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The corporate governance of Takasago Thermal Engineering (the "Company") is described below.

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

1. Basic Views

The basic policy of corporate governance of the Company is to secure the legality, transparency and agility of corporate management and improve the management efficiency in order to earn the trust of society and improve corporate value in the medium and long terms. For details, see [Principle 3-1 Full Disclosure] (ii) below.

[Reasons for Non-Compliance with the Principles of the Corporate Governance Code]

[Supplementary Principle 5-2-1 Basic Policy and Status of Review of Business Portfolio]

In the Group, the equipment construction business currently accounts for approximately 98% of net sales.

At the Company, the status of initiatives in the equipment construction business, such as "by region" or "by customer market," is ascertained by profitability, and is periodically evaluated by the Company's Board of Directors.

For example, in the domestic business, in addition to the return on capital, the Company considers the establishment of a value chain, synergies, and growth potential.

Furthermore, the Company is reviewing its international business by adding the perspective of economic (market and country specific) growth potential to its return on capital.

In "Takasago Thermal Engineering Group Long-Term Vision 2040 Create our PLANET, Create our FUTURE" announced on May 12, 2023, we decided to establish four business domains in the future. Going forward, the Company will disclose the status of the review of the business portfolio, including the rearrangement of existing businesses, as necessary, in line with the progress of the consideration of domain strategies.

The details of the long-term vision are described in [Principle 3-1: Full Disclosure] (i) below.

[Disclosure Based on the Principles of the Corporate Governance Code] Update

[Principle 1-4 Cross-Shareholdings]

The Company's basic policy is not to hold cross-shareholdings except for the case where it is assumed to contribute to increasing corporate value by strengthening business relationships or developing strategic partnerships. For the shares that have already been held, the Company periodically and continuously judges the appropriateness of holding the same from the following viewpoints, and examines the results at meetings of the Board of Directors every year. The Company in principle shall consider disposal of the share to enhance the efficiency of capital, if the share is not recognized as beneficial.

- Whether or not it leads to the enhancement of the Company's corporate value over the medium to long term, such as maintaining strong and beneficial relationships with clients or business synergy.

- Whether or not it has an adverse effect on the Company's financial soundness.

- Whether or not the return from stockholdings, including related transaction profits, dividends, etc., exceeds the cost of capital.

As a result of the above, as of the end of March 2026, the Company held stocks with a market value of 45.4 billion yen (including unlisted stocks), 22.6% (including deemed holdings) of the consolidated net assets of 215.0 billion yen.

Regarding the exercise of voting rights of cross-shareholdings, the Company makes a decision on whether each agenda contributes to improving the corporate value of an issuer and to the interests of the Company as a shareholder and properly exercises voting rights.

[Principle 1-7 Related Party Transactions]

The Company, in conducting a transaction with any officer thereof, has the following system in place so that such transaction does not harm the interests of the Company and shareholders.

• In principle, internal rules prohibit all directors and executive officers from conducting a transaction or a competing transaction for themselves or others by using their position at work.

• However, internal rules also stipulate that approvals from the Audit & Supervisory Committee and the Board of Directors is required if an adequate reason exists, and that if a transaction is actually conducted, important matters concerning such transaction should be reported to the Committee and the Board without delay.

• Internal rules require Audit & Supervisory Committee to monitor and review competing transactions, conflict-of-interest transactions, provision of property benefits with no charge by the Company (including provision of property benefits with significantly limited counter-performance) and irregular transactions with subsidiaries and shareholders to see if there is any violation of the duties of directors.

• The Company requires its officers to submit a "Letter of Confirmation" concerning related party transactions at the end of every fiscal year, and the Board of Directors monitors if such transactions are conducted. If such transaction of high importance is conducted, the Company discloses it in accordance with the Companies Act and the Financial Instruments and Exchange Act.

When conducting a transaction with a shareholder who owns 10% or more of the Company's voting rights, the Company, as with any regular transaction, judges the necessity thereof based on the decision-making standards stipulated by internal rules. The Company shall obtain consent of the Audit & Supervisory Committee in addition to a prior resolution of the Board of Directors.

[Supplementary Principle 2-4-1 Ensuring Diversity in the Promotion of Core Human Resources, etc.]

1. Approach to ensuring diversity in the promotion of core human resources, etc.

The Company aims to respond promptly and flexibly to changes in the business environment, expand its environmental creation business domain with air conditioning technology at its core, and contribute to solving social issues while maximizing customer value.

We recognize that securing and developing human resources with advanced expertise and strong execution capabilities, positioned as the source of value creation, constitutes the foundation for evolving from a company that provides air conditioning equipment to one that maximizes customer outcomes, thereby achieving sustainable growth and enhancing corporate value.

Based on the philosophy that “people are our greatest asset,” the Company places importance on fostering an organizational culture in which each and every officer and employee can autonomously grow and continue to take on challenges as an Environment-Creator™. The Company practices human resource management founded on human resource development and respect for people, with a basic policy of merit-based recruitment and evaluation that focuses on individuals based on their abilities and performance. (see the “Basic Human Resource Management Policy” below*1)

In addition, under our Purpose, “With our revolutionary environmental innovations, we activate the Earth’s future,” we embrace the slogan “We will expand the circle of diversity and co-creation through harmonious relationships with others.” Furthermore, in the TakasagoWay, which sets forth the values of the Takasago Group’s employees, we define “Trust: The connection between people is our asset.” Based on these values, we promote the development of a work environment in which diverse human resources mutually respect one another and can fully demonstrate their abilities and play an active role, regardless of attributes such as gender, nationality, employment type, disability, sexual orientation, or gender identity (see “3. Human resource development policy to secure diversity, internal environmental development policy, and the status thereof”).

In response to changes in the labor market and various institutional developments, the Company places importance on organizational management based on diversity, as opportunities for diverse human resources to work together continue to expand. Under the Sustainability Promotion Committee described below, the Company has established a diversity promotion team and is working to expand opportunities for human resources with diverse backgrounds—including mid-career hires*[2], employees with foreign nationalities, persons with disabilities, and senior human resources—in addition to the advancement of women, which has been a primary focus, to play active roles as core human resources.

