

## **Fundamental Corporate Governance Policy**

Established on November 9, 2015  
Partially Revised on December 21, 2018  
Partially Revised on April 1, 2020  
Partially Revised on November 1, 2021  
Partially Revised on April 1, 2022  
Partially Revised on June 28, 2023  
Partially Revised on June 1, 2024

### **Chapter I General Provisions**

#### **Article 1 (Objective)**

Taisei Corporation (the “Company”) has established this Fundamental Corporate Governance Policy in order to achieve sustainable development and improvement in the mid- to long-term value of the Company and its subsidiaries and affiliates (collectively, the “Taisei Group”) in accordance with the philosophy of the Taisei Group, being "to create a vibrant environment for all members of society" (the “Taisei Group Philosophy”) and the so-called “Taisei Spirit”, which embodies our commitment to “Active and Transparent Culture”, "Value Creation" and "Evolution of Tradition."

#### **Taisei Group Philosophy**

To create a vibrant environment for all members of society.

We seek in an environmentally sustainable manner to create safe and attractive spaces with exceptional value and to create a global community filled with hopes and dreams for the benefit of future generations.

#### **Taisei Spirit**

##### **○ Active and Transparent Culture**

We value diversity and, through open and active communication lines and networks both internal and external to the Taisei Group, seek to cultivate a transparent and active corporate culture in which all of our officers and employees are able to reach their full potential.

##### **○ Value Creation**

Not limited to our understanding of society at large, we carefully take into account the needs of our clients and using all of the technology and know-how at our disposal, together with our passion for innovation and ingenuity, seek to construct innovative and valuable engineering projects that inspire and impress our clients.

##### **○ Evolution of Tradition**

We aim to instill within the Taisei Group the Japanese tradition of *monozukuri* (precise, superb craftsmanship) and continually challenge ourselves to provide

ever more valuable contributions to society and ensure our continued development and growth as a respected corporate group.

As a close-knit team made up of dedicated corporate professionals, we engage in our corporate activities with passion, enthusiasm and sincerity.

## **Article 2 (Fundamental approach to corporate governance)**

The Company's fundamental approach to corporate governance is to conduct the management and decision-making of the business in a swift, appropriate, fair and transparent manner in order to continue to grow as a corporation in a sustainable and socially responsible manner.

## **Chapter II Approach to Stakeholders**

### **Section 1: Approach to Stakeholders**

#### **Article 3 (Approach to stakeholders)**

1. Based on the Company's understanding of ESG and SDGs, and having been fully aware of its position that the Company is sustained by its shareholders, customers, employees, business partners, local communities and other various stakeholders, the Company shall satisfy its social responsibilities that it undertakes and make efforts in improving its corporate value in the mid- to long-term periods.
2. Under the Company's fundamental policy to solve sustainable development issues through its business activities, the Company shall positively and proactively strive to undertake those issues.

### **Section 2: Code of Conduct**

#### **Article 4 (The Company's Code of Conduct)**

1. In order to strengthen awareness and understanding of the Taisei Group Philosophy and realize such philosophy, the Company established the concept of the Taisei Spirit, which is represented by the commitment to "Active and Transparent Culture", "Value Creation" and "Evolution of Tradition", and the Group Action Guidelines (being the fundamental principles for actions and decision makings upon which the Taisei Group is to conduct itself, and which are to be strictly complied with by all members of the Taisei Group).
2. The Board of the Directors (the "Board") shall, as appropriate, review and verify the status of implementing the Taisei Spirit and the Group Action Guidelines.

### **Section 3: Relationship with Shareholders**

#### **Article 5 (Ensuring equality among shareholders)**

The Company shall respect the rights of its shareholders, ensure the equal treatment of its shareholders, including by giving due care to the exercise of rights by minority

shareholders and developing an environment that allows for the exercise of rights by all shareholders.

