

Takara Holdings Corporate Governance Policy: I . Basic Policy

Based on our corporate philosophy, which is “Contributing to the creation of a vital society and a healthy lifestyle through our fermentation technology and biotechnology in a way that achieves harmony with nature,” Takara Holdings Inc. (hereinafter the “Company”) and the Takara Group (hereinafter the “Group”) benefits society by unlocking new potential in the culinary, lifestyle, and life science fields through our fermentation technologies for traditional Japanese sake and our cutting-edge innovation in biotechnologies and by continuing to create new value.

The Company has established a long-term management plan, “TaKaRa Group Challenge for the 100th,” which will end in the fiscal year ending March 31, 2026, the 100th anniversary of the Group’s foundation. Under this plan, it has established the Group’s vision* as well as management and business strategies to achieve this vision. The company believes that achieving this Vision will lead to the sustainable growth of the Group and an increase in corporate value over the medium- to long-term, and that what is required to effectively and efficiently realize this Vision is a corporate governance structure that ensures a transparent, fair, speedy and resolute decision making. At the same time, we also believe that to continue to be a trusted corporate group, we need a structure that respects the positions of stakeholders, including shareholders, customers, employees, creditors, and local communities, and enables us to make efforts in appropriate communication.

The Company aims for sustainable growth and an increase in corporate value over the medium- to long-term by establishing a corporate governance structure based on the above policy, and will make efforts in accordance with the specific policies set forth in the Takara Holdings Corporate Governance Policy.

*“Where the Takara Group wants to be (Vision)”

Smiles in Life – Smiles are Life’s Treasures

The Takara Group is committed to enriching the homes, lifestyles, and lives of people around the world with smiles. Leveraging our expertise in the pursuit of delicious taste and innovative biotechnologies, we are a corporate group who safely and securely provide diverse value across the washu, Japanese food, and life science sectors.

II . Specific Policies on Corporate Governance

1. Securing the Rights and Equal Treatment of Shareholders (General Principle 1)

The Company shall take appropriate measures to fully and effectively secure the rights and equal treatments of its shareholder, and to develop environment for the exercise of the shareholders’ right.

(1) Securing the Rights of Shareholders (Principle 1.1)

The Company shall take appropriate measures to effectively secure its shareholder rights at the general shareholders’ meetings.

- With regard to any proposals made by the Company which receive a significant number of negative votes at a general shareholders’ meeting, the Company shall analyze the underlying causes and other factors and consider the need for a dialogue with shareholders and other measures. (Supplementary Principle 1.1.1)

- When deemed necessary in terms of the securement of agility and specialty, the Company may, currently and in the future, delegate a portion of the matters to be resolved at the general shareholders’ meetings to the Board of Directors. Prior to the proposal of the delegation at the general shareholders’ meeting, the Company shall confirm whether the structure of the Company fulfills its roles and responsibilities on corporate governance, and after the delegation is made, examine at all times in cases where the significant changes to the structure arise. The matters currently delegated to the Board of Directors are those on the acquisition of treasury stock. (Supplementary Principle 1.1.2)

- The Company shall pay particular attention not to virtually impede the exercise of rights by its shareholders, including the special rights that are recognized for minority shareholders based on the Companies Act. (Supplementary Principle 1.1.3)

(2) General Shareholders’ Meetings (Principle 1.2)

Based on the recognition that general shareholders’ meetings serve as an opportunity for a constructive dialogue with shareholders, the Company shall develop an appropriate environment for the exercise of rights at the general shareholders’ meetings.

- The Company shall, in principle, dispatch a convocation notice for the general shareholders’ meetings no later than three weeks prior to the meeting date to provide its shareholders with sufficient time to consider any proposals to be discussed at the meeting. In addition, information to be included in the convocation notice shall be electronically disclosed prior to the dispatch of the notice via TDnet, Electronic Voting Platform for Foreign and Institutional Investors, the Company’s website and other media. (Supplementary Principle 1.2.2)

- The Company shall determine the date of the general shareholders’ meetings and any other associate dates to the general shareholders’ meetings in consideration of securing the accuracy of the information for its shareholders and sufficient time for its shareholders to consider the content thereof. (Supplementary Principle 1.2.3)

- As a part of the initiatives to develop an environment for the smoother exercise of voting rights, the Company shall facilitate the exercise of the voting rights via Internet in addition to the usage of the Electronic Voting Platform for Foreign and Institutional Investors. For the convenience of overseas investors, English translation of the convocation notice and reference documents for the General Shareholders’ Meeting will be provided. (Supplementary Principle 1.2.4)

- As for cases where any institutional investors etc. who own shares under the name of a trust bank etc. wish to exercise their voting rights at a general shareholders’ meeting, the Company’s basic policy is not to respond to these requests from the perspectives of the consistency

with laws and regulations and the Articles of Incorporation, and current status of summarizing of the voting rights exercised in advance. However, consideration over the matter shall be made as necessary while preserving the future development in laws and regulations and guidelines as well as movements of relevant organizations. As for cases where any such institutional investors etc. request to attend the general shareholders' meetings via shareholders on the shareholders' register such as a trust bank etc. a reasonable time ahead of the meeting, the Company shall allow them to attend the meeting after the requisite procedures. (Supplementary Principle 1.2.5)

(3) Basic Capital Policy (Principles 1.3, 1.6)