In addition, taking into account the characteristics of the Company’s business, we promote the full demonstration of human resources’ capabilities by strengthening the development cycle through on-site practice and evaluation, providing educational opportunities that contribute to enhancing expertise, and operating fair and convincing evaluation and treatment systems. Furthermore, through the transformation of construction processes and the promotion of DX, we aim to achieve both productivity improvement and work style reform, while developing an environment in which diverse human resources can play active roles over the long term.

Through these initiatives, we will build a framework in which diverse employees can play active roles as core human resources, enhance our ability to create customer value and improve productivity at worksites, and improve the quality of our earnings structure, thereby leading to sustainable growth and enhancement of corporate value.

*[1] Human Resources Management Basic Policy

Based on our philosophy that "people are our greatest asset," we conduct human resource management based on the development of human assets and respect for people.

In order to contribute to society by constantly creating new value through our corporate activities, we must be a company that continues to grow day by day, and we believe that such growth is supported by our human resources and their growth; therefore, we will develop human resources who have character and high ethical standards, are autonomous, and who constantly take on challenges.

We will also foster a corporate culture that recognizes and respects each other's diversity, regardless of gender, sexual orientation, gender identity, nationality, disability, or other attributes, and create a work environment where individuals are healthy, vibrant and able to maximize their abilities.

*[2] Mid-career hires

Refers to so-called mid-career recruitment excluding new graduates.

2. Voluntary and measurable targets to ensure diversity

To ensure diversity, the Company has set the following voluntary and measurable targets for the promotion of female managers, mid-career hires, and employees with foreign nationalities to management positions, and regularly monitors them.

(1) Female employees

Transition of the ratio of female managers is as below.

The ratio of female managers is targeted to be raised to 10% by around 2030, and then targeted to be raised to 15% by around 2035.

	April 2024	April 2025	April 2026	Around 2030	Around 2035
Ratio of female managers*[3]	2.8%	3.4%	3.5%	Targeted at 10%	Targeted at 15%

*[3] Figures are calculated based on the provisions of the "Act on Promotion of Women's Participation and Advancement in the Workplace (tentative translation)" (Act No. 64, 2015).

In order to steadily advance the above targets, the Company has set targets such as the ratio of female candidates for management positions as supplementary indicators. The ratio of female candidates for management positions (pool of deputy section manager level) and the ratio of women to officers and employees are as below, but it aims to achieve such ratio of 30% by around 2030, which is equivalent to the ratio of women to officers and employees. The Company is also working to promote the rate of male employees taking childcare leave and other measures and improve the working environment that enables female managers to play an active role.

	April 2024	April 2025	April 2026	Around 2030
Ratio of female candidates for management positions (deputy section manager level)	9.4%	11.4%	11.9%	Targeted at 30%
Ratio of women to officers and employees	19.3%	20.7%	21.3%	Targeted at 30%
Rate of male employees taking childcare leave (1 week or more)*[4]	86.0%	86.7%	93.3%	Targeted at 100%

*[4] Results for the recent fiscal years. In addition, the figures are the ratios calculated according to the calculation method of the rate of men taking childcare leave, etc. (using the number of men who took childcare leave for 1 week or more, which is our target for taking childcare leave, as a numerator) and other leave taken for the purpose of childcare, as set forth in Article 71-4, Item 2 of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance No. 25, 1991 of the Ministry of Labor) based on the provisions of the Act on Childcare Leave, Caregiver Leave and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76, 1991). Therefore, they differ from the rate of men taking childcare leave listed in the table above (101.7%,) which was calculated by using, as the numerator, the number of men who took childcare leave for one day or more as reported in the Annual Securities Report submitted by the Company on June 18, 2026.

(2) Mid-career hires and employees with foreign nationalities

We are working to increase the percentage of mid-career hires and foreign national employees in management positions from the current levels.

	April 2024	April 2025	April 2026	In the future
Ratio of mid-career employees in management positions*5	10.4%	12.0%	12.1%	Increase from the current level
Ratio of mid-career employees to officers and employees	18.5%	20.4%	20.7%	Increase from the current level
Ratio of employees with foreign nationalities in management positions*5	0%	0.2%	0.2%	Increase from the current level
Ratio of employees with foreign nationalities to officers and employees	3.5%	5.1%	5.4%	Increase from the current level

*5 Ratio of managers (equivalent to section manager and above) to total mid-career and foreign national employees.

As for employees with foreign nationalities, as of March 31, 2026, 3,410 of 3,440 employees at overseas subsidiaries of the Company were employees with foreign nationalities, and 456 employees with foreign nationalities accounted for 474 management positions.

By closely communicating at the Company alone between employees with foreign nationalities and staff with foreign nationalities at overseas subsidiaries, the Company aims to increase opportunities for employees with foreign nationalities to exercise their functions at the Company alone.

3. Human resource development policy to secure diversity, internal environmental development policy, and the status thereof

To achieve the above approach and targets, the Company is developing an environment in which all employees can fully demonstrate their abilities and play active roles with a sense of fulfillment.

Specifically, the Company engages in merit-based recruitment, development, and evaluation regardless of attributes such as gender or nationality, while also enhancing and enriching the environment in which diverse human resources can grow and play active roles as core human resources through support for career development, provision of educational opportunities, and the promotion of appropriate assignment and promotion.

In addition, in light of increasingly diverse values regarding work styles, the Company is promoting the development of systems that accommodate diverse work styles and the creation of an environment that places importance on physical and mental health and safety, thereby strengthening the foundation that enables diverse human resources to continue to play active roles over the medium to long term.

