all persons involved about and realize them.

(2) The Company shall appoint appropriate and diverse Directors who can contribute to realization of materiality which the Taikisha Group shall address, assess them properly, and establish the Director compensation system which provides a strong incentive. In order to ensure transparency in appointment of Directors and the Director compensation system, the Nomination Advisory Committee and the Compensation Advisory Committee shall be established, which are chaired by an Outside Director.

(3) The Board of Directors shall resolve policies and measures for improving and establishing the optimal governance system to the Company and the Taikisha Group, and monitor its operation status on a regular basis. Through consultation on the resolutions with the Governance Committee which is chaired by an Outside Director and composed mainly of Outside Officers, the governance system shall be further optimized.

(4) The Internal Control Committee composed of Executive Directors shall, as an executive body on the executive side, implement measures for improving and establishing the optimal governance system on the basis of resolutions by the Board of Directors.

(5) The Company shall provide for the Affiliate Management Rules to establish management systems of the group companies including an improvement of the reporting system to the Company, make operations of the group companies appropriate, and improve management efficiency of the entire Taikisha Group.

(6) The Company shall carry out audits for the Company and group companies by the Internal Audit Department on a regular basis in accordance with the Internal Audit Rules. As a result of the internal audits, when a risk of loss for the Company and group companies is found, Directors, Audit & Supervisory Board Members, and other responsible departments shall be so reported and immediately take appropriate measures.

(7) The Company shall set the Basic Rules for Internal Control, and improve a system for ensuring appropriateness and reliability concerning financial reports.

(8) As a Company with an Audit & Supervisory Board, the Company shall establish the audit system set forth in 6 to 7 of this basic policy. With said system, Audit & Supervisory Board Members shall audit improvement and operation status of the internal control system of the Company and group companies on a regular basis.

## **2. The System to Ensure Execution of Duties in Conformity with Laws and Regulations, and the Articles of Incorporation**

(1) The Company shall establish the Taikisha Ltd. Code of Conduct, make all Directors and employees aware of legal compliance, and promote the improvement of the compliance system. At the Compliance Committee chaired by the Representative Director, President, issues on compliance in the entire business shall be considered and dealt with, and a status of compliance shall be verified.

(2) The Company shall, as the Whistle-blowing System, have in place an internal reporting system reporting to the Corporate Compliance Department and an external reporting system reporting to an independent outside attorney. If a risk such as legal violation is found in the Company and group companies, appropriate measures shall be taken immediately.

(3) In the event of signs of a significant event, the Corporate Compliance Committee consisting of all officers, the General Manager of the Corporate Compliance Department, and the General Manager of the Internal Audit Department shall be convened promptly in order to deal with such event.

(4) The Company shall refuse any involvement of Anti-Social Forces in its business, reject any requirement from them, and prohibit all Directors and employees of the Company and group companies to have any relationship with them in order to thoroughly exclude Anti-Social Forces.

## **3. The System regarding Risk Management**

(Under usual condition)

(1) The Company shall establish the Risk Management Rules and, at the Risk Management Committee, identify risks of the Company and group companies in an integrated fashion and implement effective and efficient risk management.

(2) Depending on risks identified by the Risk Management Committee, each department shall formulate and implement specific countermeasures. Progress and results shall be reported to the Board of Directors via the Risk Management Committee.

(In a contingency)

(3) For the purpose of response to exposed potential major risks (hereinafter referred to as crisis) and

management thereof, the Company shall establish the Crisis Management Committee. In the event that crisis breaks out, the Company shall, in accordance with the basic policy of crisis management, establish the crisis management team or the crisis task force to respond to the crisis under the supervision of the Crisis Management Committee. The Company shall also establish a business continuity plan to restore the damage caused by the crisis.

#### **4. The System regarding the Storage and Management of Information Related to the Execution of Duties**

(1) Information and documents related to execution of duties shall be handled pursuant to internal rules and regulations, especially the Information Security Rules and Document Management Rules, and shall be appropriately stored, managed and disposed of.