1. With the aim of the achievement of continuous growth and an increase in corporate value over the medium- to long-term, the Company shall establish its Basic Capital Policy as shown in Appendix 1. The Company shall disclose the specific plans for the shareholders return, investments and internal reserves as the financial policies set forth in the Medium-Term Management Plan and make explanations to its shareholders in an appropriate manner. (Principle 1.3)

2. When the Company is to enact a capital policy involving change of control or large-scale dilution, including capital increase or management buyout, the Company shall fully discuss the necessity and reasonableness of the policy and other factors, ensure appropriate procedures, and provide sufficient explanation to shareholders in order not to harm the interest of existing shareholders unreasonably. (Principle 1.6)

(4) Cross-Shareholdings (Principle 1.4, Supplementary Principles 1.4.1 and 1.4.2)

In our Group, the Company and Group companies may strategically hold shares of the companies that have business relationships with individual companies in the Group. Such strategic holding of shares shall be implemented only if the Board of Directors of the Group company intending to purchase said shares acknowledges that the shareholding is reasonable as a means of business alliance, maintenance and enhancement of transaction, etc., and in view of the benefits and risks. With regard to the individual shareholdings, the Board of Directors shall annually judge whether to continue to hold shares through the examination in terms of the contribution to the achievement of continuous growth of the Group and an increase in its corporate value over the medium- to long-term, and disclose the results of its judgement. For shareholdings acknowledged to have no economic rationale, cross-shareholdings shall be reduced through sale in a timely manner upon consultation with the company in question. Meanwhile, on being informed by a company that holds cross-shareholdings of the Company's shares (the shareholder of cross-held shares) that the company in question intends to sell the Company's shares, the Company shall respect the said intention. With respect to exercising the voting rights of the companies in which

shares are held, each Group company shall, based on the examination of all proposals in principle, judge comprehensively whether or not the proposal contributes to the achievement of continuous growth of the Group and an increase in its corporate value over the medium- to long-term and the shareholders' common interest of the Group and the invested company so as to exercise them appropriately. This includes opposing proposals in cases when earnings have been poor for a certain period, when it is acknowledged that management strategy or financial strategy will damage shareholder interests, when illegal or anti-social acts are acknowledged, and other similar cases.

(5) Anti-Takeover Measures (Principle 1.5)

The Company has not adopted takeover defense guidelines at this point of time. However, the Company has set out the basic policies regarding the state of person(s) controlling the decision making over the financial and business policies of the Company and posted it on the Company website (<https://www.takara.co.jp/>).

- In cases where a tender offer for the Company's shares is implemented, the Company shall disclose the opinion of the Board of Directors on the offer and provide an explanation to and dialogues with its shareholders, directly or indirectly, as necessary in an appropriate manner. Further because the ultimate decision whether or not to respond to the offer is at the sole discretion of each shareholder so long as the tender offer is implemented in compliance with the large-scale purchase rules stipulated in the takeover defense guidelines currently introduced by the Company, the Company shall not take measures to unreasonably hinder the shareholders' right for execution. (Supplementary Principle 1.5.1)

(6) Related Party Transactions (Principles 1.7, 4.3)

The Company shall request annually each of its officers to submit a written confirmation of transactions between the related-parties of the Company in order to identify the existence of the transactions with officers or their relatives, or with companies in which those officers or their relatives hold a majority of the voting rights or serve as a representative. With regard to the competing transactions and transactions involving conflict of interests of directors, the Company shall conduct them in compliance with laws and regulations and the Rules of the Board of Directors and with an approval by the Board of Directors, and report to the Board of Directors its results after the relevant transaction without delay.

2. Appropriate Cooperation with Stakeholders Other Than Shareholders (General Principle 2)

In order to achieve continuous growth and an increase in corporate value over the medium- to long-term, the Company shall endeavor to cooperate with various stakeholders, including shareholders, customers, employees, creditors, and local communities in an appropriate manner, and to promote to foster the corporate culture

that respects the rights and positions of these stakeholders.

(1) Business Principles (Principle 2.1)

In order to achieve continuous growth and an increase in corporate value over the medium- to long-term, the Company shall conduct its business activities in compliance with its corporate philosophy of "Contributing to the creation of a vital society and a healthy lifestyle through our fermentation technology and biotechnology in a way that achieves harmony with nature."

(2) Compliance Code of Conduct (Principle 2.2)

The Company shall formulate the Takara Group Compliance Action Guideline on the appropriate cooperation with various stakeholders, including shareholders, customers, employees, creditors, and local communities and ethics on the healthy business activities, and promote the Guideline to be widely implemented across the Company and its Group companies. Moreover, the Company shall revise the Guideline in a timely manner in light of changes in the internal and external environment and other factors.

- The Risk and Compliance Committee, comprised of all of members of the Board of Directors, shall review the implementation status of the Takara Group Compliance Action Guideline at the Company and its Group companies periodically. (Supplementary Principle 2.2.1)

(3) Sustainability (Principle 2.3)

The Company has formulated the Takara Group Sustainability Policy based on the recognition that it is necessary to take greater initiatives to resolve various social issues in order to continue to achieve the creation of social value through business activities into the future, and is proceeding with these initiatives.