**Article 6 (Exercise of voting rights at the General Meeting of Shareholders)**

1. The Company shall endeavor to dispatch the convocation notice of its General Meeting of Shareholders at least three weeks prior to the scheduled date of such General Meeting of Shareholders in order to provide its shareholders time to sufficiently consider the agenda of such General Meeting of Shareholders and exercise their voting rights appropriately. In addition, prior to dispatching each notice, the Company shall announce electronically the information relevant to such General Meeting of Shareholders through the TDnet system and its official website.
2. The Company shall determine the date of each General Meeting of Shareholders in an appropriate manner, by taking into consideration the objective of enhancing constructive communication with its shareholders and providing accurate information for this purpose.
3. The Company shall develop an environment that allows all its shareholders to appropriately exercise their voting rights, including those not attending the General Meeting of Shareholders, by, amongst others, establishing an Electronic Voting Platform and providing an English translation of the convocation notice of General Meeting of Shareholders.
4. The Company shall consult with trust banks in order to prepare for a situation in which an institutional investor indirectly holding shares in the Company in the name of a trust bank or other entity provides prior notice of its intention to exercise its voting rights directly at a General Meeting of Shareholders instead of through the trust bank or other entity.
5. If a large number of opposing votes are counted against any proposed resolution by the Company that is passed at a General Meeting of Shareholders, the Board shall examine the reasons and causes for such opposition and consider whether any action should be taken by the Company.

**Article 7 (Delegation to General Meeting of Shareholders of matters to be resolved)**

The Board has established the structure that will enable the Board to sufficiently fulfill its roles and duties in pursuing corporate governance and may, in order to ensure the flexibility and expertise required in business judgment, propose at a General Meeting of Shareholders that certain powers of the shareholders' meeting be delegated to the Board, as appropriate.

**Article 8 (The Fundamental Capital Policy of the Company)**

1. The Company shall maintain and strive to improve on its strong financial base with the aim of achieving stable and sustainable growth.
2. Consistent with the maintenance of and efforts to improve the strength of its financial base, the Company will distribute profits to its stakeholders in an appropriate manner, under the fundamental policy on issuing dividends in a stable long-term manner, taking

into consideration the capital efficiency of the Company by referring to the dividend payout ratio and return on equity (ROE).

#### **Article 9 (Cross-shareholdings)**

1. The Company strategically holds cross shares in other companies with the objective of building and bolstering stable long-term relationships with its significant business partners and increasing its competitiveness and profitability. However, if the Board determines that to hold such shares is inconsistent with the viewpoints of the economic rationale and the future outlook in mid- to long-term, as well as the reduction in such shares, they shall be sold in an appropriate and adequate manner after setting the targets for the sale.
2. The Board shall review on a continuing basis the mid- to long-term economic rationale for, and future outlook of, all the cross-held shares in listed companies taking account of the accordance with the objective of holding such shares, as described in the preceding paragraph, and the quantitative comparisons between the cost of capital and the risk-return profile of such cross-held shares.
3. The Company shall exercise all voting rights arising from such cross-held shares in an appropriate manner and in consideration of whether such proposed resolution will enhance corporate value.
4. The Company will not prevent any company from selling its shares issued by the Company, if the company strategically holds such shares and expresses its intention to sell or otherwise dispose of those shares.

#### **Article 10 (Sufficient explanation to shareholders)**

1. If the Company desires to implement a capital policy that may result in a change of control of the Company or a significant dilution of its shares, the Board shall review the need for, and reasonableness of, such capital policy and the Company shall provide a reasonable explanation to its shareholders as appropriate.
2. If shares issued by the Company become subject to any tender offer, the Board shall promptly disclose its views on such tender offer.

#### **Section 4: Relationship with Stakeholders other than Shareholders**

##### **Article 11 (Relationship with employees)**

1. The Company shall continue to cultivate a corporate culture that is based on the commitment to "Active and Transparent Culture" as set forth in the Taisei Spirit, and continue to encourage diversity within the Company by its management, supporting the development of female, non-Japanese, mid-career, and elderly employees through establishment of "Human Resources Development Policy (Diversity, Equity & Inclusion Policy)".
2. The Company has established a corporate whistleblower system comprised of a corporate ethics helpline system, for the Company, and a group helpline system, for the Taisei Group. The contact points in the whistleblower system include an external law office that is independent from the management. Management shall preserve the

confidentiality of the information regarding any whistleblower and refrain from taking any punitive action against any whistleblower.

