

## Corporate Governance Report

[TRANSLATION]

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Last Update: June 29, 2022

**Takara Bio Inc.**

Koichi Nakao, President & CEO

Contact: Takuya Kakemi, Executive Officer,

Head of Corporate Management Division

Securities Code: 4974

<https://www.takara-bio.com/>

The corporate governance of Takara Bio Inc. (the “Company”) is described below.

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

#### 1. Basic Views

Guided by Takara Bio corporate philosophy of “Contributing to the health of humankind through the development of revolutionary biotechnologies such as gene therapy,” we are promoting the development of platform technologies for biologics through the core businesses of Reagents and Instruments and CDMO business, and aiming to become a biologics development company\* that continuously creates new modalities. Going forward, we will continue to create new value through proactive business activities, achieve sustainable growth, and contribute to society. To this end, it is necessary to strengthen its corporate governance system in order to constantly promote honest and fair corporate activities. We will work to ensure management transparency, improve efficiency, and make swift decisions.

#### [Reasons for Non-compliance with the Principles of the Corporate Governance Code] **Updated**

(Supplementary Principle 4-1[3] Succession Plan)

Establishment of a process (succession plan) for the development of the next generation of management executives, who will be the successor to us, such as the Chief Executive Officer (CEO), is recognized as an important management issue for achieving sustainable growth and increasing corporate value over the medium to long term. Executive Officers who are not concurrently serving as Directors also attend meetings of the Board of Directors as management team, and participate as observers in our goals and specific management strategies. The Board of Directors will consider the requirements and policies required of the CEO and others, referring to the advice and recommendations of the Nomination and Compensation Committee in light of the business environment surrounding us and our corporate culture.

(Supplementary Principle 4-2[1] Stock-based Compensation System)

We have introduced a cash-based compensation system that is linked to medium- to long-term performance, but do not have a stock-based compensation system in place. Going forward, we recognize that Director incentives for sustainable growth are an important management issue, and the Board of Directors will consider the ratio of remuneration between cash and stock, including the method of determining overall remuneration, with reference to advice and recommendations provided by the Nomination and Compensation Committee.

(Principle 1-4 Cross-Shareholdings)

We do not currently hold shares of other listed companies as strategic cross-share stockholdings, and our basic policy is not to have in the future.

(Principle 1-7 Related Party Transactions)

We have established the Regulations Governing the Management of Related Party Transactions as a mechanism to properly check transactions between related parties. We conduct transactions after examining the necessity of transactions and the appropriateness of the terms and conditions of transactions.

- Each year, we regularly request each Director to submit a confirmation document on transactions between related parties, and investigate whether or not we have a majority of voting rights held by its Directors and their relatives, or by which they are represented.
- New transactions with related parties shall be approved by the Board of Directors in accordance with the Regulations Governing the Management of Related Party Transactions.
- In accordance with the Regulations Governing the Management of Related Party Transactions, related-party transactions in which transactions continue at the end of each fiscal year are reviewed and approved by the first Board of Directors meeting held after the commencement of the new fiscal year to determine the reasonableness of the continuation of transactions (business necessity) and the appropriateness of the terms and conditions of transactions.
- Competitive transactions and conflict of interest transactions of Directors are implemented with the approval of the Board of Directors in accordance with laws and regulations and the Regulations of the Board of Directors, and the results of these transactions are reported to the Board of Directors on a regular basis each year.

(Supplementary Principles 2-4[1] Ensuring Diversity)

- Based on the concept of promoting the active participation of diverse human resources as stated in the Takara Bio Group's "Basic Policies for Promoting Sustainability Management", we are promoting the active participation of diverse human resources, including the promotion of women's active participation. The status of such activities is disclosed on our website and other media. In addition, as we expand and grow our business overseas, we have appointed foreign officers and executives at overseas Group companies. As a result of the promotion to date, new hires and appointments of women and mid-career recruits to managerial positions, as well as the appointment of foreign employees to executives and executives at overseas Group companies, we will continue to work to ensure the diversity of internal human resources.
- To further enhance our corporate value, we have developed a human resource development program aimed at improving the skills of each and every employee. We are also working to create a system that enables all employees to work with enthusiasm while balancing work and personal life in accordance with their individual lifestyles. The status of implementation is disclosed on our website.

(Principle 2-6 Corporate Pension)

We operate a defined benefit corporate pension plan based on our code. In the investment of the defined benefit corporate pension plan, we have established a policy asset composition ratio from a medium-to long-term perspective based on the basic policy and investment guidelines, and presents this ratio to investment managers. The investment status is monitored regularly and reviewed as necessary. In addition, employees engaged in corporate pension affairs shall be assigned with due consideration given to their knowledge and experience. The exercise of voting rights in shares held as part of the plan assets is subject to the judgment criteria of the trustee, and there are no conflicts of interest.

(Principle 3-1 Enhancement of Information Disclosure)

From the perspective of ensuring transparency and fairness in our decision-making and realizing effective corporate governance, we will disclose and disseminate information as follows.

- (i) Business strategies are disclosed in the Annual Securities Report and the Medium-Term Management Plan.
- (ii) We disclose our basic corporate governance policies on our website, annual reports, and securities reports.

- (iii) We disclose our policy on remuneration for Directors and Auditors in our annual securities report.
- (iv) Our policies and procedures regarding the nomination of candidates for Directors and Auditors and the appointment and dismissal of Executive Officers are described below.

[1] Policies and procedures for board nominations

We pay attention to ensuring diversity from the perspectives of gender, internationality, career and age. In light of the following standards, the Nominations and Compensation Committee deliberates and examines the issue, and the Board of Directors resolves the issue based on the advice and recommendations of the Committee.

- Having the ability to recognize and resolve management issues from the perspective of superior personality and insight and overall management.
- Internal Directors shall have sufficient knowledge, experience, and track record in specialized fields and have a high level of organizational management capability.
- External Directors shall have extensive experience in their respective fields of origin, and shall have the qualities to give advice and recommendations from an independent standpoint to ensure the appropriateness of decision-making by the Board of Directors.

[2] Policies and Procedures for the Board of Directors to appoint candidates for Auditors

We pay attention to ensuring diversity from the perspectives of gender, internationality, career and age. In light of the following standards, the President & CEO proposes to the Board of Directors with the consent of the Board of Auditors after consultation with other Directors and resolves the proposal.

- Having the ability to recognize management issues and make recommendations to management team from the perspective of superior personality and insight and overall management.
- Internal Auditors shall have sufficient knowledge, experience, and track record in specialized fields.
- External Auditors shall have extensive experiences in their respective fields of origin and abilities to give advice and recommendation from an independent standpoint to ensure the appropriateness of decision-making at the Board of Directors.

[3] Policies and procedures for the appointment and dismissal of Executive Officers by the Board of Directors

(Appointment Policy and Procedures)

We pay attention to ensuring diversity from the perspectives of gender, internationality, career and age. In light of the following standards, the President & CEO makes proposals to the Board of Directors after consultation with other Directors and resolves the proposals.

- Having the ability to recognize and resolve management issues from the perspective of superior personality and insight and overall management.
- Having sufficient knowledge, experience, and track record in assigned tasks and having a high level of organizational management capability.

(Policies and Procedures for Dismissal)

In light of the following standards, the President & CEO submits a proposal to the Board of Directors through consultation with other Directors and makes a resolution.