- The Company has indicated ten important issues (materiality) concerning social issues that encompass the Group and the initiatives and policies for each issue in the Takara Group Sustainability Policy. We have formulated the Takara Group Sustainability Vision that sets specific medium- to long-term targets based on such policy and are implementing measures to achieve them. In addition, the Takara Group Sustainability Committee monitors the promotion and implementation status of the sustainability activities throughout the Group, and the Board of Directors supervises such activities. (Supplementary Principle 2.3.1, Supplementary Principle 4.2.2)

(4) Ensuring Diversity (Principle 2.4)

The Company believes that the utilization of diverse human capital contributes to the achievement of continuous growth and an increase in corporate value over the medium- to long-term. Therefore, the Company shall conduct recruitment and treatment of its employees according to their ability and achievements regardless of gender and nationality, promote diversity of personnel, including the active participation of women, by the supporting system for employees in consideration of work-life balance.

- The Company discloses measurable goals for promoting the active involvement of diverse human capital, including the active participation of women, and their status on the website, etc., which are based on our views for promoting the active involvement of diverse human capital presented in the Takara Group Sustainability Policy. In addition, to expand and grow business overseas, we promote foreign nationals to officers and senior management positions in overseas Group companies.

The Company discloses the human resources development policies we undertake for human capital who are able to achieve global business growth and be in charge of the Group's next generation to further increase corporate value, and the initiatives we take to ensure a comfortable workplace environment and work-life balance, as well as the status of their implementation. (Supplementary Principle 2.4.1)

(5) Whistleblowing (Principle 2.5)

The Company shall establish points of contact for whistleblowing such that employees, etc. can report illegal or inappropriate behavior and other matters without fear of suffering from disadvantageous treatment and respond appropriately to the reported issues.

Furthermore, operating status thereof is periodically reported to the Risk and Compliance Committee.

- The Company shall establish two points of contact, inside the Company and an external third party organization. The outline of the reported issues and the response thereto shall be also reported to external directors and Audit & Supervisory Board members. Furthermore, the internal rule on the point of contacts stipulates the confidentiality of the information provider and prohibition of any disadvantageous treatment. (Supplementary Principle 2.5.1)

(6) Corporate Pensions (General Principle 2.6)

The Company operates a defined benefit corporate pension plan which is based on a contract. With regards to the management of the reserve fund for the defined benefit corporate pension plan, the policy asset allocation shall be established from a medium- to long-term perspective based on the basic policy and investment management guidelines and presented to the asset manager. In addition, the Company shall regularly monitor the status of investment management by the asset manager and conduct reviews as necessary. The Company shall give consideration to the perspectives of knowledge and experience in the assignment of persons to engage in the administration of the corporate pension plan. The voting rights of shares held as part of the pension plan assets shall be exercised in accordance with the judgement criteria of the asset manager, and there are no matters that constitute a conflict of interests.

3. Ensuring Appropriate Information Disclosure and Transparency (General Principle 3)

In order to achieve continuous growth and an increase in corporate value over the medium- to long-term, the Company shall appropriately make information disclosure in compliance with laws

and regulations, provide information beyond the laws and regulations as necessary in an appropriate manner, and offer explanation to and dialogue with its shareholders directly or indirectly. This information include both financial information, such as financial standing and operating results, and non-financial information, such as business strategies and issues, business activities risk and corporate governance of the Company.

(1) Full Disclosure (Principle 3.1)

With the aim of the materialization of effective corporate governance, the Company shall make information disclosure and dissemination as follows.

(i) The corporate philosophy and management plan, etc. are disclosed on the Company's website and in TaKaRa Group Reports (Integrated Reports), materials for financial results briefings, securities reports, timely disclosures and news releases, etc.;

(ii) The basic stance and policies on corporate governance are disclosed in the Corporate Governance Report and the Company's website, etc.;

(iii) The policy and procedure on compensation for directors are disclosed in securities reports, etc.;

(iv) The policy and procedure on the election and dismissal of the senior management and nomination of candidates for directors and Audit & Supervisory Board members are as shown in Appendix 2; and

(v) Reasons for nomination of each of the candidates for directors and Audit & Supervisory Board members shall be disclosed in the convocation notice of the general shareholders' meetings.

- With regard to the disclosure of information, including disclosure in accordance with laws and regulations, the Company shall, based on the stance of the Board of Directors, strive to prepare information in a clear and concise manner so that all stakeholders can accurately understand its contents. Meanwhile, the Company shall make information disclosure in English, bearing in mind of the number of overseas investors as necessary. (Supplementary Principles 3.1.1, 3.1.2)

- The Company discloses its sustainability initiatives in the Takara Group Sustainability Policy and the Takara Group Sustainability Vision.

The Company believes that training human resources who are able to achieve global business growth and be in charge of the Group's next generation is a significant management issue for the achievement of continuous growth and increase in corporate value over the medium- to long-term, and we promote the initiatives we disclose in the Takara Group Sustainability Policy and the Takara Group Sustainability Vision.

In addition, the Group recognizes that reinforcing our technical prowess, product competitiveness, and brand position are extremely significant management issues, and appropriately promotes the creation of, acquisition of rights to, and the management and exercise of intellectual property to increase the accumulated

technology, including know-how, and brand value of products. We also promote measures for disclosures based on TCFD or equivalent frameworks. (Supplementary Principle 3.1.3)

(2) Accounting Auditors (Principle 3.2)

The Company shall, through the close corporation by external accounting auditors with the Audit & Supervisory Board, the director in charge, the finance division, the internal audit division, etc., take appropriate steps to secure the proper execution of audits. - Steps taken by the Audit & Supervisory Board (Supplementary Principle 3.2.1)

i) The basic policy of the Audit & Supervisory Board for the appointment and evaluation of accounting auditors is as follows:

* In case where an accounting auditor falls under any of the items of Article 340, Paragraph 1 of the Companies Act, the Audit & Supervisory Board shall dismiss the accounting auditor upon consent of all Audit & Supervisory Board members.