3. The Board shall review and verify the status of operation of the corporate whistleblower system, as appropriate.
4. In the management of the corporate pension funds, the Company shall perform expected roles as an asset owner by implementing measures such as monitoring the asset managers of the funds with increasing the investment management expertise by seeking advices from outside experts or other means. Also, with the objectives of maximizing benefits of pension funds beneficiaries and appropriately controlling conflicts of interest which could arise between the beneficiaries and the Company, the management of corporate pension funds shall be examined by the Pension Conservation Committee (consisting of the Company's members and the Company's union members) and the Company shall review its strategic asset portfolio.

#### **Article 12 (Relationship with customers)**

The Company has established the "Taisei Spirit" under which the Company has committed to pursue the "Creation of Value" and "Evolution of Tradition" and to continue to complete construction projects and deliver services that meet customer needs, thereby obtaining customer satisfaction and trust.

#### **Article 13 (Relationship with business partners)**

The Company has upheld the "promotion of partnership with business partners" as one of the Group Action Guidelines, and, in line with same, has established the Procurement Policy. In accordance therewith, the Company shall continue to build fair and trustworthy relationship with its business partners, including subcontractors, and conduct its business with them in an equitable and fair manner.

#### **Article 14 (Relationship with communities)**

The Company shall, in order to promote activities towards sustainable development, perform sustainability-focused management with reference to ISO26000, an international standard for organizational social responsibility through establishment of "Fundamental Policy on Sustainable Development".

### **Section 5: Related Party Transactions**

#### **Article 15 (Related party transactions)**

If the Company desires to enter into a transaction with any of its Members of the Board, Executive Officers or major shareholders, depending on the significance and nature of such transaction and in accordance with the Board Regulations and the Regulations of Executive Committee, the management shall prior to entering into such transaction submit a resolution to the Board or the Executive Committee for its review and authorization of such transaction.

## **Chapter III Ensuring Appropriate Information Disclosure and Transparency**

### **Article 16 (Ensuring appropriate information disclosure and transparency)**

1. The Company shall in accordance with the applicable laws and regulations and the stock exchange rules make appropriate disclosures of information regarding its financial and business results, management strategy/goals, risks, corporate governance and social/environmental factors (including the activities towards sustainable development and the investment in its human resources and intellectual properties, etc.). In addition to the legal disclosure requirements described above, the Company shall strive to provide its stakeholders with such information in a plain and transparent manner.
2. To enhance the disclosure of information to overseas investors, the Company shall make the information available in English, such as through an English translation of its annual report or an official corporate website maintained in English, to the extent reasonably possible and practical.

## **Chapter IV Corporate Governance System**

### **Section 1: Organizational Framework**

#### **Article 17 (Organizational framework)**

1. The Company has adopted as its corporate structure that of a company with an audit & supervisory board (the "Audit & Supervisory Board"). The Audit & Supervisory Board and its Members shall audit the execution of duties by the Members of the Board and Executive Officers.
2. For the purpose of invigorating deliberations at the Board, the Company has established, as the committees within the Board, 1) the Governance System Review Committee 2) the Executive Personnel Committee; 3) the Remuneration Committee; and 4) the Sustainability Committee. More than half of the members of the Executive Personnel Committee and the Remuneration Committee shall, in order to enhance independency and objectivity of the Board's function as well as the accountability of the Board, be comprised of Independent External Members of the Board, and an Independent External Audit & Supervisory Board Member shall serve as the observer of each of the Committees. The Board shall obtain adequate involvement and advice from the Executive Personnel Committee and the Remuneration Committee regarding the matters including diversity like gender and the viewpoint of expertise when the Board deliberates on important matters such as nomination of top management executives and Members of the Board including a succession plan, and their remuneration. In addition, each chairperson of the Governance System Review Committee and the Sustainability Committee shall be an Independent External Member of the Board in order to strengthen objectivity of the Board's function as well as the accountability of the Board, and each observer thereof shall be an Independent External Audit & Supervisory Board Member.