- Any violation of laws, regulations, the Articles of Incorporation, or any other internal regulations may cause us to suffer a significant loss or significantly hinder our business.
- It is found that there was a considerable hindrance to the execution of its duties.
- There is a relationship with an anti-social force that should be criticized socially.
- It is found obviously that each of the requirements of the above-mentioned standards of appointment is not met.

(Supplementary Principle 3-1[3] Sustainability Initiatives, etc.)

Our efforts for sustainability, such as human resource development and environmental measures, are disclosed in the Takara Bio Group “Basic Policy for Promoting Sustainability Management”.

In addition, in order to achieve sustainable growth and increase corporate value over the medium to long term, we regard the development of human resources capable of supporting global business growth and the next generation of the Group, and the further improvement of our technological capabilities and quality as extremely important management issues. Accordingly, we will allocate and invest appropriate management resources to develop human resources and improve our technological capabilities and quality.

In accordance with the framework of the Climate Related Financial Information Disclosure Task Force (TCFD), the Group reviews and responds to the impact of climate change-related risks and profit opportunities on our business activities and profits, and discloses related information on our website and other media.

(Supplementary Principle 4-1[1] Roles and Responsibilities of Directors and the Board of Directors)

- In the Regulations Governing Meetings of the Board of Directors, we primarily set the followings as matters to be resolved at meetings of the Board of Directors, and delegate such matters that do not fall under the following to the management team (Directors and Executive Officers). (Supplementary Principle 4-1[1])
  - (i) Matters concerning the general meeting of shareholders
  - (ii) Personnel affairs of Directors, Executive Officers, and important employees
  - (iii) Matters concerning the accounting of the Company
  - (iv) Matters concerning the disposition and acceptance of important assets that fall under the specific criteria for amounts
  - (v) Other matters stipulated by laws and regulations or the Articles of Incorporation and important business matters, as well as the determination or occurrence of material facts that may affect our group's operations, operations, financial position, and results of operations

(Principle 4-9 Evaluation Criteria for Appointment and Independence of External Directors and Auditors)

We have established “Judgment Criteria for the Assignment and Independence of External Officers”. In accordance with these criteria, the Board of Directors deliberates and examines the matters and selects candidates for independent External Directors.

(Supplementary Principle 4-10[1] Utilization of Voluntary Mechanism)

In order to ensure the independence and objectivity of the functions of the Board of Directors with respect to nomination of Director candidates and compensation of Directors, we have established a Nomination and Compensation Committee under the Board of Directors, which consists primarily of independent External Officers, to obtain appropriate advice and recommendations. The committee is composed of three or more members, the majority of whom are External Directors, and the chairperson of the committee is to be selected from among External Directors. Therefore, the independence of committee is ensured. The committee deliberates and examines the nomination of Director candidates and the individual remuneration of Directors prior to the resolution of the Board of Directors, and advises and suggests the results thereof to the Board of Directors.

(Supplementary Principle 4-11[1] Concept on the versatility of the Board of Directors)

The Board of Directors is composed of Directors with advanced expertise and experience in each business, and independent External Directors who possess a wealth of experience and broad insight and provide advice and recommendations from the perspective of all stakeholders, including shareholders, based on their extremely high level of expertise. We believe that at the present time, Directors are an appropriate combination of skills in the execution of management strategies, and that this is the optimal structure.

We believe that the roles and responsibilities of the Board of Directors to achieve sustainable growth and increase corporate value over the medium to long term are extremely important. In order to continuously improve its effectiveness, it is important to continuously examine the composition of the Board of Directors. We will continue to consider the composition of the Board of Directors in response to management strategies and changes in the environment. Skill matrices are disclosed in the notice of general meeting of shareholders.

(Supplementary Principles 4-11[2] Concurrent Duties as an Officer of a Listed Company)

When External Directors, External Auditors and other Officers serve concurrently as Officers of other listed companies other than our group, we disclose brief history annually in our securities report.

(Supplementary Principle 4-11[3] Evaluation of the Effectiveness of the Board of Directors)

We evaluate the effectiveness of the Board of Directors with a focus on its operational aspects. An overview of this is available on our website.

(Supplementary Principles 4-14[2] Executive Training)

As a training policy for Directors and Auditors, including External Directors and External Auditors, and Executive Officers, we will encourage and support participants in academic conferences and seminars in

accordance with their respective experiences and knowledge, provide the necessary information to fulfill their respective roles and responsibilities, and provide support for the acquisition of knowledge, as well as support for the expenses required for these activities on an ongoing basis.

(Principle 5-1 Constructive Dialogue with Shareholders)

We appoint a person in charge of information management and appoint the Public & Investor Relations Department as the department in charge of IR. For analysts and investors, we hold a financial results briefing once every six months and hold a series of individual investor briefings sequentially in an effort to improve the understanding of us.

We have established the Takara Bio Corporate Governance Policy and posted it on our website about our basic approach to corporate governance and the status of initiatives, including the above.

■ Takara Bio Inc. "Corporate Governance"

Website: <https://ir.takara-bio.co.jp/ja/sustainability/governance.html>

## 2. Capital Structure

Foreign Shareholding Ratio	Updated	Less than 10%
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[Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned	Percentage (%)
Takara Holdings Inc.	73,350,000	60.91
The Master Trust Bank of Japan, Ltd. (Trust Account)	7,320,600	6.08
The Japan Custody Bank, Ltd. (Trust Account)	3,311,500	2.75
THE BANK OF NEW YORK MELLON SA/NV 10	1,100,000	0.91
STATE STREET BANK WEST CLIENT-TREATY 505234	661,700	0.55
JP MORGAN CHASE BANK 385781	602,417	0.50
J.P. MORGAN BANK LUXEMBOURG S.A. 384513	533,700	0.44
STATE STREET BANK AND TRUST COMPANY 505001	501,886	0.42
The Bank of Kyoto, Ltd.	500,000	0.42
The Dai-ichi Life Insurance Company, Ltd.	482,200	0.40

Controlling Shareholder (except for Parent Company)	-
Parent Company	Takara Holdings Inc. (Listing : Tokyo) (Code 2531)

Supplementary Explanation

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## 3. Corporate Attributes

Listed Stock Market and Market Section	Updated	Tokyo Stock Exchange Prime
Fiscal Year-End		March
Type of Business		Chemicals

Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

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

We are engaged in business operations which maintain our uniqueness and independence in the Takara Holdings Group. We do not conduct transactions with the parent company which benefit the parent company and harm us or minority shareholders. With its parent company, we have transactions including their license for use of trademarks, outsourcing of computer-related services and lease of information related equipment. We also have transactions with other parent group companies, including the sale of products and leasing of real estate (their office buildings). However, we maintain a basic policy of deciding transaction details, including monetary sums, after discussing and negotiating based on the individual case and market values, as it does when conducting transactions with other companies.

To protect the interests of minority shareholders, we seek the advice and recommendations of the Special Committee, which is a voluntary committee, on matters relating to significant transactions and acts in which the interests of our parent company or its subsidiaries conflict with those of our minority shareholders.