* In addition, in cases where the proper execution of duties by an accounting auditor deemed difficult or the change of accounting auditors deemed appropriate in terms of the enhancement of the appropriateness of the audit, the Audit & Supervisory Board shall determine the contents of the proposal to be submitted at the general shareholders' meeting on the dismissal or non-reappointment of the accounting auditor.

ii) The Audit & Supervisory Board shall confirm the independence and expertise of accounting auditors through the exchange of opinions with the accounting auditor and obtaining information about the status of its audit implementation.

- Steps taken by the Board of Directors and the Audit & Supervisory Board (Supplementary Principle 3.2.2)

i) An adequate audit time shall be secured through the prior scheduling;

ii) Contacts between external accounting auditors and the senior management shall be secured by holding meetings for the external accounting auditors and the President and the director in charge of finance, etc. as necessary;

iii) Cooperation between external accounting auditors and Audit & Supervisory Board members, the internal audit division and external directors shall be secured by holding meetings for the external accounting auditors, the Audit & Supervisory Board members, and the Audit Division which is the internal audit division as necessary, and establishing a system for sharing information on these matters with external directors whenever necessary; and

iv) In cases where external accounting auditors detect frauds and request an appropriate response thereto, or identify any deficiencies and problems, inspections and corrections thereof shall be made in a prompt manner under the direction of the President and the director in charge of finance.

4. Responsibilities of the Board of Directors (General Principle 4)

The Company shall, aiming to materialize the achievement of continuous growth and an increase in corporate value over the medium- to long-term and enhance its profitability and capital efficiency, set the direction of the Group in the long-term management plan and specific goals therefor in the Medium-Term Management Plan.

As a holding company, the Company shall establish the system that supports appropriate risk-taking through the supervision by requiring each group company to deliberate and report in advance on major matters on its management, while maintaining the independence and autonomy among group companies.

The Company shall have several external directors and external Audit & Supervisory Board members with abundant experience and a broad knowledge who monitor, audit, and provide advice to the directors on the management and business execution from an independent and objective standpoint, according to their roles and functions, thereby conducting a highly effective supervision on directors.

(1) Roles and Responsibilities of Directors and the Board of Directors (Principles 4.1, 4.2, 4.3, 4.5)

1. The Company has formulated the long-term management plan and medium-term management plan, in line with its corporate philosophy of “Contributing to the creation of a vital society and a healthy lifestyle through our fermentation technology and biotechnology in a way that achieves harmony with nature,” and shall work on each of its business activities based on these plans and implement significant business execution in relation to each of its businesses in line with these plans. (Principle 4.1)

- The Company shall stipulate the following items, among others, as the matters to be resolved at the Board of Directors in the Rules of the Board of Directors, and delegate matters other than those to the management team comprised of representative directors and executive directors, etc. (Supplementary Principle 4.1.1)

- i) The basic management policy of the Company and its Group companies;
- ii) The long-term and medium-term management plan and annual budgets;
- iii) Proposals to be made at the general shareholders' meetings;
- iv) Matters that meet the criteria of specific amounts, etc. of the significant business executions prescribed in the Companies Act, including disposal and acquisition of significant assets; and
- v) Other matters stipulated in laws and regulations, or the Articles of Incorporation as well as significant matters that affects the status of operation, business and finance and the business results, etc. of the Group.

- The Company sets the Medium-Term Management Plan as the most significant strategy in seeking the achievement of

continuous growth and an increase in corporate value over the medium- to long-term and strives for its materialization by placing it on the core of the planning and implementation of various concrete measures. Moreover, in the event of explanation of its business results to its shareholders at the general shareholders' meetings and financial results briefings, etc., the Company shall offer explanations based on the adequate analysis, irrespective of its results, constantly referring to the Medium-Term Management Plan, and reflect the findings from the analysis in a plan for the next term. (Supplementary Principle 4.1.2)

- The Company recognizes that the establishment of a process for the election of the CEO, etc. and the development of the next generation of management executives (a succession plan) is a significant issue for the achievement of continuous growth and an increase in corporate value over the medium- to long-term. At present, the Company provides training programs as part of its plan for the development of the next generation of management executives. Going forward, in addition to enhancing these programs, the Company shall comprehensively examine the formulation of requirements and development policies for the CEO, etc., election and dismissal procedures, and the system for supervision thereof by the Board of Directors in light of the managerial environment and corporate culture of the Company. (Supplementary Principles 4.1.3, 4.3.2, 4.3.3)

2. At the Company, important matters for corporate management shall be fully discussed at various committees comprised of directors and Audit & Supervisory Board members, including external directors, and operating officers. Based on the discussion, the matters shall be resolved at the Board of Directors or decided by the senior management ultimately.