3. The Company has established the Executive Committee as a decision-making body and adopted the executive officer system that enables the Company to operate its business in a swift manner.

#### **Article 18 (Independence criteria)**

The Board has established certain independence criteria for External Members of the Board and External Audit & Supervisory Board Members as set forth in Attachment 1.

### **Section 2: The Board and Members of the Board**

#### **Article 19 (Roles and duties of the Board)**

1. The Board, entrusted by the shareholders, shall pursue activities for the common benefit of the Company and its shareholders, and shall appropriately fulfill the roles and duties, substantially stated below, in order to facilitate the growth of the Company in a sustainable manner and improve its corporate value in the mid- to long-term:
  - (1) To indicate the future direction from wide viewpoints in respect of the corporate strategy;
  - (2) To establish an environment that supports appropriate risk-taking by the senior management; and
  - (3) To effectively oversee the management and the Members of the Board from the independent and objective viewpoints.
2. The Board has established the Company's goal (including the management philosophy of the Company), and the Board shall bear in mind a view that one of its principal roles and duties is to establish the Company's strategic directions and shall make decisions regarding the execution of material business decisions as provided for in the laws and regulations, the Articles of Incorporation and the Board Regulations of the Company, based on the conclusion of the directions of the Medium-Term Business Plan and other issues they have reached through constructive discussions. The authorization to make decisions regarding the matters to be delegated to the Executive Committee shall be stipulated in the Regulations of Executive Committee.
3. The Board shall appropriately make decisions regarding the matters proposed by the management and shall provide assistance to the senior management so that it can make prompt and conclusive decisions in case any such proposal is to be carried out.
4. The Board shall appropriately assess the performance of the operation and other corporate matters of the Company through the oversight of the execution of business by the management and shall appropriately reflect the results of such assessment to the personnel management and remuneration for the senior management. Further, the Board shall supervise as to whether the relevant information is timely and accurately disclosed, shall develop a risk control system of the Taisei Group on internal control over the compliance and financial reporting, etc. and shall appropriately supervise the effective implementation of the above.
5. In order to fulfill the roles and duties, each Member of the Board shall, whenever necessary, proactively obtain information, considering to seek additional information

from the Company or to obtain opinions from external experts at the Company's expense, thereby the Board would hold lively and constructive discussions.

**Article 20 (Formulation and publication of a Medium-Term Business Plan)**

1. The Board shall, when formulating a Medium-Term Business Plan, properly review the cost of capital, specifically set the goals for the profitability and capital efficiency, and determine the measures by the Company to realize them and make an announcement thereof to the public.
2. The Board shall bear in mind the Medium-Term Business Plan as one of the commitments to shareholders and shall make efforts in order to achieve such objectives. If the Company is unable to achieve any of such objectives, the Board shall appropriately investigate the reasons why such objectives could not be achieved, as well as the actions taken by the Company, shall announce the findings thereof, and shall reflect the results of such investigation in the future business plans for subsequent years.
3. The Board shall specify the business fields focused on as the Group and set forth its fundamental policy and business strategy through the mid- to long-term vision and the Medium-Term Business Plan.

**Article 21 (Roles and duties of Independent External Members of the Board)**

1. The Independent External Members of the Board shall use their knowledge and insight to appropriately fulfill their roles and duties including the following actions for the purpose of helping the Company grow in a sustainable manner and improving its corporate value in the mid- to long-term:
  - (1) To provide appropriate advice on the management policies and other corporate issues;
  - (2) To perform oversight through participating in the decision-making process of the Board on material issues such as election/dismissal of the senior management and executives;
  - (3) To oversee transactions in which there is a potential conflict of interest between the Company and its management and/or controlling shareholders;
  - (4) As Members independent from management and controlling shareholders, to appropriately convey and represent the opinions of the Company's stakeholders, including minority shareholders, in the deliberations of the Board.
2. The Independent External Members of the Board shall hold meetings on a regular basis to be attended only by them, in order to exchange information and share their opinions regarding the Company from an objective viewpoint.
3. The Independent External Members of the Board shall ensure the cooperation with the management, Audit & Supervisory Board and its Members, as appropriate, through exchanging their opinions mutually.