#### 5. Other Special Circumstances which may have Material Impact on Corporate Governance **Updated**

As of March 31, 2022, Takara Holdings Inc. (listed on the Prime, Tokyo Stock Exchange; securities code 2531) is the parent company of us, owning 60.93% of the voting rights in us. The relationship between us and Takara Holdings is as follows:

1. Position of Takara Bio Inc. in the Takara Holdings Group (Takara Holdings and its associated companies)  
The extraordinary general meeting of shareholders of Takara Shuzo Co., Ltd. (now Takara Holdings Inc.), held on February 15, 2002, approved the proposal to spin off the operations of alcoholic beverage and food business, and the biotechnology business with the aim of making the most of the special characteristics of each respective business as well as creating a business environment for increasing growth potential and competitiveness in both. On this basis, Takara Shuzo and we were established on April 1, 2002, through a corporate split, with each company becoming a fully owned subsidiary of Takara Holdings. Since then, Takara Holdings decreased the ownership of voting shares in the Company to 60.93%, through a third-party allotment of new shares by private and public offering.

The Takara Holdings Group consists of Takara Holdings Inc., which is a holding company, and 61 affiliated companies (59 subsidiaries and 2 associated companies). Within the Group, we are positioned as a subsidiary specializing in the biotechnology business, and it promotes the biotechnology business along with its 9 affiliated companies (subsidiaries).

2. Management of Group companies by Takara Holdings Inc.

Takara Holdings Inc. has established and operates the Takara Holdings Group Company Management Rules from the standpoint of consolidated business management. However, its objective is to maintain the independence and autonomy of Takara Holdings Group companies while seeking to maximize the corporate value of the entire Takara Holdings Group. The rules are also applicable to us, and we report on the decisions made at the meetings of its Board of Directors to Takara Holdings. However, we are not required to gain prior approval from Takara Holdings for the resolutions of its Board of Directors, and runs its business operations independently.

Furthermore, various meetings have been established within the Group. Those pertinent to us are the “Group Strategy Meeting”, “the Biotechnology Business Report Meeting”, and the “Takara Group Business Plan Meeting” These meetings are intended to foster reporting between Group companies. In their current form, they do not impede the independence and autonomy of us.

The current Officers who hold positions in both we and Takara Holdings are as follows:

Koichi Nakao (President & CEO of Takara Bio Inc., Director of Takara Holdings Inc.)

Mutsumi Kimura (Director of Takara Bio Inc., President of Takara Holdings Inc.)

As for the above-mentioned additional duty relationship, Koichi Nakao was invited to this company from the perspective of consolidated management in the holding company structure of Takara Holdings, Inc. In the past, Mutsumi Kimura had a wealth of experience and achievements in the areas of corporate planning, finance, accounting, public relations, general affairs, human resources, etc. and demonstrated leadership as our Executive Vice President. As a result, Mutsumi Kimura has been invited to our company based on the judgment that it will strengthen our corporate functions and realize our sustainable growth and increase in corporate value over the medium term. The purpose of this appointment is not for Takara Holdings, Inc. to control us.

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

### 1. Organizational Composition and Operation

Organization Form	Company with Auditors
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#### [Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President & CEO
Number of Directors	9
Number of External Directors	3
Number of Independent Officers	3

#### External Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*											
		a	b	c	d	e	f	g	h	i	j	k	
Nobuko Kawashima	Academic												
Kazuko Kimura	Academic												
Noriomi Matsumura	Academic												

\* Categories for “Relationship with the Company”

\* ”○” 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;

“▲” when a close relative of the director fell under the category in the past

- a. Executive of the Company or its subsidiaries
- b. Non-executive director or executive of a parent company of the Company
- c. Executive of a fellow subsidiary company of the Company
- d. A party whose major client or supplier is the Company or an executive thereof
- e. Major client or supplier of the listed company or an executive thereof
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director/Auditor
- g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
- i. Executive of a company, between which and the Company External Directors/Auditors are mutually appointed (the director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
- k. Others

External Directors' Relationship with the Company (2)

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons of Appointment
Nobuko Kawashima	○	Concurrently holds a positions as: Professor, Faculty of Economics at Doshisha University External Director at TOKAI Holdings, Inc.	Ms. Kawashima has been conducting research on the themes of creative economics and corporate social responsibility for many years, and we have judged that her expertise will be utilized to strengthen our management system. In addition, as she is not a person with a potential conflict of interest with general shareholders based on the Judgment Criteria for Independence of External Directors and Auditors (see "Independent Officers Relationship" and "Other Matters Concerning Independent Officers" below), she is considered to be independent. Accordingly, she has been designated as an Independent Officer.
Kazuko Kimura	○	Concurrently holds a positions as: Professor, Graduate School of Medicine and Pharmaceutical Health, Kanazawa University, National University Corporation Representative Director of the Pharmaceutical Security Research Association External Director, Mitsubishi Warehouse Co., Ltd.	Ms. Kimura specializes in quality control in pharmaceutical distribution, eradication of low-quality drugs and counterfeit drugs, development of technology to prevent counterfeiting, and specialist training. We judged that this expert's knowledge could be utilized in our management. In addition, as she is not a person with a potential conflict of interest with general shareholders based on the Judgment Criteria for Independence of External Directors and Auditors (see "Independent Officers Relationship" and "Other Matters Concerning Independent Officers" below), she is considered to be

			independent. Accordingly, she has been designated as an Independent Officer.
Noriomi Matsumura	○	Concurrently holds a position as: Professor of Obstetrics and Gynecology, Kinki University School of Medicine	Mr. Matsumura has extensive experience and expertise in all aspects of medicine, including obstetric and gynecologic sciences, and are particularly familiar with the fields of genomic analysis of tumors, molecular targeted therapy, and immunotherapy. We believe that this expertise will be utilized in our management. In addition, as he is not a person with a potential conflict of interest with general shareholders based on the Judgment Criteria for Independence of External Directors and Auditors (see "Independent Officers Relationship" and "Other Matters Concerning Independent Officers" below), he is considered to be independent. Accordingly, he has been designated as an Independent Officer.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established
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Committee's Name, Composition, and Attributes of Chairperson Updated

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nomination and Compensation Committee	Nomination and Compensation Committee
All Committee Members	5	5
Full-time Members	0	0
Internal Directors	2	2
External Directors	3	3
External Experts	0	0
Other	0	0
Chairperson	External Director	External Director

Supplementary Explanation Updated

Supplementary Explanation  
 We have established a voluntary Nominations and Compensation Committee under the Board of Directors to strengthening the independence, objectivity and accountability of the functions of the Board of Directors. The Committee is composed of three or more members, the majority of whom are External Directors. The chairperson of the Committee is selected from among External Directors.

<Committee Members>  
 Nobuko Kawashima (External Director and Chairman)  
 Kazuko Kimura (External Director)

<p>Noriomi Matsumura (External Director)  Koichi Nakao (President &amp; CEO)  Yoh Hamaoka (Director)</p> <p>&lt;Matters to be deliberated&gt;</p> <ul style="list-style-type: none"> <li>• Matters concerning candidates for Directors to be proposed to the general meeting of shareholders</li> <li>• Matters concerning the revision of the remuneration limit for Directors to be proposed to the general meeting of shareholders</li> <li>• Matters concerning individual remuneration of Directors</li> </ul>
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**[Auditors]**

Establishment of the Supervisory Board Meeting	Established
Maximum Number of Auditors Stipulated in Articles of Incorporation	5
Number of Auditors	5

Cooperation among Auditors, Accounting Auditors and Internal Audit Departments

Our Auditors work with the Internal Audit Department (four full-time Internal Auditors) and verify the effectiveness of Internal Control System. Further, we meet with the Accounting Auditors, Deloitte Touche Tohmatsu LLC several times a year, in order to make the mutual report concerning audit plan, results, etc., coordinated audit and exchange information.