Upon delegation by a resolution of the Board of Directors after deliberation by the Nomination and Compensation Committee and discussion with other representative directors, the President shall determine the amount of compensation for directors of the Company. The amount is determined based on the Rules for Compensation of Officers approved by the Board of Directors within the range of the ceiling on the total amount of compensation approved by the general shareholders' meeting. Any revision to the provisions of the Rules for Compensation of Officers concerning directors shall require a resolution of the Board of Directors.

Compensation for executive directors of the Company consists of fixed compensation based on positions and roles and performance-based compensation for the purpose of strengthening incentives. Compensation for external directors consists solely of fixed compensation, considering their roles.

Fixed compensation for directors of the Company shall be paid at a fixed time every month, and the amount shall be determined based on positions and roles by comprehensively taking into consideration the business performance of the Company, economic conditions, and other factors.

Performance-based compensation for executive directors of the Company shall be paid at a fixed time every month, and the amount shall be determined based on the amount of performance-based compensation paid in the previous fiscal year and the individual's performance evaluation score for the previous fiscal year. The main indicator used for calculating performance evaluation scores for the previous fiscal year is consolidated operating income, which the Company considers as the most important management indicator.

The amount of compensation for each executive director of the Company is determined so that the ratio between the amount of fixed compensation and the standard amount of performance-based compensation will be 1:1 for all positions in principle.

The President, to whom the authority to determine the amount of compensation for directors of the Company is delegated by a resolution of the Board of Directors, shall be authorized to determine the amounts of fixed compensation and performance-based compensation for each director in accordance with this Policy. To ensure that such authority is exercised appropriately by the President, such decisions by the President shall be made after discussion with other representative directors and deliberation by the Nominations and Compensation Committee. (Principle 4.2)

- The Company currently has not adopted any compensation system that is linked to medium- to long-term business results and based on shares. However, the Company recognizes that a system of incentives for directors aimed at sustainable growth in the future is a significant management issue, and comprehensive consideration shall be made as to this system, including the method for determining compensation as a whole.

(Supplementary Principle 4.2.1)

- The Company shall monitor the business using management indicators that consider return on capital and efficiency by segment, and aim for sustainable growth by allocating management resources and utilizing business portfolio strategies according to such results. (Supplementary Principle 4.2.2)

3. At the Company, the President shall conduct evaluation through discussion with other representative directors in light of the certain criteria consisted of the objective indicators on the business performance of the Company, contribution by each of the senior management members and other qualitative factors, and subsequently propose personnel affairs for the senior management based on the evaluation result to the Board of Directors to be resolved.

In addition, with the aim of the timely and appropriate disclosure of information, the Company shall stipulate the procedures for information gathering and disclosure in the rules for the disclosure of significant information etc. and share information at the Board of Directors.

With regard to the internal control, risk management and compliance on financial reporting for the entire Group, the promotional body, run by practitioners in line with the policies, plans, etc. of the Internal Control Committee and Risk and Compliance Committee, established in accordance with the Internal Control Committee Rules and Risk and Compliance Committee Rules, respectively, shall operate them and each Committee and the Board of Directors shall carry out their supervision. The internal audit division shall report to the Board of Directors on the audit results of internal control and operating status of the company-wide risk management systems twice a year. (Principle 4.3, Supplementary Principles 4.3.1, 4.3.4)

4. In order to fulfill their fiduciary responsibility to shareholders, directors of the Company shall make information disclosure constantly, ensure the appropriate cooperation with various stakeholders and execute their duties, aimed at the enhancement of the common interest of the Company and its shareholder. (Principle 4.5)

(2) Roles and Responsibilities of Audit & Supervisory Board members and the Audit & Supervisory Board (Principles 4.4, 4.5)

1. The Audit & Supervisory Board members and the Audit & Supervisory Board of the Company shall make appropriate decisions on fulfilling their roles and responsibilities such as auditing the execution of duties by the directors, the appointment and dismissal of Audit & Supervisory Board members and external accounting auditors, and the execution of authority concerning audit fees from an independent and objective perspective. Furthermore, the Audit & Supervisory Board members shall make various recommendations to the management team when deemed necessary, in addition to executing operational and accounting audits appropriately through the attendance at the Board of Directors and various significant management committees as well as exchanges of opinions with the management team and the internal audit division, etc. (Principle 4.4)

- Out of five Audit & Supervisory Board members of the Company, three are external Audit & Supervisory Board members (including two Standing Audit & Supervisory Board members). Meanwhile, the Company has four Standing Audit & Supervisory Board members (including two external Audit & Supervisory Board members). The Audit & Supervisory Board shall mutually share information led by the Standing Audit & Supervisory Board members to secure its effectiveness, while ensuring its independence in a steady manner. Furthermore, the Audit & Supervisory Board shall cooperate with external directors so that the external directors can gather information without affecting its independence. (Supplementary Principle 4.4.1)

2. The Audit & Supervisory Board members of the Company shall, in order to fulfill their fiduciary responsibility to shareholders, secure the soundness of the Company for the enhancement of the

common interest of the Company and its shareholders and execute their duties while securing an appropriate cooperation with various stakeholders. (Principle 4.5)

(3) Independent external directors (Principles 4.6, 4.7, 4.8, 4.9)

1. The Company currently has three independent external directors, which account for one-third of the total number of nine directors. The Company strives to make effective use of those directors through the enhancement of the Board of Directors function to supervise the business execution by obtaining advice and recommendations for the achievement of continuous growth of the Company and an increase in its corporate value over the medium- to long-term based on their independent standpoints, knowledge and experience that differ from those of its senior management.