< Training, events and others related to diversity promotion held during the fiscal year ended March 31, 2026 >

[Training]

- Diversity related training for managers (Human skills, Coaching female subordinate, etc)
- Training provided by para-athletes for disability awareness raising
- LGBTQ+ related educational seminar

[Events]

- Visiting program for female employee to project sites or new business
- Meetings for employees from each category to exchange opinions (female, mid-career hires, foreign nationals, people with disabilities, senior human resources)
- Sponsored and participated in the Tokyo Rainbow Parade 2023 to 2026, cheering parade from sidelines

[Others]

- Tutorial program for mid carrier hires upon joining to Company
- Acquired PRIDE Indicator Bronze Accreditation (work with Pride, general incorporated association)
- Dissemination of educational materials about elderly care (By stages of care needed, for manager, etc)
- Briefing sessions on childcare leave for male employees
- Disaster prevention drills from the perspective of persons with disabilities

Through these initiatives, the Company is working to identify issues and implement institutional measures through training and events that promote understanding of diversity. Going forward, we will continue to accelerate efforts to create an environment in which diverse human resources respect one another, integrate, and enable each individual to thrive and play an active role.

The specific details of these initiatives are also positioned as important measures in the section on “Well-being (Strengthening Human Capital).”

[Principle 2-6 Roles of Corporate Pension Funds as Asset Owners]

In operating the defined benefit corporate pension plan, the Company utilizes the knowledge of an external expert organization to conduct appropriate risk management and efficient reserve fund management so that it can fulfill the expected function as an asset owner. In addition, the Company strives to appoint personnel with expertise and qualifications in pension management in terms of personnel assignment. In addition to the establishment of such a system, the Corporate Pension Management Committee determines the management policy of the pension plan and monitors the status of management.

[Principle 3-1 Full Disclosure]

(i) Purpose, Group Long-Term Vision, Mid-Term Management Plan

In May 2023, we announced our purpose, "With our revolutionary environmental innovations, we activate the Earth's future", and "Takasago Thermal Engineering Group Long-Term Vision 2040: Create our PLANET, Create our FUTURE".

The purpose articulates where Takasago Thermal Engineering Group's employees' hearts and souls lie, and shows which direction they should take.

In addition, in the “Takasago Thermal Engineering Group Long-Term Vision 2040,” the Group sets forth a value creation story in which it will expand its environmental creation business domain with air conditioning technology at its core and link four business domains—(1) construction, (2) Equipment maintenance and management, (3) carbon neutrality business, and (4) manufacturing and selling of environmental equipment—through digital transformation. To achieve this, three phases have been established as the planning periods.The first phase (2023–2026), entitled “Mid-term Management Plan (2026): Step for the FUTURE - Four years to embark on the future,” aims to solidify the earnings base through the core business (construction business) and to allocate the funds generated by the core business to growth investments for expanding business domains. The second phase (2027–2030) is positioned as a four-year period to achieve growth, aiming for the expansion of overseas business, the creation of new added value through digital transformation, and the monetization of carbon neutrality businesses. The third phase (2031–2040) is positioned as a ten-year period of breakthrough, aiming to establish new business segments that contribute to carbon neutrality.

As we steadily progress through the above three phases, each and every officer and employee will continue to strive to become an Environment-Creator™ *, co-creating environmental value with our business partners, and striving to achieve sustainable growth and increase shareholder value over the medium to long term.

*6 Environment-Creator™

Refers not only to persons engaged in environmental-related businesses in a narrow sense, but also to those within the Takasago Thermal Engineering Group who create value that contributes to the resolution of social issues through their work in engineering, sales, administration, and accounting..

(ii) Basic Views on Corporate Governance and Basic Policy Based on the Principles of the Code

We recognize as sustainability management our corporate activities carried out based on our Purpose, "With our revolutionary environmental innovations, we activate the Earth's future," and position ESG and CSR management at the core of such activities, striving to contribute to all stakeholders—including shareholders, employees, customers, business partners, and local communities—and to earn the trust of society.

The Company has established, as its basic policy of corporate governance, the securing of legality, transparency, and agility in management, as well as the improvement of management efficiency, in order to earn the trust of society and enhance corporate value over the medium to long term. In addition, the Company recognizes the strengthening of corporate governance as one of its important management issues and, through the practice of effective corporate governance, will strive to achieve sustainable growth and enhance corporate value over the medium to long term.

1. Securing the Rights and Equal Treatment of Shareholders

(Securing the Rights of Shareholders)

The Company recognizes that shareholders are important stakeholders and develops an environment where they can fairly exercise their rights. The Company also works to secure the equality of minority shareholders and foreign shareholders and ensure that they can properly exercise their rights as well.

(Capital & Financial Strategy)

We will emphasize a balance between capital efficiency and financial soundness to build a financial foundation that supports sustainable growth, and appropriately allocate generated cash to investment for growth in order to enhance corporate value, and shareholder returns. With regard to capital efficiency, we will pursue return on capital with an awareness of the cost of capital and aim to improve return on equity (ROE).

Our basic profit distribution policy is to return profits to shareholders through dividends. Specifically, as for the interim and year-end dividends for the fiscal year ended March 31, 2024 and thereafter, the Company has adopted a progressive dividend policy of increasing dividends in line with sustained profit growth, aiming for a payout ratio of 40%.

For the sustainable growth of the Group and medium- and long-term improvement of corporate value, the Company uses internal reserves as funds to develop technology and reinforce the financial standing to strengthen its competitiveness and for business and capital alliances to expand its business domains and other purposes.

In addition, from the perspective of increasing shareholder value over the medium to long term, the Company intends to conduct share repurchases in a flexible manner, taking into account "soundness" and "capital efficiency", while comprehensively considering market conditions, capital levels, business investment opportunities, etc.

2. Appropriate Cooperation with Stakeholders Other Than Shareholders

(Purpose)

In our Purpose, "With our revolutionary environmental innovations, we activate the Earth's future", we state that we will "Contribute to society through social harmony and creative solutions". We will expand our environmental creation business with air-conditioning technology at the core, and each of our officers and employees will work as an Environment-Creator™ to co-create environmental value by enhancing the diversity of human resources within and outside the Company and by continuing to take on challenges together with our business partners.