(2) The Company shall have in place a system to disclose information concerning corporate activities in a timely and appropriate manner in accordance with laws and regulations, as well as the disclosure requirements of Tokyo Stock Exchange, etc.

#### **5. The System to Ensure the Efficient Execution of Duties**

(1) Based on the Board of Directors Rules, Rules for Managerial Approval, and other internal rules, the Board of Directors shall resolve and monitor important matters. In relation to matters submitted to the Board of Directors, adequate materials shall be delivered in advance, and enough time for deliberation shall be ensured. The criteria for submission to the Board of Directors shall be appropriately checked and reviewed.

(2) With a corporate officer system, responsibilities and authorities of corporate management and duty execution shall be clarified, aiming for revitalization of the Board of Directors and promotion of rapid decision making.

(3) The Management Meeting, mainly consisting of the Executive Directors, shall carry out sufficient deliberations and prompt decision making on management issues and specific matters of the Company and the Taikisha Group delegated by the Board of Directors.

(4) With the Company's Corporate Philosophy as a foundation, each departmental headquarters and business divisions, after the Policy Review Meeting, shall establish an appropriate annual policy and annual target, and shall work in order to achieve those targets.

#### **6. The System regarding Reporting to the Audit & Supervisory Board Members**

(1) When finding the following matters, Directors and employees shall immediately report to Audit & Supervisory Board Members.

- i) Matters which may cause serious harm to the Company and group companies
- ii) Significant violation of laws and regulations or internal rules concerning execution of duties by the Company and group companies
- iii) Violation of laws and regulations and the Articles of Incorporation by Directors and employees or facts that may lead to such violations

(2) The manager of the responsible department of the Company who received a report from group companies shall make a report at a meeting at which the Audit & Supervisory Board Members are present or as necessary to the Audit & Supervisory Board Members of the Company in accordance with the Affiliate Management Rules.

(3) The Internal Audit Department shall report an internal audit plan and audit results to the Audit & Supervisory Board Members on a regular basis.

(4) The Corporate Compliance Department shall report operation status of the Whistle-blowing System, matters reported, and contents of consultations to the Audit & Supervisory Board Members on a regular basis.

(5) Internal approval documents and proceedings of important meetings, etc. shall be always available for the Audit & Supervisory Board Members.

(6) The Corporate Compliance Department shall, at the request of the Audit & Supervisory Board, monitor and supervise the situation so that the person who made a report is not treated in a disadvantageous manner because he or she made such report.

**7. System to Ensure the Effective Implementation of Audits by Audit & Supervisory Board Members**

(1) Other than the Board of Directors meeting, Audit & Supervisory Board Members may attend the Management Meeting, and other important meetings to express opinions.

(2) Directors and employees shall, upon request from Audit & Supervisory Board Members, explain matters concerning business execution.

(3) The Representative Director, the Chief Executive of the Administrative Management Headquarters, and the General Manager of the Internal Audit Department shall arrange meetings and consultations in order to thoroughly discuss and examine the improvement of the environments for audits conducted by Audit & Supervisory Board Members, and shall ensure the effectiveness of such audits.

(4) Audit & Supervisory Board Members may make requests for improvement of the audit system and other related matters in order to ensure the effectiveness of audits conducted by them.

(5) The Company shall establish the Audit & Supervisory Board Members Office under the Audit & Supervisory Board Members and appoint employees who shall assist with the Audit & Supervisory Board Members' duties.

(6) Consent from Audit & Supervisory Board Members shall be required for appointment, dismissal and transfer of those employees from positions and personnel evaluation, and the Company shall ensure that they are independent of Directors and instructions to them are effective.

(7) Audit & Supervisory Board Members may request that any expenses incurred with respect to the execution of duties be paid in advance or reimbursed in accordance with the provisions of the Audit & Supervisory Board Rules.

Established on May 9, 2006  
Amended on May 11, 2007  
Amended on March 27, 2008  
Amended on March 25, 2009  
Amended on March 24, 2010  
Amended on March 29, 2012  
Amended on March 26, 2013  
Amended on April 24, 2015  
Amended on April 2, 2018  
Amended on April 1, 2022