(Principles 4.6, 4.7, 4.8)

- The Company shall facilitate information exchange between independent external directors and senior management as well as promote information sharing and cultivate mutual understanding among independent external directors by creating opportunities for meetings, etc. between the independent external directors and the President. The Company shall also facilitate cooperation between independent external directors and Audit & Supervisory Board members or the Audit & Supervisory Board through information exchange between the independent external directors and the Audit & Supervisory Board members or the Audit & Supervisory Board, whenever necessary.

(Supplementary Principles 4.8.1, 4.8.2)

2. For the Independence Standard for independent external directors, please refer to Appendix 3. (Principle 4.9)

(4) Use of Optional Approach (Principle 4.10, Supplementary Principle 4.10.1)

The Company has the Nomination and Compensation Committee, mainly comprised of independent external directors, under the Board of Directors, to ensure independence and objectivity of the Board of Directors function in relation to the nomination of candidates for director and compensation for directors, etc. The Nomination and Compensation Committee will be involved appropriately in these issues.

The Nomination and Compensation Committee shall comprise at least three members, of which a majority shall be independent external directors, with the chairperson elected from such independent external directors to ensure the independence of such Committee. The Committee shall deliberate on matters and provide recommendations and advice to the Board of Directors ahead of Board of Directors resolutions concerning the nomination of candidates for directors and the compensation of directors, etc.

(5) Preconditions for the Board of Directors and the Audit & Supervisory Board Effectiveness (Principles

4.11, 4.12)

1. The Company shall appoint as directors the persons deemed most suitable from the perspectives of mutually complementing the execution of business and strengthening the oversight functions of the Board of Directors based on each of their skills, knowledge, experience, expertise, etc. from among persons who meet the criteria listed in Appendix 2.1.1 without being restricted by gender, nationality, work experience, and age, etc. The Company believes that this approach secures the required diversity of the Board of Directors as a whole. At present, three out of the Company's nine directors are external directors, and two directors are female. In addition, the Company appoints Audit & Supervisory Board members who possess financial, accounting, and legal affairs knowledge, and it has appointed three Audit & Supervisory Board members with sufficient financial and accounting knowledge.

(Principle 4.11)

- The Board of Directors of the Company is comprised of executive directors with high-level specialist knowledge and experience in each business and independent external directors with extensive experience and broad insight who provide advice and recommendations, etc. based on the perspective of all stakeholders, including shareholders, in light of their respective very high-levels of expertise. This achieves both diversity and appropriate size when conducting group management as a holding company and is currently considered to be the best structure.

The Company believes that the roles and responsibilities of the Board of Directors are extremely important for the achievement of continuous growth and to increase corporate value over the medium- to long-term and that it is extremely important to continuously examine the composition of the Board of Directors for the continuous improvement in its effectiveness. The Company will continue to examine according to the business environment and business characteristics, etc. which includes the appointment of persons with management experience at other companies as independent external directors. The Company will also consider the disclosure of a skills matrix, etc. (Supplementary Principle 4.11.1)

- The Company currently has three external directors and three external Audit & Supervisory Board members. The maximum number of other listed companies concurrently served by the external directors is two, thus, enough time required to appropriately fulfill their roles and responsibilities as external directors is ensured. Furthermore, positions of external directors and external Audit & Supervisory Board members held at other companies are disclosed in the Corporate Governance Report, etc. (Supplementary Principle 4.11.2)

- The effectiveness of the Board of Directors of the Company has been evaluated with a focus on its administrative aspects. An outline is disclosed on the Company's website, etc. (Supplementary Principle 4.11.3)

2. With the aim of the constructive discussion and exchange of opinions at the Board of Directors, the Company shall operate meetings of the Board of Directors while ensuring the following treatments. For further activation of the deliberation thereof, the Company shall continue to examine the potential framework for the operation of the Board of Directors. (Principle 4.12, Supplementary Principle 4.12.1)

- (i) Distributes materials for meetings of the Board of Directors basically prior the day of the meeting;
- (ii) Provides references for prior consultation over the matters to be discussed and other reference information in addition to the materials for meetings of the Board of Directors as necessary;
- (iii) Determines the annual meeting schedule from April the following year and beyond, based on regular matters to be discussed by around December every year and announce it to the related parties;
- (iv) Pays special attention to the appropriateness of the number of items to be discussed at each meeting of the Board of Directors and frequency of the meetings upon determination of the annual meeting schedule; and
- (v) Secures sufficient time for discussion by not setting the closing time for meetings of the Board of Directors.

(6) Information Gathering, Support Structure and Trainings for directors and Audit & Supervisory Board members (Principles 4.13, 4.14)

1. At the Company, directors and Audit & Supervisory Board members shall proactively gather information by ordering each of relevant division to provide additional information and obtain advice from external experts as necessary, in addition to personally obtaining information necessary to fulfill their responsibilities and to fulfill the functions of the Board of Directors and the Audit & Supervisory Board.