(Sustainability)

Under the Fundamental Principles of Sustainability*7, the Company is promoting sustainable management with the aim of achieving sustainable growth and increasing corporate value over the medium to long term, in order to achieve the goals set out in the Medium-Term Management Plan.

Our Group aims to achieve sustainable growth and increase corporate value by practicing the TakasagoWay as an Environment-Creator™ in accordance with the Purpose: "With our revolutionary environmental innovations, we activate the Earth's future".

*7 Fundamental Principles of Sustainability (Revised April 2024)

1. We incorporate initiatives to resolve sustainability issues into our business activities as part of our business.
2. We aim to properly respond to risks pertaining to sustainability issues and take advantage of opportunities for profit.
3. We work together with all stakeholders, including those in the supply chain.
4. We will strive to provide green technologies and services that extend beyond the spatial environment within buildings.
5. We understand our customers' needs and constantly strive to provide quality that exceeds their expectations.
6. We strive to enhance employee engagement by creating work environments that are comfortable and motivating, for example by promoting fair and equitable treatment, diversity, and health and productivity management.
7. We strictly adhere to corporate ethics and otherwise promote fair and transparent management.
8. Our top executives lead by example, and all executives and employees work with a strong sense of mission and passion.

3. Ensuring Appropriate Information Disclosure and Transparency (Full Disclosure)

Regardless of whether required by law or not, the Company works to maintain timely and proper information disclosure from the perspective of protecting investors and earning the trust of the capital market.

In disclosing information, the Company works to be accurate and easy to understand so that it can have constructive dialogue with its shareholders.

(Accounting Auditors)

Accounting auditors, in collaboration with the Audit & Supervisory Committee and relevant departments such as Accounting & Finance and Internal Audit, work to secure an audit plan and a system and conduct a proper audit.

The Company promptly reports any event which affects accounting to the auditing firm and consults with and notifies it of an accounting policy. Accounting auditors work to understand accurate background information and the facts of such event to form an opinion.

4. Responsibilities of the Board

(Roles and Responsibilities of the Board)

The Board of Directors is positioned as a body that, while taking as its foundation the basic principles set forth in the Corporate Governance Code, also fulfills a coordinating function to earn the trust and confidence of stakeholders of the Takasago Thermal Engineering Group. The Board of Directors, in aiming to enhance corporate value, carries out "presentation of directions such as corporate strategy," "development of an environment that supports risk-taking," and "highly effective supervision of the management and Directors," while grasping the Company's actual conditions and current situation, providing balanced advice and oversight, identifying risks of inaction in business execution, and promoting the development of systems and frameworks to operate from a long-term perspective.

In addition, the Board of Directors evaluates the effectiveness of whether "activities toward management transformation are being steadily implemented," "its roles and responsibilities are being properly fulfilled," and "matters on which the Board of Directors should exercise its functions toward further enhancement of corporate value are being appropriately identified," and confirms that their validity is ensured.

(Use of Independent Outside Directors)

The Company utilizes judgments of outside directors independent from the management to promote "Segregation of supervision and execution of management" and secure the independence and objectivity of the Board of Directors in supervising business management.

The Company believes that independent outside directors can have discussions which contribute to the sustainable growth of the Company and medium- and long- term improvement of corporate value by offering useful advice and opinions on a management policy and improvement of business management from an independent perspective based on their expertise, abundant experience and knowledge. As of June 2026, the ratio of independent outside directors is 58.3% (7 out of 12 Directors are independent outside directors), and the Board of Directors, the Audit and Supervisory committee and the voluntarily established Governance, Nomination and Remuneration Committee are chaired by independent outside directors.

(Evaluation of Effectiveness of the Board)

The Company checks whether the entire Board of Directors properly functions or not, so that it can effectively perform its roles and responsibilities. While regularly analyzing and evaluating the effectiveness of the entire Board of Directors based on self-assessment of the respective director and Audit & Supervisory Committee members, the Company directly obtains advice and opinions on this analysis and evaluation from outside directors and outside Audit & Supervisory Committee members, and takes proper measures to solve issues, if any.

The Company uses the results of analysis of this evaluation to improve the Board of Directors' decision-making/supervisory function. For details, see [Supplementary Principle 4-11-3 Analysis/Evaluation of Effectiveness of the Board, Disclosure of Summary of Results Thereof] below.

5. Dialogue with Shareholders

(Dialogue with Shareholders)

The Company believes listening to shareholders and taking proper measures lead to the sustainable growth and medium- and long-term improvement of corporate value. Thus, the Company commits to building a constructive relationship with shareholders through dialogue with shareholders and disclosure of materials. For details, see [Principle 5-1 Policy for Constructive Dialogue with Shareholders] below.

(iii) Policy and Procedures for the Board of Directors to Determine Remuneration of Executives and Directors

With regard to the individual remuneration, etc. of the Company's directors (except for Directors who are Audit & Supervisory Committee members), for the purpose of growing its business over the medium to long term and continuously and sustainably improving its corporate value and the common interests of its shareholders, the Company has decided, by resolution of the Board of Directors, to adopt a policy of having a remuneration system that functions as one of the sound incentives (motivation) in consideration of trends in corporate governance, survey data from external specialist organizations, the remuneration levels of other companies, and other factors. In addition, with regard to individual remuneration, etc. for Directors who are Audit & Supervisory Committee members are determined through discussion by Directors who are Audit & Supervisory Committee members within the maximum amount of the total remuneration, etc. of Directors who are Audit & Supervisory Committee members determined by a resolution of the General Meeting of Shareholders.

The following is a summary of the policy for determining the content of individual remuneration for officers of the Company.

The Company determines, based on a resolution of a shareholder meeting, the maximum limit of total remuneration of each of Directors (except for Directors who are Audit & Supervisory Committee members) and Directors who are Audit & Supervisory Committee members.