#### **Article 22 (Composition of the Board)**

1. As provided in the Articles of Incorporation, the Board shall, for the purpose of ensuring the effectiveness of its deliberations, be comprised of up to fifteen (15) Members, as an appropriate size.
2. In order to ensure that the independent and objective oversight of the execution of the Board's operations may be effectively carried out, the Company shall ensure that at least one-third (1/3) of the Members of the Board are Independent External Members.

#### **Article 23 (Policies and procedures for nomination of prospective Members of the Board and for appointment and dismissal of Executive Officers)**

1. Nomination of prospective Members of the Board and appointment of Executive Officers shall be made from the viewpoint that a person who will contribute to the Company's sustainable growth and enhancement of mid- to long-term corporate value should be nominated or appointed by considering each candidate in terms of his/her qualifications such as personal history, past achievements, personality, knowledge, experience, and skills and others in their entirety as well as considering an appropriate balance of Members of the Board and diversification such as gender, internationality, work experience and age. The Board may deliberate on a dismissal of its member in the event of a lack of such qualifications as expected at the time of his/her appointment.
2. Nomination of a prospective Member of the Board shall be made after specifying necessary skills, etc. as the Board in order to achieve the mid- to long-term vision and the Medium-Term Business Plan.
3. Nomination of a prospective Member of the Board and appointment and dismissal of an Executive Officer shall be determined by the Board after the completion of deliberations by the Executive Personnel Committee established within the Board.
4. The reasons for the nomination of each Member and prospective Member of the Board shall be disclosed in a convocation notice of General Meeting of Shareholders and in the "Corporate Governance Report".
5. The matrix chart listing the combination of the skills, etc. of each Member of the Board or each prospective Member of the Board shall be disclosed by the Notice of the General Meeting of Shareholders, etc.
6. Upon appointment of Independent External Members of the Board, the Company shall include a candidate who has experience as top management of another company.

#### **Article 24 (Restrictions on concurrent service)**

1. If a Member of the Board intends to concurrently serve as an officer of any other listed company, he/she shall concurrently serve such roles within a necessary and reasonable scope and extent so that he/she may fulfill his/her roles and duties as a Member of the Board in an appropriate manner.
2. The state of concurrent service by Members of the Board shall be disclosed each year in a convocation notice of General Meeting of Shareholders.

#### **Article 25 (Operation of the Board)**

1. The agenda and amount of time at the Board meeting and the frequency of the convocation thereof shall be determined in a manner such that the Board will have necessary and sufficient discussions to allow it to fulfill the roles and duties of the Board.
2. In order to facilitate productive discussions of the Board, materials and explanations regarding proposed resolutions to the Board shall be delivered and provided to the Members of the Board prior to the Board meeting, with sufficient time to allow the Members of the Board to appropriately consider, review and prepare.
3. The Board shall determine in advance the annual schedule and expected agenda. The date of a Board meeting shall be set at least six months prior to the meeting so that the Members of the Board can appropriately prepare for the meeting.
4. For the purpose of activating deliberations by the Board, the Members of the Board and the Audit & Supervisory Board Members shall make an arrangement of opportunities to engage in discussion freely and exchange of their opinions.

#### **Article 26 (Assessing the effectiveness of the Board as a whole)**

1. Each fiscal year, each Member of the Board shall conduct an assessment of himself/herself in terms of the execution of his/her duties as a Member of the Board and the effectiveness of the Board.
2. The Board shall analyze and assess its effectiveness in its entirety by referring to self-assessments by each Member of the Board described in the preceding paragraph and shall disclose an outline of the analysis and assessment results in the "Corporate Governance Report".