The Internal Audit Department makes the audit of us and its subsidiaries with Auditors from standpoint of legality and law compliance. The results are reported to the Board Directors and President & CEO, and are shared with Takara Bio Compliance Committee and Internal Management Department such as Finance Department and others to operate the Internal Control System.

Appointment of External Auditors	Appointed
Number of External Auditors	3
Number of External Auditors appointed as Independent Officer	3

External Auditor's Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		A	b	c	d	e	f	g	h	i	j	k	l	m
Kunihiko Kamada	Lawyer													
Yasuo Himejiwa	CPA													
Masaaki Makikawa	Academic													

\* Categories for "Relationship with the Company"

\* "○" 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;

"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. Auditor of a parent company of the Company

- e. Executive of a fellow subsidiary company of the Company
- f. A party whose major client or supplier is the Company or an executive thereof
- g. Major client or supplier of the Company or an executive thereof
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as an Auditor
- i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Auditor himself/herself only)
- k. Executive of a company, between which and the Company External Directors/Auditors are mutually appointed (the Auditor himself/herself only)
- l. Executive of a company or organization that receives a donation from the Company (the Auditor himself/herself only)
- m. Others

External Auditor's Relationship with the Company (2) Updated

Name	Designation as Independent Officer	Supplementary Explanation of the Relationship	Reasons of Appointment
Kunihiko Kamada	○	Concurrently holds a position as: A member of Daiichi Legal Professional Corporation	Mr. Kamada possesses abundant experience and knowledge as an attorney-at-law. He is expected to apply his expert knowledge to the management of us and express his opinions at the Board of Directors meetings and the Board of Auditors from an independent and objective standpoint, thereby ensuring effective management oversight. We consider that he maintains the attributes of neutrality and fairness as an Independent Officer who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies our criteria for independence of External Directors. Therefore, we designated him serving as an Independent Officer.
Yasuo Himeiwa	○	Concurrently holds a positions as: Director of Himeiwa CPA Office External Director (Audit and Supervisory Committee Member) of Sharp Corporation External Director (Full-time Audit and Supervisory Committee Member) of IDEC CORPORATION	Mr. Himeiwa possesses abundant experience and knowledge in subjects including financial affairs and accounting as a certified public accountant. He is expected to apply his expert knowledge to the management of us and express his opinions as to management transparency and objectivity. We consider that he maintains the attributes of neutrality and fairness as an Independent Officer who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies our criteria for independence of External

			Directors. Therefore, we designated him as an Independent Officer.
Masaaki Makikawa	○	Concurrently holds a positions as: Deputy Director, The Ritsumeikan Trust Visiting Professor, Research Organization of Science and Technology, Ritsumeikan Univ. President of Osaka Hatsushiba Gakuen.	Mr. Makikawa engages in research operation of the government projects and a number of contracted research and academic-industry collaborative research in the field of medical engineering and biomedical engineering. He is expected to apply his expert knowledge to the management of us. Company considers that he maintains the attributes of neutrality and fairness as an Independent Officer who is without any fact itemized by the Tokyo Stock Exchange as facts that could cause conflicts of interest against common shareholders, and who satisfies our criteria for independence of External Directors. Therefore, we designated him as an Independent Officer.

#### [Independent Officer]

Number of Independent Officer	6
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#### Matters relating to Independent Officer

Based on the purpose of the Corporate Governance Code, our basic policy is to appoint at least one-third of Independent External Directors, in principle, in comprehensive consideration of the characteristics of our business and the environment surrounding us. In accordance with this basic policy, we currently have three Independent External Directors, two of whom are women, who are appointed in multiple positions. We have established a system to communicate and coordinate with the management team and to cooperate with the Auditors or the Supervisory Board Meeting, and to exchange and share information.

We have established the following criteria for the independence of External Officers.

<Independence Criteria for External Officers>

External Officers who do not fall under any of the following criteria shall be deemed to be independent Officers.

- (1) Currently a Director, Auditor or Manager or other employee of our parent company.
- (2) Any person who was in the past a Director, Auditor or Manager or other employee of our parent company.
- (3) Currently a Director, Auditor or Manager or other employee of our sister company.
- (4) Any person who was in the past a Director, Auditor or Manager or other employee of our sister company.
- (5) A person who is our customers or any of our subsidiaries as its principal customers (a person who has received from us or any of our subsidiaries payment of 2% or more of their annual consolidated total sales in the most recent fiscal year), or an Executive Director, Executive Officer, Operating Officer, Manager or any other employee of the parent company or any significant subsidiary company thereof, or in the case where any of them is a company.
- (6) Any person who, in any of the three fiscal years preceding the most recent fiscal year, had us or any of our subsidiaries as its principal customers (any person who had received from us or any of our subsidiaries payment of 2% or more of the annual consolidated total sales for the most recent fiscal year of such person), or any of its parent companies or significant subsidiaries, or in the case where any of them is a company, the Executive Directors, Executive Officers, Operating Officers, Managers or other employees of such company.
- (7) A person who is a major business partner of us (a person who makes payment to us of not less than 2% of our annual consolidated total sales in the most recent fiscal year), or an Executive Director, Executive

- Officer, Operating Officer, Manager or other employee of the parent company or a significant subsidiary of us, or in the case where such a person is a company.
- (8) Any person who was our principal business partner in any of the three fiscal years preceding the most recent fiscal year (any person who has paid us 2% or more of our annual consolidated total sales in the most recent fiscal year of our target business year) or any of its parent companies or significant subsidiaries, or in the case where any of them is a company, an Executive Director, Executive Officer, Operating Officer or Manager or any other employee of such company.
  - (9) Directors (limited to those who execute the business) of organizations that have received an average of over 10 million yen over the past three years from us or our subsidiaries (for example, public interest incorporated associations, non-profit corporations, etc.), other Executives (meaning Officers, partners, or employees who execute the business of such organizations).
  - (10) A person who is or was a Director, Auditor, Accounting Advisor, Executive Officer or Executive Officer of the Company or its parent company or subsidiary that accepts Directors (whether full-time or part-time) from us or its subsidiaries.
  - (11) Directors, Auditors, Accounting Advisors, Executive Officers, Operating Officers, Managers, and other employees of financial institutions and other large creditors (hereinafter referred to as "Large Creditors") that are indispensable for our financing and rely on a degree that is not substitutable (hereinafter referred to as "Large Creditors") or of their parent companies or significant subsidiaries.
  - (12) Any person who has been a Director, Auditor, Accounting Advisors, Executive Officer, Operating Officer, Manager or other employee of our present large creditors or their parent company or significant subsidiaries in the last three years.
  - (13) Any person who is presently an Accounting Auditor or Accounting Advisor of us or its subsidiaries, a certified public accountant (or tax accountant), or a partner, partner or employee of an auditing firm (or tax accountant corporation).
  - (14) Any member, partner or employee of a certified public accountant (or certified tax accountant) or an auditing firm (or tax accountant corporation) who was an Accounting Auditor or Accounting Advisor of us or any of our subsidiaries in the last three years and who was in actual charge (but excluding any ancillary involvement) of the auditing services of us or any of our subsidiaries (including any person who is currently retired or resigned).
  - (15) Any attorney, certified public accountant or tax accountant or other consultant not falling under (13) or (14) above who has, in addition to Directors' fees, obtained from us or any of our subsidiaries any monetary or other proprietary benefits averaging 10 million yen or more over the past three years.
  - (16) Any employee, partner, associate or employee of any law firm, auditing firm, tax accountant firm or consulting firm or other professional advisory firm not falling under (13) or (14) above whose main customer is the Company or any of its subsidiaries (the firm received from us or any of its subsidiaries on average over the last three fiscal years a payment of not less than 2% of the consolidated gross sales of such firm).
  - (17) A person whose spouse or relatives within the second degree of kinship fall under any of (1) to (16) above.
  - (18) A person who is likely to have a substantial conflict of interest with all of our general shareholders on a permanent basis due to circumstances other than those considered in (1) to (17) above.