To enhance the independence, objectivity and transparency of officer remuneration, the Company established, as an optional advisory body, the Governance, Nomination and Remuneration Committee. After discussions at a meeting of the Committee, the Company determines, based on a resolution of the Board of Directors, the remuneration of Directors (except for Directors who are Audit & Supervisory Committee members). The majority of the Committee members are independent outside directors. In the most recent fiscal year, the Governance, Nomination and Remuneration Committee consisted of five members, four of whom were independent outside directors. In addition, the Committee is chaired by an independent outside director.

The remuneration of Directors (except for Directors who are Audit & Supervisory Committee members and independent outside directors) consists of base compensation, a bonus as short-term (annual) incentives, and a stock compensation plan (Directors' Compensation BIP Trust) as a medium to long-term incentive, and the proportion of each component is set by considering the Company's policy for determining the content of compensation for each individual director. In addition, the policy is to decrease the proportion of fixed remuneration and increase the proportion of variable remuneration (bonuses and Stock Compensation Plan (Directors' Compensation BIP Trust)) as one's position rises.

For independent outside directors, only basic remuneration shall be paid, and no bonuses or Stock Compensation Plan (Directors' Compensation BIP Trust) is provided.

Basic remuneration is fixed remuneration determined according to one's title and a certain amount is paid monthly.

Bonuses are positioned as an incentive to achieve business results in a single-fiscal-year and as a commitment to achieving milestones towards the realization of the mid- to long-term vision. They are paid at a fixed time each year and vary between 0% and 200% depending on the consolidated ordinary income, the consolidated gross profit margin and the individual assessment of each officer.

Stock compensation consists of a 60% performance-related component and a 40% non-performance-related (share price-linked) component. Performance-linked remuneration will be determined based on the key indicators defined in the Medium-Term Management Plan and other indicators set by the Board of Directors in order to boost the motivation to contribute to increasing the Company's value in the medium and long term. It will vary between 0% and 200% depending on the achievement of the performance targets. The indicators include consolidated ordinary income, consolidated ROE, relative TSR (vs. TOPIX), reduction of CO2 emissions and employee engagement. In the event of changes in the external environment surrounding the Company, a review of the Company's medium- to long-term strategy or other circumstances, these indicators and weightings may be changed by resolution of the Board of Directors, after deliberation by the Governance, Nomination and Remuneration Committee. Performance-linked remuneration will be paid on a fixed schedule upon the completion of the Medium-term Management Plan, and non-performance-linked remuneration will be paid upon resignation.

As with directors (except for Directors who are Audit & Supervisory Committee members and independent outside directors), remuneration of executive officers consists of basic remuneration, bonus as a short-term (annual) incentive and stock compensation plan (Directors' Compensation BIP Trust) as a medium- and long-term incentive, and is determined based on a resolution of the Board of Directors after discussion by the Governance, Nomination and Remuneration Committee.

Image of remuneration structure (Representative Director: Standard time)

<table>
<tr><th colspan="2" rowspan="2">Type of Remuneration</th><th colspan="3">Description</th></tr>
<tr><th>Summary</th><th>KPI Weighting</th><th>Performance-Linked Range</th></tr>
<tr><td>Fixed
4
:</td><td>Base remuneration (40%)</td><td>Fixed and monthly remuneration determined based on position</td><td>-</td><td>-</td></tr>
<tr><td rowspan="3">6
Variable</td><td>Bonuses (30%)</td><td>The remuneration committed to the achievement of annual performance targets and milestones leading to the realization of the medium- to long-term vision</td><td>Consolidated ordinary income: 50%
Consolidated gross margin: 20%
Individual evaluation: 30%</td><td>0-200%</td></tr>
<tr><td rowspan="2">Stock compensation (30%)</td><td rowspan="2">The remuneration committed to improving medium- to long-term performance and increasing corporate value</td><td>Performance-linked remuneration: 60%
Consolidated ordinary income: 30%
Consolidated ROE: 20%
Relative TSR (vs. TOPIX): 30%
CO_2 emissions: 10%
Employee engagement: 10%</td><td>0-200%</td></tr>
<tr><td>Non-performance linked (share price linked) remuneration: 40%</td><td>-</td></tr>
</table>

The remuneration of Directors who are Audit & Supervisory Committee members only consists of basic remuneration whose amount is determined through discussions by Directors who are Audit & Supervisory Committee members by considering the details, volume and difficulty of the duties of each Director who is Audit & Supervisory Committee members and the extent of responsibilities in a comprehensive manner. No bonus or stock-related remuneration such as a stock compensation plan (Directors' Compensation BIP Trust) is paid to Directors who are Audit & Supervisory Committee members in light of their duties.

The details of remuneration for each individual director (excluding directors who are Audit and Supervisory Committee Members) are determined by resolution of the Board of Directors. In making such determinations, the Governance, Nomination and Remuneration Committee—comprising five members, four of whom are independent outside directors—conducts deliberations regarding the appropriateness of executive remuneration and the design of the remuneration system, and submits its recommendations to the Board of Directors after conducting a multifaceted review of the draft proposal, including its consistency with the relevant policy. The Board of Directors makes its decisions with due respect to such recommendations.

Accordingly, the Company considers that the details of remuneration for each individual director (excluding directors who are Audit and Supervisory Committee Members) for the fiscal year are in line with the relevant policy.

< Date of resolution by shareholders' meeting and details thereof concerning officers' remuneration >

1) Directors (Except for Directors who are Audit & Supervisory Committee members)

Type of remuneration	Date of resolution	Eligible person	Amount	Number of members at the time of resolution
Basic remuneration and bonus	June 23, 2023	Directors (Except for Directors who are Audit & Supervisory Committee members)	¥550 million or less (in one fiscal year) (Up to ¥100 million for outside directors)	8
Stock compensation	June 19, 2024	Directors (Except for Directors who are Audit & Supervisory Committee members and outside directors) and Executive Officers	¥600 million or less (in one fiscal year) 240,000 shares or less (in one fiscal year)	4 Directors and 26 executive officers who do not concurrently serve as a Director

2) Directors who are Audit & Supervisory Committee members

Type of remuneration	Date of resolution	Eligible person	Amount	Number of members at the time of resolution
Basic remuneration	June 23, 2023	Directors who are Audit & Supervisory Committee members	¥120 million or less in a year	4

<Methods of determination of performance-linked compensation in the most recent fiscal years>

The amount of bonuses for each individual director for the fiscal year is determined based on a comprehensive assessment of performance, roles and responsibilities, and the level of contribution of each director, excluding those who are Audit and Supervisory Committee Members.