In addition, at the Company, apart from the internal audit division reporting directly on the audit status to the Board of Directors twice a year and to the Audit & Supervisory Board generally monthly, coordination between the internal audit division, directors and the Audit & Supervisory Board members is ensured through measures such as reporting the details of individual audits in a timely manner to all officers, including outside officers. Furthermore, the General Affairs Department and others shall carry out the liaison and coordination within the Company necessary for the provision of information and as points of contact with the external directors and external Audit & Supervisory Board members. (Principle 4.13, Supplementary Principles 4.13.1, 4.13.2, 4.13.3)

2. For the training policy for directors and Audit & Supervisory Board members, please refer to Appendix 4. (Principle 4.14)

5. Dialogue with Shareholders (General Principle 5)

The Company recognizes that, in order to achieve continuous growth and an increase in corporate value over the medium- to long-term,

reflecting opinions from its shareholders in the management appropriately is one of the significant management issues. Therefore, for the better understanding of the Company's business strategies and management plan by shareholders, the Company shall offer dialogue with shareholders and investors, with the director in charge of investor relations being in charge thereof. Furthermore, by reporting opinions obtained from the dialogue to the Board of Directors and other bodies as necessary, the Company shall endeavor to understand various standpoints of stakeholders in a balanced way and respond thereto appropriately based on such understanding.

(1) Policy for Constructive Dialogue with Shareholders (Principle 5-1, Supplementary Principles 5-1.1, 5-1.2)

With the aim of the achievement of continuous growth of the Company and an increase in its corporate value over the medium- to long-term, the Company shall strive to proactively respond to the requests for a dialogue (an interview) from shareholders and investors to a reasonable extent and work to develop the system to promote a constructive dialogue with shareholders through the establishment of the Basic Policy on Constructive Dialogue with Shareholders as shown in Appendix 5.

- The Company shall confirm the name and composition of nominal shareholders using the shareholders' register at the end of each quarter and examine the name and composition of actual shareholders at the end of each fiscal year and second quarter to grasp the status of its shareholders. (Supplementary Principle 5-1.3)

(2) Establishing and Disclosing Business Strategy and Business Plan (Principle 5.2, Supplementary Principle 5.2.1)

The Company shall formulate the long-term management plan that indicates the direction for the achievement of continuous growth and an increase in corporate value over the medium- to long-term and implement concrete measures for the achievement of the long-term management plan stipulated in the Medium-Term Management Plan. In these management plans, the Company shall set out its performance targets, the goals for capital efficiency, the plan for the allocation of its management resources, and basic views on the business portfolio and disclose them via securities reports and financial statements, and the Company's website, while offering explanation thereof at the general shareholders' meetings, financial results briefings for institutional investors, briefing sessions for individual investors, individual interviews and other occasions.

End

Appendix 1: Basic Capital Policy

In the distribution of profit, the Group aims to maximize corporate value and income for shareholders by strengthening the business base of the entire Takara Group and achieving profit growth from a medium- to long-term perspective.

The Group uses cash flows from operations to replenish internal reserves in preparation for strengthening business foundations and investment in growth strategies, among others. At the same time, with regard to the shareholder return, the Group's basic policy is to continue to maintain stable dividends while also effecting returns taking into account elements relating to operating performance.

The Company has adopted the takeover defense guidelines at this point of time, on the judgement that those guidelines are necessary to ensure and improve the shareholders' common interest. The introduction and continuation of the takeover defense guidelines shall be resolved at the general shareholders' meetings based on the deliberation on its necessity and reasonableness and the appropriateness of procedures and operation, etc. at the Board of Directors and the Audit & Supervisory Board and after an adequate explanation to shareholders.

Appendix 2: Policy and procedure on the election of the senior management and nomination of candidates for directors and Audit & Supervisory Board members

1. With regard to the election and dismissal of the senior management and nomination of candidates for directors, the President shall, following discussion of the election and dismissal of the senior management with other representative directors, and discussion of the nomination of candidates for directors with other representative directors following deliberation with the Nomination and Compensation Committee, subsequently make respective proposals to the Board of Directors, which shall be resolved at the meetings of the Board of Directors in light of the following standards:

- (1) Election of the senior management and nomination of candidates for directors
 - A person with an ability to acknowledge and solve the management issues from the perspectives of his/her excellent characters and insights and the management overall;
 - With regard to executive directors, a person with the sufficient expertise, experience and achievements in specialized fields as well as high capability in organizational management;
 - With regard to external directors, a person with an abundant experience in that person's field who possesses the capability to make advices and recommendations to secure the propriety and appropriateness of the decision-making by the Board of Directors from an independent standpoint.
- (2) Proposals for the candidates for Audit & Supervisory Board members shall be made by the President to the Board of Directors through discussion with other representative

directors, and resolved at the meetings of the Board of Directors in light of the following standards:

- A person with an ability to acknowledge the management issues from the perspectives of his/her excellent characters and insights and the management overall, monitor, and provide advice and recommendations from an independent standpoint to secure the propriety and appropriateness of the decision-making by the Board of Directors;
- With regard to Audit & Supervisory Board members from within the Company, a person with sufficient expertise, experience and achievements in specialized fields;
- With regard to external Audit & Supervisory Board members, a person with an abundant experience in that person's field.