**[Incentives]**

Incentive Policies for Directors	Performance-linked Remuneration
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Supplementary Explanation

For details, refer to “Disclosed Details of Policy on Determining Remuneration Amounts and Calculation Method” mentioned below.

Recipients of Stock Options	-
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Supplementary Explanation

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## [Director Remuneration]

Disclosure of Individual Directors' Remuneration	No Individual Disclosure
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Supplementary Explanation Updated

Total remuneration for the year ended March 31, 2022  
Total amount of remuneration, etc. 10 Directors, 296 million yen (including 3 External Directors, 19 million yen)  
(Including 10 Directors with fixed remuneration 180 million yen [including 3 External Directors, 19 million yen])  
(Including performance-linked remuneration 7 Directors, 115 million yen [for Directors other than External Directors])

(Note 1) The amount of remuneration, etc. for Directors does not include the amount of salary for employees of Directors who are concurrently serving as employees.  
(Note 2) Includes one Director who resigned at the conclusion of the 19th Ordinary General Meeting of Shareholders held on June 24, 2021

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods Updated

Matters concerning policy on determining remuneration amounts and calculation method

1. Basic concept  
The basic concept related to remuneration to Directors is based on a remuneration system with annual scheme, aimed at appointing competent personnel resources to management, motivating implementation of management strategy and maximizing corporate value.  
Based on the performance evaluation method approved by the Board of Directors held on December 16, 2019, the amount of remuneration to Directors is determined within the limit of remuneration resolved in the Ordinary General Meeting of Shareholders by the President & CEO authorized in the Board of Directors taking account of their position and individual contributions to the financial results and others, in response to the advice and recommendations of the Nomination and Compensation Committee, which we voluntarily establish.
2. Remuneration system  
The remuneration to Directors comprises the fixed remuneration and the variable performance-linked remuneration reflecting the financial results, in order to take account of the responsibility of Directors and contributions to the financial results. The fixed remuneration is set at 50% of amount of remuneration for the previous fiscal year, and the variable performance-linked remuneration is determined by us-level performance evaluation and the unit-level performance evaluation on the basis of 50% of remuneration for the previous fiscal year on determining the variable performance-linked remuneration.  
Further, the fixed compensation system is employed to Directors being independent from business execution and Auditors within the limit of remuneration resolved in the Ordinary General Meeting of Shareholders.
3. Calculation method of the variable performance-linked remuneration  
The calculation method of the variable performance-linked remuneration to Directors in charge of business execution is based on the evaluation of company-level performance (at the ratio of 25%) and unit-level performance (at the ratio of 25%) on the basis of comparison to budget and previous year of operating income. Company-level performance evaluation is set between lower limit of 90% and upper limit of 110%.  
The unit-level performance evaluation is set within a range of 80% to 120%.
4. Resolution of the Ordinary General Meeting of Shareholders on remuneration to Directors

An overview of resolution of the Ordinary General Meeting of Shareholders on remuneration to Directors are shown as below.

- (i) Resolution date of the Ordinary General Meeting of Shareholders  
June 23, 2017
- (ii) Directors
  - Fixed remuneration  
Annual amount is within 184.8 million yen (including within 30 million yen to External Directors)
  - Performance-linked remuneration  
It is the amount within 5% of consolidated operating income on a yearly basis in the previous fiscal year.

#### **[Supporting System for External Directors and/or Auditors]**

Upon the convocation of a Board of Directors meeting, External Directors will be given proposals, other related materials before, and briefings from Directors in charge as needed. In this system, External Directors monitor the execution of duties of Directors.

In this system, our External Auditors shall attend the Board of Directors meetings and other important meetings, receive reports on execution of duties by Directors, etc., view important documents, and audit the execution of duties. Furthermore, Internal Auditing Department shall provide supplemental explanations as needed, including collaborating with the Internal Auditing Department (four full-time members).

## **2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)**

The Company has adopted an Audit & Supervisory Board system, and three of the five Auditors are external. In this system, Auditors shall attend the Board of Directors meetings and other important meetings, receive reports on execution of duties by Directors, etc., review important documents, and audit the execution of duties.

The Board of Directors consists of nine Directors (of whom three are External Directors including two women) who meet whenever necessary in addition to the regular monthly Board of Directors meetings. The Board makes decisions on management policies, matters stipulated by laws and regulations, and important issues concerning the management, as well as oversees the execution of duties by Directors. Furthermore, by Executive Officers (nine persons, excluding Directors who are also Executive Officers) participating as observers in the Board of Directors meetings, this system strengthens the reporting function for the execution of duties and allows for timely mutual understanding and confirmation of intentions of management.

To protect the interests of minority shareholders, we have established a special committee under the Board of Directors to provide appropriate advice and recommendations. The committee is composed of three or more independent members, including External Officers, and the chairperson is to be selected from among its members, ensuring the independence of the committee. The Committee deliberates and examines matters relating to significant transactions and practices that conflict with the interests of our parent company or its subsidiaries and our minority shareholders, and advises and recommends the results to the Board of Directors.

<Members of the Special Committee>

Nobuko Kawashima (External Director), Kazuko Kimura (External Director), Noriomi Matsumura (External Director), Kunihiko Kamada (External Auditor), Yasuo Himejiwa (External Auditor), and Masaaki Makikawa (External Auditor)

Deloitte Touche Tohmatsu LLC conducts accounting auditing for us. The audit for the fiscal year ended in March 2020 was conducted by Takashi Iwabuchi and Minobe Yuya, certified public accountants of Designated Unlimited Liability Partner, Deloitte Touche Tohmatsu LLC. Twelve certified public accountants and twelve other people assisted in these auditing activities.

We also receive advice as needed from attorneys regarding company management and day to day operations. Pursuant to the provision of Article 426, paragraph 1 of the Companies Act, we stipulate in our Articles of Incorporation to exempt the liabilities of damages of Directors and Auditors (including former Directors and Auditors) due to neglect of duties to the scope of the legal limit allowed by laws and regulations by a resolution of the Board of Directors meetings. The objective for this provision is to ensure that Directors and Auditors

can fully enact their expected roles. Furthermore, based on provisions of its Articles of Incorporation pursuant to the provisions of Article 427, paragraph 1 of, we have entered into an agreement with External Directors and External Auditors which limits their liabilities of damages to the legal minimum set in Article 425, paragraph 1.

### 3. Reasons for Adoption of Current Corporate Governance System

As a company based in highly specialized research and development, we have determined that the most appropriate corporate governance system would be the current one, in which Directors who are deeply knowledgeable about these businesses would be able to actively make decisions based on a clear awareness of being related to results and the need for swift choices while monitoring business execution. Furthermore, highly independent External Directors who possess knowledge and experience related to these businesses would work with the Supervisory Board Meeting to monitor and audit business execution.