Performance-linked remuneration for the fiscal year is designed to enhance motivation to achieve single-year performance targets, and fluctuates within a range of 0% to 200% of the standard amount set for each position, based on the Company’s performance for the fiscal year (consolidated ordinary profit and consolidated gross profit margin) as well as qualitative evaluations of each director, including the degree of achievement of individual targets, succession planning, enhancement of corporate value, initiatives toward sustainability, the exercise of supervisory functions, and compliance.

The actual results related to indicators for the most recent fiscal year are as follows:

Indicator	Actual results (achievement ratio compared with target at FY opening)
Consolidated ordinary profit Consolidated gross profit margin	50,642 million yen (133%) 22.1% (116%)

< Name(s) of those with decision-making authority >

The Board of Directors determines the amount of remuneration of directors (except for Directors who are Audit & Supervisory Committee members) after discussions at the Governance, Nomination and Remuneration Committee. For an overview of the Committee, see "2. Matters on Functions of Business Execution, Auditing/Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)."

< Content of Authority and Scope of Discretion >

The Company determines the amount of each type of remuneration within the limit stipulated by shareholders' meetings.

As basic remuneration is determined based on the amount by position stipulated by resolutions of the Board of Directors, there is no room for discretion of Representative Directors or the Governance, Nomination and Remuneration Committee in principle. Bonus is calculated by the formula by position stipulated by resolutions of the Board of Directors. The Board approves its amount after the Governance, Nomination and Remuneration Committee verifies the appropriateness. Stock compensation is determined based on the formula by position stipulated by resolutions of the Board of Directors.

The scope of employees discussed by the Governance, Nomination and Remuneration Committee concerning remuneration includes directors (except for Directors who are Audit & Supervisory Committee members and outside directors) and executive officers.

< Overview of procedures performed by the Committee involved in policy determination >

The Governance, Nomination and Remuneration Committee will establish an office and convene meetings and provide prior explanation in accordance with the "Rules for the Governance, Nomination and Remuneration Committee". What is discussed in those meetings is reported to the Board of Directors at the discretion of the chairperson.

< Activities of the Board of Directors and the Committee >

The Governance, Nomination and Remuneration Committee met 11 times during the most recent fiscal year to deliberate on the revision of the officers' remuneration system and the appropriateness of the amount of remuneration for each individual in light of the fulfillment of their respective roles in response to the proposed remuneration amounts for each individual. The Board of Directors received a report on the results of the said Committee's deliberations.

(iv) Policy and Procedures for the Board of Directors to Appoint/Dismiss Executives and Nominate Candidates for Directors and Audit & Supervisory Committee Members

To enhance the objectivity and transparency of appointment/dismissal of executives as well as nomination of candidates for directors and audit & supervisory committee members, the Company, as an optional advisory body, established the Governance, Nomination and Remuneration Committee which consists of a majority of independent outside directors and is chaired by an independent outside director. After discussions at the Committee, candidates are submitted to the Board of Directors for further deliberation. However, for Directors who are Audit & Supervisory Committee members, approval of the Audit & Supervisory Committee is obtained when submitting candidates to the Board of Directors for deliberation. As of the submission of this Report, four out of five members of the Committee are independent outside directors. The Committee is chaired by an independent outside director.

The criteria for appointment of directors (who are Audit & Supervisory Committee members) include knowledge of business operation with excellent foresight, insight and objective judgment, ability to exercise leadership for sustainable growth of the Group and improvement of corporate value, ability to make an active and positive contribution to development of the next-generation executives, great character with popularity, high ethical standards and courage, ability to perform one's duty with no physical or mental problem and freedom from any problem such as having a vested interest. In addition to the above criteria, for directors who are not outside directors, sufficient experience and knowledge to manage the area he or she is in charge of and a sense of balance as well as leadership to execute business from the perspective of total optimization are required. For outside directors, an ability to supervise and check business management from an independent perspective by using abundant experience and knowledge of the area of expertise and corporate management is required. For the standards to secure the independence of independent outside directors, see [Principle 4-9 Independence Standards and Qualification for Independent Outside Directors] below.

The criteria for appointment of Directors who are Audit & Supervisory Committee members include quality to fulfill responsibilities of Directors who are Audit & Supervisory Committee members with high ethical standards, physical and mental fitness and freedom from any problem such as having a vested interest. In addition to the above criteria, for Audit & Supervisory Committee members who are not outside Audit & Supervisory Committee members, sufficient experience and knowledge of the Company's businesses and ability to conduct a proper audit are required. For outside Audit & Supervisory Committee members, an ability to conduct a proper audit from an independent perspective by using abundant experience and knowledge of the area of expertise and corporate management is required. For the standards to secure the independence of independent outside directors, see [Principle 4-9 Independence Standards and Qualification for Independent Outside Directors] below.

The criteria for appointment of executive officers include an ability to perform important management in terms of corporate strategy supported by a high level of professionalism and track record, ability to exercise leadership for sustainable growth of the Group and improvement of corporate value, ability to make an active and positive contribution to development of the next-generation executives, great character with popularity, high ethical standards and courage, ability to perform one's duty with no physical or mental problem and freedom from any problem such as having a vested interest.

When executives are considered to lack aptitude in light of the above-mentioned standards, the Governance, Nomination and Remuneration Committee may discuss dismissal of such executives.