### **Section 3: Audit & Supervisory Board/Audit & Supervisory Board Members**

#### **Article 27 (Roles and duties of the Audit & Supervisory Board)**

1. Based on its fiduciary responsibility to shareholders, the Audit & Supervisory Board and its Members shall act on behalf of the Company and the common benefit of its shareholders, and shall perform its role in and take responsibility for auditing the execution of duties by the Members of the Board, and the appointment and dismissal of Audit & Supervisory Board Members and external accounting auditors, and the exercise of rights related to audit fees.
2. The Audit & Supervisory Board and its Members shall, in order to fulfill the roles and duties described in the preceding paragraph, actively and assertively exercise their power and authority, and shall appropriately provide advice to the Board and the management of the Company, by proactively obtaining necessary information, including through requesting the Company to provide additional information as appropriate, and seeking any advice from an external expert at the cost of the Company.
3. To appropriately satisfy the roles and duties described in paragraph 1, the Audit & Supervisory Board shall make efforts to increase the efficacy of their audits by

maximizing the synergies between the strict independence of the Independent External Audit & Supervisory Board Members and the effective information-gathering capability of the full-time Audit & Supervisory Board Members.

4. The Audit & Supervisory Board and its Members shall ensure the cooperation with the Independent External Members of the Board through exchanging their opinions mutually, to enhance the information-gathering capability of the Independent External Members of the Board in a manner that does not affect their independence.

#### **Article 28 (Composition of the Audit & Supervisory Board)**

As provided in the Articles of Incorporation, the number of Audit & Supervisory Board Members shall be six (6) or less, at least half of whom shall be Independent External Audit & Supervisory Board Members.

#### **Article 29 (Policies and procedures for nomination of prospective Audit & Supervisory Board Members)**

1. Nomination of prospective Audit & Supervisory Board Members shall be made from the viewpoint that a person who will contribute to the Company's sustainable growth and enhancement of mid- to long-term corporate value should be nominated by considering each candidate in terms of his/her qualifications such as the personal history, past achievements, personality, knowledge, experience, and skills and others in their entirety as well as considering an appropriate balance of Audit & Supervisory Board Members.
2. Nomination of Prospective Audit & Supervisory Board Member shall be conducted so that any person who has requisite knowledge on finance, accounting and legal matters, in particular, at least one (1) person with sufficient knowledge and experience regarding finance and accounting shall be appointed to the Audit & Supervisory Board.
3. Prospective Audit & Supervisory Board Members shall be nominated by the Board after the completion of deliberations by the Executive Personnel Committee established within the Board and the consent of Audit & Supervisory Board.
4. The reasons for the nomination of each prospective Audit & Supervisory Board Member shall be disclosed in a convocation notice of General Meeting of Shareholders and in the "Corporate Governance Report".

#### **Article 30 (Restrictions on concurrent service)**

1. If an Audit & Supervisory Board Member intends to concurrently serve as an officer of any other listed company, he/she shall concurrently serve such roles within a necessary and reasonable scope and extent so that he/she may fulfill his/her role and duty as an Audit & Supervisory Board Member in an appropriate manner.
2. The state of concurrent service by Audit & Supervisory Board Members shall be disclosed each year in a convocation notice of General Meeting of Shareholders.

#### **Section 4: External Accounting Auditors**

##### **Article 31 (External accounting auditors)**

1. Acknowledging that external accounting auditors have an obligation to shareholders and investors, the Audit & Supervisory Board shall take the following actions in order for appropriate measures to be taken to ensure that the audits will be conducted in a fair and appropriate manner:
  - (1) To adopt guidelines for the appropriate selection and evaluation of external accounting auditors; and,
  - (2) To confirm that the external accounting auditors possess the required independence and expertise.
2. To ensure the external accounting auditors conduct fair and appropriate audits, the management of the Company, Audit & Supervisory Board Members and the Auditing Department shall provide the external accounting auditors with sufficient time to conduct such audits, have meetings on a regular and as-needed basis, and exchange their opinions with the external accounting auditors. Further, the Board shall respond appropriately if external accounting auditors detect dishonest practices and request that appropriate action be taken, or indicate errors or problems.