## III. Implementation of Measures for Shareholders and Other Stakeholders

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

**Updated**

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The notice is sent at least three weeks prior to the day of the meeting.
Scheduling AGMs Avoiding the Peak Day	The General Meeting of Shareholders is scheduled through avoiding peak day, allowing many shareholders to be participable. The 16th Ordinary General Meeting of Shareholders: June 22, 2018 The 17th Ordinary General Meeting of Shareholders: June 21, 2019 The 18th Ordinary General Meeting of Shareholders: June 23, 2020 The 19th Ordinary General Meeting of Shareholders: June 24, 2021 The 20th Ordinary General Meeting of Shareholders: June 24, 2022
Allowing Electronic Exercise of Voting Rights	The shareholders have been able to exercise voting rights by electronic means since the 16th General Meeting of Shareholders.
Participation in Electronic Voting Platform	We participate in the platform for electronic exercise of voting rights for institutional investors operated by ICJ, Inc.
Providing Convocation Notice in English	English translation (summary) of the convocation notice is disclosed on our website on the same day as Japanese.
Other	The convocation notice and matters disclosed on the Internet are disclosed on our website ahead of sending the printed notice. Materials available at <a href="https://ir.takara-bio.co.jp/ja/stock/meeting.html">https://ir.takara-bio.co.jp/ja/stock/meeting.html</a> We convene the General Meeting of Shareholders to present material to shareholders utilizing the large screen to explain performance and business plan (Long-Term Management Plan and Medium-Term Management Plan), and posts results of the voting rights on the extraordinary report available on our website.

### 2. IR Activities **Updated**

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	The policy is provided via our website. Takara Bio “Disclosure Policy” Materials in Japanese available at <a href="https://ir.takara-bio.co.jp/ja/policy.html">https://ir.takara-bio.co.jp/ja/policy.html</a>

	Materials in English available at <a href="https://ir.takara-bio.co.jp/en/policy.html">https://ir.takara-bio.co.jp/en/policy.html</a>
Regular Investor Briefings for Individual Investors	(Timing) We hold briefings several times a year. (Description) We provide the explanation of the detailed financial results and business measures for approximately 1 hour, and thereafter has a Q&A session. (Participants) It is aimed at 50-100 individual investors. Briefings are also held on the website as necessary.
Regular Investor Briefings for Analysts and Institutional Investors	We hold financial results briefings twice a year (November of the interim period and May of the full fiscal year). In addition, we provide video explanations of financial results and conduct individual meetings every quarter (including interim and full-year periods). In addition to this, we also conduct interviews and seminars whenever there is a request.
Regular Investor Briefings for Overseas Investors	Currently, foreign shareholding ratio is not necessarily high, however, event conferences for foreign investors to be interviewed by securities company and conference calls are given as needed.
Posting of IR Materials on Website	We, on the Website, hold IR information including Financial Statements, Annual Securities Reports/Quarterly Securities Reports, Presentation Materials for Financial Results, Annual Report, Timely/Voluntary Disclosure Materials Materials in Japanese available at <a href="https://ir.takara-bio.co.jp/ja/library.html">https://ir.takara-bio.co.jp/ja/library.html</a> Materials in English available at <a href="https://ir.takara-bio.co.jp/en/library.html">https://ir.takara-bio.co.jp/en/library.html</a>
Establishment of Department and/or Manager in Charge of IR	Department: Public & Investor Relations Department Manager in charge of IR: Akira Kawamura, General Manager
Other	-

### 3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	We stipulate respect for the position of stakeholders in the Takara Group Code of Conduct for Compliance.
Implementation of Environmental Activities, CSR Activities etc.	Based on the Takara Group Code of Conduct for Compliance, we engage in environmental protection activities, resource conservation and energy conservation in compliance with environmental laws and regulations, as a crucial part of the ongoing efforts for well-balanced global environmental issues and business activities. Also, we work on reducing environmental burdens in all operational procedures including R&D, material procurement, manufacturing, distribution, sales and consumption.
Development of Policies on Information Provision to Stakeholders	Based on the Takara Group Code of Conduct for Compliance, we disclose corporate information such as financial description and business activities in a timely and appropriate manner, provides corporate philosophy and policy in fairly and adequately, and strives for better communication by facing with critical opinions and sincerity thereof. The basic policy on information disclosure is available from our website at <a href="https://ir.takara-bio.co.jp/en/policy.html">https://ir.takara-bio.co.jp/en/policy.html</a> . Also, the policy on appropriate information disclosure and ensued transparency is available at <a href="https://ir.takara-bio.co.jp/ja/sustainability/governance.html">https://ir.takara-bio.co.jp/ja/sustainability/governance.html</a>
Other	-

#### IV. Matters Related to the Internal Control System

##### 1. Basic Views on Internal Control System and the Progress of System Development

Based on Article 362, paragraph 4, item 6 of the Companies Act and Article 100, paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, we made the following determinations regarding the development of the systems necessary to ensure proper operations of a corporation and ensure that the execution of duties of Directors complies with law and regulations, and the Articles of Incorporation.

1. Systems to ensure that the execution of duties of Directors and employees complies with laws and regulations, and the Articles of Incorporation, as well as ensure the properness of operations in us and the corporate group comprised of the parent company and its subsidiaries.
  - (i) Takara Bio Compliance Committee, chaired by the President & CEO, is established and operated as the organization which supervises compliance activities for our Group.
  - (ii) This committee falls under the compliance committee (which includes committee members and working members dispatched from us) established in the parent company, Takara Holdings Inc. The committee determines the Compliance Action Guidelines, which stipulates the action guidelines related to laws and social ethics with which each and every Officer and employee of the Group should comply, and also educates Officers and employees in the Group through group training sessions and everyday workplace instruction.
  - (iii) These guidelines take a firm stand against anti-social forces and strictly prohibit any association with such groups.
  - (iv) In case that an Officer or employee discovers any violation of laws and regulations or illegal act within the operations of the Group, and standard operational methods and procedures are unable to solve or prevent the problem, helplines are installed and operated as communication portals in the Compliance Promotion Department of Takara Holdings Inc. and external third-party institutions. The Group has been informed that any employee who reports a problem will not receive disadvantageous treatment due to this action.
  - (v) We conduct internal auditing based on the Internal Audit Regulations. We will strive to ensure proper execution of duties by taking necessary actions based on the results of internal audits. Furthermore, the responsible departments conducting internal audits shall be independent to ensure proper oversight functions for Auditing Departments, etc.
  - (vi) Our group shall comply with the rules for listed companies set by related laws and regulations and the Tokyo Stock Exchange, and establish company-wide systems to ensure the reliability of financial reports. Our group also shall consistently enhance the systems through its assessment and improvement.
  - (vii) In terms of the relationship between us and its parent company, Takara Holdings Inc., a holding company has been established from the standpoint of consolidated business management. Its objective is to maintain the independence and autonomy of Takara Holdings Group companies, including us, while seeking to maximize the corporate value of the entire Takara Holdings Group. The Takara Holdings Group Company Management Rules are also applicable to us, and we regularly report on the decisions made at the meetings of our Board Directors and the status of business activities of subsidiaries to Takara Holdings.
  - (viii) In terms of the relationship between us and its subsidiaries, we shall receive regular reports on business activities while maintaining the independence and autonomy of the subsidiaries. In principle, important matters shall be discussed beforehand. Our Auditors and the responsible departments conducting internal audits shall work together to conduct audits on a regular basis from a perspective of ensuring proper execution of operations.
2. Systems to store and manage information related to the execution of duties of the Directors  
In order to appropriately and subsequently confirm the status of the execution of duties of Directors and Employees, we shall set internal rules related to drafting guidelines, storage period limits, and management systems (including information security systems) of records of execution of duties, including minutes of General Meetings of Shareholders, minutes of the Board of Directors meetings, approval documents (documents of decisions made by the President, etc.), and other documents related to decision making.