(v) Explanation of Each Appointment/Dismissal and Nomination When the Board Appoints/Dismisses Executives and Nominates Candidates for Directors and Audit & Supervisory Committee Members Based on (iv) Above

The Company, in nominating candidates for directors and Audit & Supervisory Committee members, specifies the reason for selecting each candidate in a notice of a general shareholder meeting. The explanations for nomination of current directors and Audit & Supervisory Committee members as candidates therefor are shown below.

Kazuhito Kojima: Representative Director, President and Executive Officer

Through the execution of the air conditioning equipment business, Kazuhito Kojima has gained abundant experience and deep insight in the design/construction of building equipment relating to the Group's businesses. He has also fulfilled his executive responsibilities through the development of the Group's medium-term/annual business plans and through structural reforms and ESG/SDG-conscious corporate planning operations. We believe that, as Representative Director, President and Executive Officer, he can be expected to achieve the Group's sustainable growth as well as medium and long-term improvement in corporate value and to revitalize and strengthen the functions of the Board of Directors.

Hiroshi Kubota: Representative Director and Executive Vice President, Chief Executive Officer of Sales & Marketing Headquarters, in charge of Corporate Management Division

Hiroshi Kubota has been involved in the sales department for many years and currently serves as Chief Executive Officer of the Sales & Marketing Headquarters, overseeing sales operations of the Group. With such a background, he has excellent capabilities and insight, and has fulfilled his executive responsibilities through the development and enhancement of the Group's internal control systems. We believe that, as Representative Director and Executive Vice President, he can be expected to contribute to the sustainable growth of the Group and the enhancement of corporate value over the medium to long term, as well as to revitalize and strengthen the functions of the Board of Directors.

Tadashi Kamiya: Director and Senior Managing Executive Officer, Chief Executive Officer of Technical Engineering Headquarters, in charge of Group Companies Management

Through the execution of the air conditioning equipment business, Tadashi Kamiya has gained abundant experience and deep insight in the design/construction of building equipment relating to the Group's businesses. He has also fulfilled his executive responsibilities through business management and productivity improvement in the air conditioning equipment business. We believe that, as the person in charge of core business management, he can be expected to achieve the Group's sustainable growth as well as medium and long-term improvement in corporate value and to revitalize and strengthen the functions of the Board of Directors.

Ichiro Yamamoto: Director and Executive Officer, Chief Executive Officer of Research & Development Headquarters, in Charge of Carbon Neutral Business Headquarters

Ichiro Yamamoto has gained extensive experience in the fields of design and construction and possesses a high level of insight into technology in general through the execution of the air conditioning equipment business. In particular, he has borne significant responsibilities in the Company's industrial equipment construction and engineering businesses. Through such experience, he has fulfilled his executive responsibilities in the Group's R&D. We believe that, as the person in charge of research and development and new businesses, he can be expected to contribute to the sustainable growth of the Group and the enhancement of corporate value over the medium to long term, as well as to revitalize and strengthen the functions of the Board of Directors.

Shuma Uchino, Director

An explanation is shown below in "Reasons for Appointment" of the said outside director.

Atsushi Takagi, Director

An explanation is shown below in "Reasons for Appointment" of the said outside director.

Yoko Seki, Director

An explanation is shown below in "Reasons for Appointment" of the said outside director.

Hideka Morimoto, Director

An explanation is shown below in "Reasons for Appointment" of the said outside director.

Hirotaka Yamada, Director (Audit & Supervisory Committee member)

Hirotaka Yamada has been involved in the administrative field (finance, accounting, legal) at profit center and contributed to increasing corporate value. He served as officer of domestic business operation since April 2019 and fulfilled his executive responsibilities. With his such extensive experiences and his knowledge overseeing Company's management, finance and accounting, etc. we have determined that he will be able to appropriately perform his duties as the Director who is Audit & Supervisory Committee member.

Kazuo Sakakibara, Director (Audit & Supervisory Committee member)

An explanation is shown below in "Reasons for Appointment" of the said Director (Audit & Supervisory Committee member)

Hiroyuki Hioka, Director (Audit & Supervisory Committee member)

An explanation is shown below in "Reasons for Appointment" of the said Director (Audit & Supervisory Committee member)

Hiroyuki Wakamatsu, Director (Audit & Supervisory Committee member)

An explanation is shown below in "Reasons for Appointment" of the said Director (Audit & Supervisory Committee member)

[Supplementary Principle 3-1-3 Initiatives for Sustainability]

Under the Fundamental Principles of Sustainability, the Group promotes sustainability management aimed at achieving sustainable growth and enhancing corporate value over the medium to long term, in line with the targets set forth in the Medium-Term Management Plan.

Under the Purpose, "With our revolutionary environmental innovations, we activate the Earth's future," the Group aims to achieve sustainable growth and enhance corporate value through the practice of the TakasagoWay as an Environment-Creator™.

For further details on the Group's approach to sustainability and related initiatives, please refer to the Annual Securities Report (pages 13 to 24).

(URL： https://ssl4.eir-parts.net/doc/1969/yuho_pdf/S100YDOU/00.pdf)

[Supplementary Principle 4-1-1 Scope of Delegation to Management]

The "Rules for the Board of Directors" and the "Regulations for the Management Council" stipulate matters to be discussed by the Board and the Management Council.

The Board of Directors sets its agenda by categorizing matters into (i) corporate themes (matters to be discussed, acted upon, and resolved by the Board in determining the Company's direction), (ii) monitoring themes (matters to be supervised by the Board), and (iii) operational themes (matters to be addressed in the operation of the Board). In addition to matters stipulated by laws and regulations or the Articles of Incorporation, the Board determines basic management policies and other important matters concerning business execution, supervises the execution of duties by Representative Directors and other Directors, and works to enhance management efficiency and ensure the legality and appropriateness of business execution.