#### **Section 5: Remuneration for Members of the Board and Executive Officers**

##### **Article 32 (Policy and procedure for determining remuneration)**

1. Remuneration for Members of the Board and Executive Officers shall be comprised of fixed remuneration and performance-based remuneration.
2. Notwithstanding the preceding paragraph, remuneration for Independent External Members of the Board shall be fixed remuneration.
3. The remuneration system for Members of the Board and Executive Officers, and the amount of remuneration for each based on this system, shall be determined by the Board upon deliberation by the Remuneration Committee established within the Board.

#### **Section 6: Support System**

##### **Article 33 (Support system for the Board and Audit & Supervisory Board)**

1. The Secretarial Department of the Company shall be the Board secretariat.
2. The Board shall cause the Secretarial Department to provide the following to the Board so that sufficient discussions may be conducted at the Board:
  - (1) In order to ensure the substantive discussions to be held at the Board, materials related to the agenda are distributed to the Members of the Board in advance of the Board meeting. However, this shall not apply to materials for agenda items that are highly confidential;
  - (2) Independent External Members of the Board shall be given advance explanations on the agenda of the Board before each meeting of the Board; and,

- (3) In addition to the support specified in the sub-paragraphs (1) and (2), Members of the Board, including Independent External Members of the Board, shall be provided information as necessary to make their decisions following the conclusion of appropriate discussions.
3. The Company shall establish the Audit & Supervisory Members' Department to support appropriate information-gathering by Audit & Supervisory Board Members, including Independent External Audit & Supervisory Board Members.
4. The Board shall organize the Audit & Supervisory Members' Department as stipulated in the preceding paragraph and those matters related to the independence of the Department's members from Members of the Board, and establish a system by which Members of the Board and officers and employees will report to the Audit & Supervisory Board Members and other systems necessary for reporting to Audit & Supervisory Board Members, and a system to ensure the effective performance by the Audit & Supervisory Board Members of their auditing obligations.
5. The Company shall establish the direct reporting system from an internal auditing department to the Board and the Audit & Supervisory Board and ensure coordination among the internal auditing department, the Board and the Audit & Supervisory Board.

#### **Section 7: Training Policy**

##### **Article 34 (Training policy for Members of the Board and Audit & Supervisory Board Members)**

1. The Board shall provide training seminars to the Members of the Board and Audit & Supervisory Board Members on, amongst others, the relevant laws and regulations, the Articles of Incorporation, the Board Regulations, and internal processes for determining important company policies, upon assumption of their office in order for them to fulfill their roles and duties.
2. In addition to the training stipulated in the preceding paragraph, the Board shall provide, on a continuing basis, opportunities for Members of the Board and Audit & Supervisory Board Members to undergo training provided by external associations and specialists.
3. The Board shall implement such measures, including tours to project sites, as necessary for the Independent External Members of the Board and Independent External Audit & Supervisory Board Members to enhance their understanding of the Group and its businesses.

#### **Chapter V Communication with Shareholders**

##### **Article 35 (Policy for system and initiatives to promote communication)**

1. In order to contribute to its development of sustainable growth and mid- to long-term corporate value, the Members of the Board shall make an effort to grasp the composition of its shareholders as appropriate and shall engage in a constructive communication and conduct meetings with shareholders.

2. The Independent External Members of the Board and the Independent External Audit & Supervisory Board Members shall have a dialogue and meeting with a shareholder when the shareholder requests therefor regarding their specific responsibilities, and they acknowledge that the request has a reasonable ground referring to the subject matters for the meeting which the shareholder is interested in.
3. As stated in Attachment 2, the Company has formulated the IR policy as a fundamental policy regarding the system and initiatives to promote the aforementioned communications and meetings with shareholders.

## **Chapter VI Other**

### **Article 36 (Amendment/abolition)**

The amendment or abolition of this Fundamental Corporate Governance Policy shall be determined by a resolution of the Board.