3. Rules and other systems to manage the risks of loss
  - (i) The Takara Bio Compliance Committee supervises overall “crisis management” in our group. Under the supervision of this committee, initiatives are conducted in each responsible department to prevent or mitigate risks facing this group, including matters of “laws and social ethics,” “safety and quality of products and merchandises,” and “safety and health.”
  - (ii) In case of emergency, we shall respond based on the “Takara Group Emergency Response Manual” and establish an emergency response headquarters as needed, centered around the President and Officers in charge of compliance matters.
  
4. Systems to ensure the effective execution of duties of Directors
  - (i) We shall hold a regular Board of Directors meeting once a month, and other meetings as needed, as part of the system to ensure the execution of duties of Directors is conducted efficiently.
  - (ii) We establish a system for Directors and Employees to execute duties and make decisions properly and promptly through the creation of the “Rules for Dividing Roles and Responsibilities” and the “Rules for Authority” in order to clarify the internal line of command and the division of roles and responsibilities.
  - (iii) Under the supervision and instruction of the Board of Directors or individual Directors, each responsible department or, as needed, cross-department project team, shall consistently take measures for the streamlining, acceleration, and electrification of operations which aim to ensure the efficiency of management.
  - (iv) Internal audits shall be conducted from an efficiency perspective. Based on the results of pertinent internal audits, we shall take necessary measures and strive to ensure the efficiency of the execution of duties.
  - (v) We shall establish a management system along the standards of us in its subsidiaries.
  
5. Matters concerning the Employees to assist the Auditors in their duties when the Auditors request the assignment thereof and matters concerning the independence of the employees from the Directors.

When an Auditor requires an employee to assist the duties of the Auditor, the pertinent employee shall only be enlisted into this role after ensuring their independence from Directors in terms of their position, benefits, and chain of command.
  
6. Systems for Directors and Employees to report to Auditors and other systems to ensure Auditors conduct audits effectively
  - (i) Auditors shall, in addition to the Board of Directors meetings, attend important meetings, such as the strategy meetings of the business unit, in order for them to grasp the status of important decision making processes and business execution. They may view minutes of the Board of Directors meetings, approval documents (documents of decisions made by the President, etc.), and other important documents related to business execution. They also possess the right to request explanations from Directors or Employees if necessary. Furthermore, responsible departments conducting Internal audits shall work closely with Auditors in order to conduct effective and efficient audits.
  - (ii) If Directors discover a fact which may cause significant damage to us, they must report this to Auditors according to laws and regulations. If Directors of subsidiaries discover a fact which may cause significant damage to the subsidiary, they shall report to the Auditors through the department that is in charge of managing the pertinent subsidiary.
  - (iii) Directors and Auditors shall ensure that persons reporting matters described above shall not receive disadvantageous treatment due to the report.
  
7. Matters concerning guidelines related to the processing of expenses or obligations arising from the execution of duties by Auditors

When an Auditor requests to make an advance payment or reimbursement of the expenses arising from the execution of duties, we shall promptly process the expenses or obligations, excluding cases where the costs are deemed not to be necessary for the execution of duties of the Auditor.

Please refer to “Schematic Diagram of Corporate Governance System” at the end of this document.

## 2. Basic Views on Eliminating Anti-Social Forces

We take a firm stand against anti-social forces which threaten social order and the corporate soundness, and does not have any relationships with them. Even in the event of an unreasonable request, we do not attempt to resolve this issue by engaging in contact with them with a firm stance and business partners with whom we have relationships with anti-social forces and anti-social forces do not conduct any business. Our basic view is clarified in the Compliance Action Guidelines described above, which stipulates the action guidelines related to laws and social ethics with which each and every Officer and employee should comply. We are spreading awareness of these guidelines. We have distributed a portable manual booklet indicating the guidelines to each Officer and employee so that they can access them whenever needed. Furthermore, we have designated the General Affairs Department as the department overseeing the response and has been working to gather information from local companies and external specialized organizations, such as the local police. We take such measures to respond with close collaboration with the pertinent organizations upon occurrence of such an event.

## V. Other

### 1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted
Supplementary Explanation	
-	

### 2. Other Matters Concerning to Corporate Governance System Updated

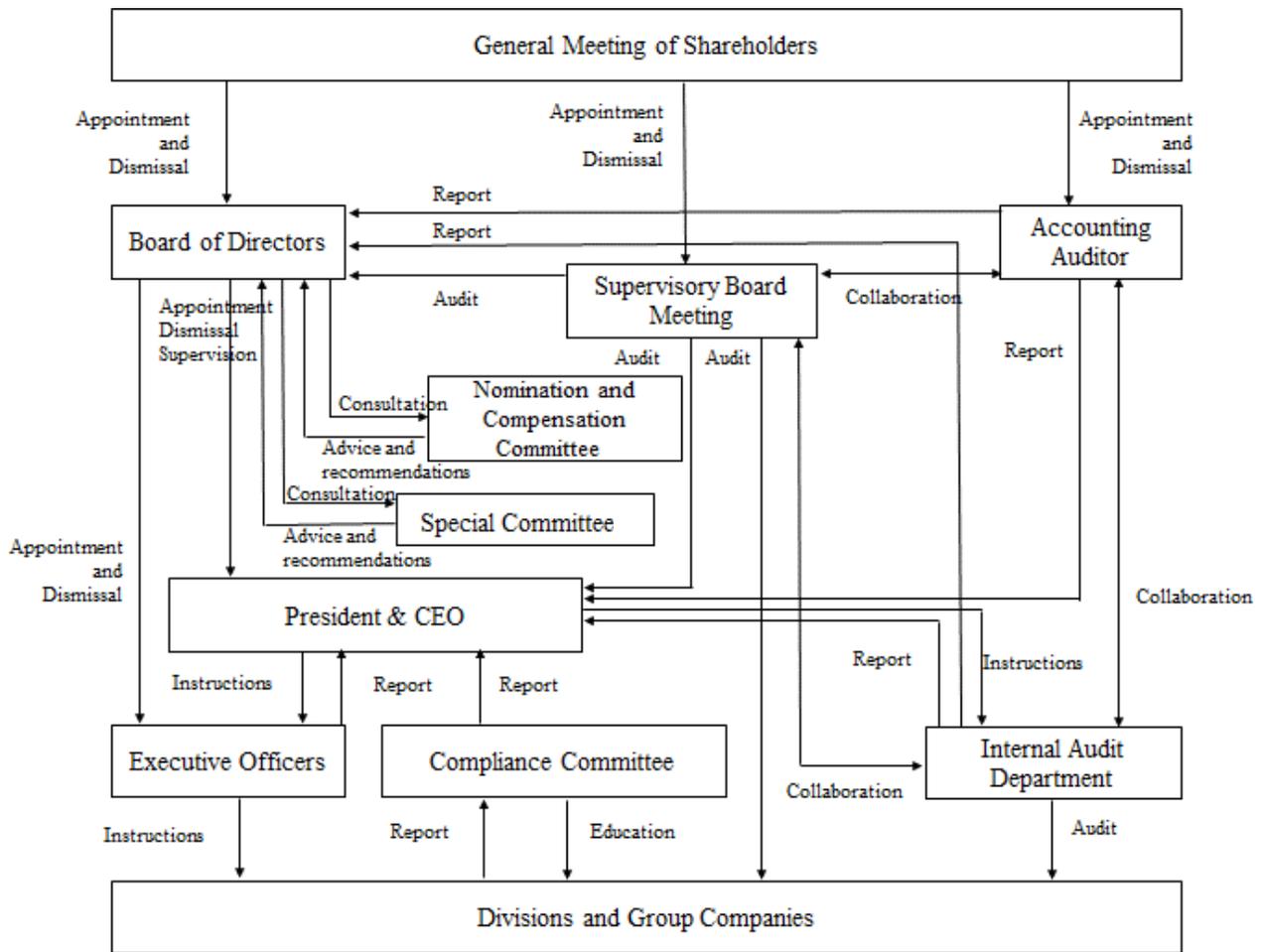
The Internal Systems related to timely disclosure of our information is as follows:  
 We are providing timely and appropriate disclosure of company information to investors based on the laws and regulations related to securities exchanges, regulations of the Tokyo Stock Exchange, and the internal rules “Rules for Management of Significant Information”.