Appendix 3: Independence Standard for Outside Officers

The Company deems an external director or an external Audit & Supervisory Board member (collectively, the "outside officer") to have independence against the Company if he or she satisfies all of the following requirements:

1. An outside officer who currently satisfies and has satisfied at any time in the past the following requirement:
 - An outside officer shall not be a person who performs executive roles (executive director, executive officer, manager or other employee; hereinafter the same) of the Company, its subsidiaries or affiliates (collectively, "the Group");
2. An outside officer who currently satisfies and has satisfied in the last five years all of the following requirements:
 - (1) An outside officer shall not be a major shareholder of the Company (entities that directly or indirectly own 10% or more of the total voting rights of the Company) or shall not be a person who performs executive roles therein;
 - (2) An outside officer shall not be a company nor any other organization of which the Group own 10% or more of the total voting rights, or shall not be a person who performs executive roles therein;
 - (3) An outside officer shall not be a major business partner of the Group (entities with which the Company's transaction amounts exceed 2% of the Company's consolidated sales in a certain business year of the Group) or shall not be a person who performs executive roles therein;
 - (4) An outside officer shall not be a party for whom the Group is a major business partner (entities whose transaction amounts with the Company exceed 2% of their consolidated sales in a certain business year) or shall not be a person who performs executive roles therein;
 - (5) An outside officer shall not be a major lender of the Group (entities from which the Group borrows and whose outstanding loans to the Group exceed 2% of the consolidated total assets of the Company. However, the entities stated as "Major Lenders" in the business reports and other statements of the Group deemed as

such, irrespective of the above.) or shall not be a person who performs executive roles therein;

- (6) An outside officer shall not be a professional service provider including attorney, certified public accountant, licensed tax accountant and consultant, etc. who receives compensation, etc. more than 10 million yen per year other than compensation for an officer from the Group (In case where the entity is a corporation or other organization, refers to a person who provides the service belonging thereto);
 - (7) An outside officer shall not be an accounting auditor of the Group (In case where the entity receiving such compensation, etc. is a corporation or other organization, refers to a person who executes business belonging thereto);
 - (8) An outside officer shall not be a person who receives donations more than 10 million yen per year from the Group (In case where the entity is a corporation or other organization, refers to a person who executes business belonging thereto);
 - (9) An outside officer shall not be a person who performs executive roles at companies which have a relationship involving cross-assumption of office of outside officers (relationship in which person who performs executive roles of the Group serves as outside officer of a company other than the Group and, at the same time, person who performs executive roles of the company other than the Group serves as outside officer of the Company); and
 - (10) An outside officer shall not be a relative (spouses and relatives of up to the second degree of kinship) of person who performs executive roles of the Group (In case of employees, refers to a person in higher positions than the heads of departments or similar.) to whom any of items (1) through (9) apply (In case of employee who performs executive roles of companies, refers to a person in higher positions than the heads of departments or similar. In case of person who belongs to organizations other than companies, refers to a person who executes significant operations.)
3. In addition, there must not be any other situations rationally recognizable as preventing an outside officer from performing duties as an independent outside officer.

Appendix 4: Training Policy for Directors and Audit & Supervisory Board members

At the Company, persons with the expertise necessary to appropriately fulfill their expected roles and responsibilities serve as directors and Audit & Supervisory Board members. After their appointment, they continuously strive to improve their competence, including acquisition of the requisite knowledge. In this regard, the Company has established a policy for the training for directors and Audit & Supervisory Board members, for an even deeper understanding of their roles and responsibilities, as follows:

1. The Company provides and arranges for directors and Audit & Supervisory Board members opportunities for training and

knowledge acquisition on the followings, depending on their experience and expertise, and helps with expenses thereof:

- (1) Finance, accounting and tax as well as corporate finance;
 - (2) Laws and regulations related to the Companies Act and the Financial Instruments and Exchange Act as well as corporate governance.
2. The Company annually holds the Compliance Top Seminar inviting external lecturers.
 3. Upon new appointment of external directors and external Audit & Supervisory Board members, the Company provides a training program consisting of a curriculum that includes explanations of the Group's management policies, business strategies, and each business as well as plant and other site visits. Subsequently, through the provision of information as necessary, the Company shall regularly offer supports for acquiring knowledge necessary in order to fulfill their roles and responsibilities.

Appendix 5: Basic Policy on Constructive Dialogue with Shareholders

Aiming to contribute to the achievement of continuous growth of the Company and an increase in its corporate value over the medium- to long-term, the Company shall strive for the constructive dialogue (interview) with shareholders.

- The Investor Relations Department shall serve as the main point of contact for constructive dialogue with shareholders and work organically with the General Affairs Department that manages the shareholders' register. The director in charge of investor relations controls and strives to develop the system therefor.
- The director in charge of the relevant departments, etc. shall deal with interview requests from shareholders, based on the character and holding status of the Company's shares of the shareholder and the reason for the interview request, to a reasonable extent.
- The Company established the system that delivers all information necessary for the constructive dialogue with shareholders to the Investor Relations Department, the main point of contact for shareholders, through committees and other means.
- The Company shall strive to enrich the contents and quality of individual interview, financial results briefings for institutional investors, briefing session for individual investors, inquiries via telephone or website, as a means of dialogue with shareholders.
- Opinions and other feedback from shareholders obtained through the dialogue shall be shared internally by means of the reporting at the Board of Directors, etc. and communication between related parties as necessary.
- The Company shall not communicate any insider information through the occasion for the dialogue as above by providing thorough education and training with the person in charge to that effect. If, irrespective of intention or negligence, a leakage of insider information should occur, the Company shall communicate the fact to the counterparty on the spot and

immediately disclose the fact according to the established procedures.

End