## Attachment 1

### Criteria of Independency

Any External Members of the Board or External Audit & Supervisory Board Members who does not fall within any of the followings shall be deemed independent by the Board:

1. A person who is an executive director, a corporate officer, an executive officer, a manager or other employee (hereinafter an "Executive Officer/Employee") of a main business partner (refer to note 1 below);
2. A person who is an Executive Officer /Employee of one of our main financing banks;
3. A person who receives from the Company more than 10 million yen annually on an average basis for the last three fiscal years in consideration for services as a consultant, accountant, tax lawyer or lawyer (excluding remuneration as a Member of the Board or Executive Officer of the Company), or where the recipient of such remuneration is a legal entity or other organization, a person who belongs to such legal entity or organization;
4. A person who is a board member or other Executive Officer/Employee of a legal entity or other organization to which the Company donated more than the "Certain Amount" defined in note 2 below;
5. A person who fell within any of item 1 through 4 above during the last one (1) year period; and,
6. A person who is the spouse or relatives within the second degree of kinship of any of the following persons:
  - (1) A person who falls within the items1 through 5 above;
  - (2) A person who is an Executive Officer/Employee of the Company's subsidiary;
  - (3) A person who is a Member of the Board who is not an Executive Officer/Employee of the Company's subsidiary (applicable only when determining the independency of an External Audit & Supervisory Board Member);
  - (4) A person who fell within sub-items (2) or (3) above or who is an Executive Officer/Employee of the Company during the last one (1) year period (when determining the independence of an External Audit & Supervisory Board Member, including a Member of the Board who is not an Executive Officer/Employee).

Note 1: A main business partner is (1) a person/legal entity for which the Company is the main business partner (a business partner for which the average annual amount paid by the Company to such entity in compensation for its work in the immediately preceding three fiscal years is over 2% of the entity's consolidated net sales for the most recent fiscal year) and (2) the main business partner of the Company (a business partner for which the average annual amount received by the Company from such entity in compensation for its work in the immediately preceding three fiscal years is over 2 % of the Company's consolidated net sales for the most recent fiscal year).

Note 2: "Certain Amount" means donations with an annual average amount over the immediately preceding three fiscal years that exceeds (1) 10 million yen and (2) 2 % of the annual income for the most recent fiscal year of the party who received the donation by the Company.

## Attachment 2

### **IR Policy**

#### 1. Fundamental policy for communications and meetings with shareholders and investors

The IR Section is the contact point for requests for communications and meetings with shareholders and investors, and, as a general rule, an appropriate officer(s) and employee(s) selected by the officers specified in sub-section 2(1) (the "Responsible Officers") shall communicate with such shareholders and investors as appropriate. In such instances, participation of the management of the Company in any communications or meetings will be considered if it is necessary based on the nature of the request.

#### 2. Guidelines for the Implementation of the IR policy

##### (1) Nomination of the Responsible Officers

Chief of Business Administration Division, Member of the Board, oversees communications and meetings, and the Chief of Corporate Planning Office, supervising the Corporate Planning Department and IR Section, provides oversight support to Chief of Business Administration Division.

##### (2) Policies for inter-departmental cooperation of the Company to facilitate communications and meetings

A regular liaison meeting among the IR Section, the Corporate Communication Department, the General Affairs Department, the Legal Department, the Accounting Department, and the Finance Department will be held to support the Responsible Officers.

##### (3) Methods of communicating with shareholders and investors other than communications and meetings

Annual and semi-annual business result briefing meetings and IR workshops related to the release of the Medium-Term Business Plan will be held.

In addition, IR for foreign investors and the project site tours for institutional investors will be implemented, and whether other communication methods should be developed will be regularly considered.

##### (4) Appropriate reporting of the communications and meetings with shareholders and investors

The IR Section will create monthly IR reports setting forth the opinions of shareholders as understood via communications and meetings with shareholders and investors, and the content of such communications and meetings. This will be reported every month to the senior management executives of the Company.

The IR Section will also report on the state of IR activities to the Board at least twice per year.

##### (5) Policy for the management of insider information in communications and meetings

To ensure fair and appropriate information disclosure and prevent insider trading, the Company will not disclose in any communications or meetings, material non-public information that would affect the valuation of the Company's stock. The period commencing on the day after the close of accounts of each quarter and ending on the date when financial results are announced will be a "silent period" during which no communication or meeting regarding financial results will be conducted.