The creation, gathering, and disclosure of information is conducted as follows:

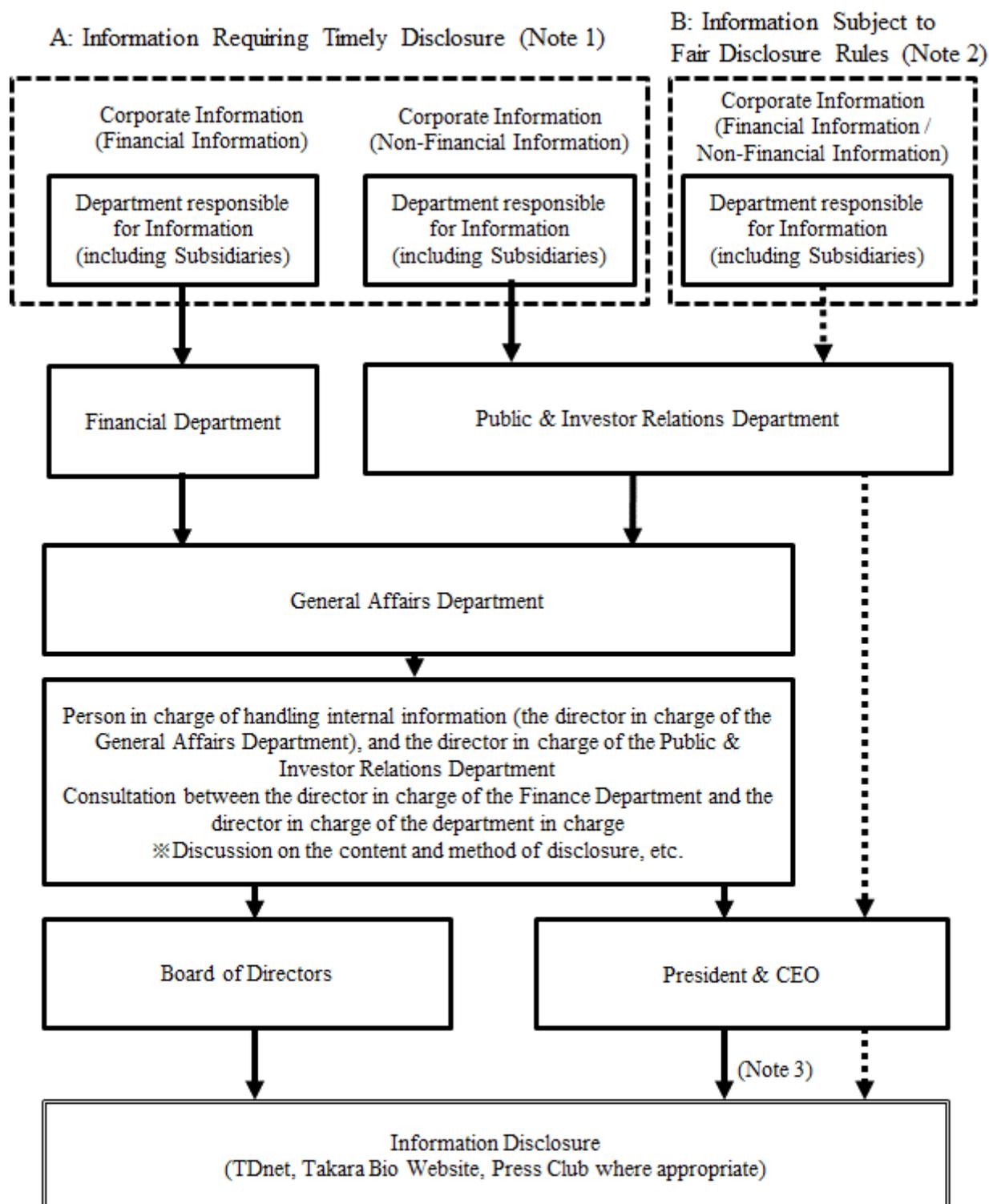
1. In accordance with the guidebook on the timely disclosure of company information, the department which oversees information (including our subsidiaries) shall promptly report to the Public & Investor Relations department (excluding financial information), and Finance (financial information) departments when there is information which requires disclosure.
2. After receiving this report, Public & Investor Relations department or Finance departments shall verify the pertinent information and promptly report to General Affairs department, where information for the entire company is compiled.
3. The Officer in charge of handling internal information (Officer in charge of General Affairs Department) shall receive the report from General Affairs department, and deliberate on the need, content, and method for disclosing the information alongside Officers in charge of Public & Investor Relations department, or Finance departments, or other Supervisory departments.
4. Each Director will see the results of these deliberations and after hearing opinions, the determinations will be reported to the Board of Directors meeting. If the pertinent information is a matter to be resolved by the Board of Directors, the Board of Directors shall resolve the matter and determine the need for disclosure. If the pertinent information is not a matter to be resolved by the Board of Directors, it becomes a matter to be reported. Depending on the case, based on the mindset of timely disclosure, the information may be disclosed with the approval of the President & CEO.
5. This information shall be regularly disclosed through the means set by the Tokyo Stock Exchange by the person responsible for the handling of information, who is notified the Tokyo Stock Exchange beforehand. This information is also posted on our website. As needed, we will also hold a press conference or posting of materials to the press club.

Please refer to “Schematic Diagram of Disclosure of Corporate Information” at the end of this document.

<Structure of Corporate Governance System>



< Schematic Diagram of Disclosure of Corporate Information >



→ shows the flow of data.

(Note 1, 2) Includes information that is not clear to be applicable.

(Note 3) Some cases may be disclosed with the approval of the President & CEO.

(Note 4) Disclosure of legally disclosed information is not in accordance with this schematic diagram.