With respect to matters subject to Board resolution, pursuant to Article 24 of the Articles of Incorporation, which permits the Board of Directors to delegate all or part of the determination of important business execution (excluding matters listed in Paragraph 5 of the same Article) to Directors by resolution of the Board, the Company stipulates in the Board of Directors Regulations the matters to be submitted to the Board and those delegated to Directors, thereby ensuring clarity of procedures.

The Management Committee is composed of the President and Representative Executive Officer, Executive Vice Presidents, Executive Officers of the head office organization, and Senior Executive Officers of profit centers, and functions to enhance deliberation on important management matters and to expedite decision-making on the allocation of management resources. After deliberating on important management matters, the Management Committee resolves whether to submit such matters to the Board of Directors. For matters concerning allocation of management resources, they are reported to the Board after being discussed by the Management Council. Also, for these matters, clear procedures are in place by developing quantitative decision-making standards for each item such as acquisition of property, plant and equipment.

[Supplementary Principle 4-1-3 Plan for Successor to President and Representative Director]

To secure the transparency and objectivity of the President and Representative Director's succession to a successor, in a plan for successor to President and Representative Director, a policy and a plan to develop a successor and the progress thereof shall be reported to the Governance, Nomination and Remuneration Committee which in turn discusses these matters. President and Representative Director proposes the most qualified person as a candidate for successor when appointing a new director and CEO. The Committee deliberates on the candidate and reports its results to the Board of Directors.

[Principle 4-8 Effective Use of Independent Outside Directors]

The Company appointed seven out of 12 directors as independent outside directors.

Independent outside directors fulfill their management oversight and checking functions from an independent perspective at the meetings of the Board of Directors or the Governance, Nomination and Remuneration Committee, by drawing on their abundant experience and deep insight in their fields of expertise or corporate management.

[Principle 4-9 Independence Standards and Qualification for Independent Outside Directors]

The Independence Standards for Outside Officers of the Company are shown below.

Standards for Independence of Outside Officers

1. He or she is not a party whose major client or supplier*[13] is the Company or an executive thereof

*[13] A party whose major client or supplier is the Company is a business entity whose transactions with the Company in each target fiscal year (previous fiscal year and last three fiscal years) account for 2% or more of its net sales in principle.

2. He or she is not a major client or supplier*[14] of the Company or an executive thereof

*[14] A major client or supplier of the Company is a business entity whose transactions with the Company in each target fiscal year (previous fiscal year and last three fiscal years) account for 2% or more of the net sales of the Company in principle.

3. He or she is not a consultant, an accountant or a legal professional who receives a large amount of monetary consideration or other property*[15] from the Company besides officer's remuneration (when a party that receives such property is an organization such as a corporation or an association, a person who belongs to such organization)

*[15] A large amount of monetary consideration or other property is defined as those whose total value is 10 million yen or more in a given fiscal year in principle.

4. He or she was not recently applicable to any of (1) through (3) below

(1) A party set forth in 1, 2 or 3

(2) Executive or a non-executive director of the parent company of the Company

(3) Executive of a fellow subsidiary company of the Company

5. He or she is not a close relative (Note) of a party applicable to any of (1) through (6) below (except for a party who is not important*[16]).

(1) A party set forth in 1 through 4 above

(2) Executive of a subsidiary of the Company

(3) Non-executive director of a subsidiary of the Company

(4) Executive or a non-executive director of the parent company of the Company

(5) Executive of a fellow subsidiary company of the Company

(6) A party that recently served as (2), (3) above or executive of a listed company

*[16] An "important" party is an officer or a manager of each company/supplier in the case of the executive in 1. or 2. And a certified public accountant affiliated with each auditing firm or a lawyer affiliated with each law firm (including so-called associate) in the case of a person who belongs to an organization in 3. Close relative means relatives within the second degree of kinship.

[Supplementary Principle 4-10-1 Establishment of Governance, Nomination and Remuneration Committee]

With the aim of establishing a fair corporate governance system and ensuring management transparency, the Company has established the Nomination and Remuneration Committee, consisting of four independent outside directors (one of whom is a female) and one internal director. The Committee deliberates on the following matters regarding the nomination, remuneration, etc. of directors, Audit & Supervisory Committee members, and executive officers, and presents and reports them to the Board of Directors.

- Policy on the election and dismissal of directors*[17], representative directors, and executive officers

*[17] Consent of the Audit & Supervisory Committee is required for Directors who are Audit & Supervisory Committee members.

- Proposals for the election of directors and Audit & Supervisory Committee members to be submitted to the General Meeting of Shareholders
- Succession plans for the President and directors
- Policy for the remuneration of directors (except for Directors who are Audit & Supervisory Committee members) and executive officers and the calculating method
- Other important management matters deemed necessary by the Board of Directors

At present, the Governance, Nomination and Remuneration Committee consists of a majority of independent outside directors in order to ensure independence and objectivity, and the chairperson is elected from among the committee members, including independent outside directors, by resolution of the committee from among the independent outside directors. The Company considers ways to further enhance independence and objectivity.

The standards for ensuring the independence of independent outside directors are described in [Principle 4-9 Independence Standards and Qualification for Independent Outside Directors] above.

[Supplementary Principle 4-11-1 Views of the Board as a whole on Balance of Knowledge/Experience/Capability, Diversity and Size]

The Board of Directors of the Company works to improve the efficiency of business management and secure the legality and adequacy of business execution by making important decisions for business execution and supervising the performance of duties by executive directors. To do that, the Company believes the Board of Directors consisting of an appropriate number of diverse personnel is required to have active discussions and perform swift decision-making. Executive directors should have abundant experience and knowledge of their respective field of expertise and have a sense of balance as well as leadership to execute business from the perspective of total optimization. On the other hand, we believe that outside directors can contribute to the Company's sustainable growth and medium- to long-term improvement of corporate value by providing useful suggestions and opinions from an independent standpoint, drawing on their professional perspectives and wealth of experience and knowledge in management.

In order to realize the Group's medium- to long-term management strategy, the Company has identified the following as particularly important areas: (i) corporate management and management strategy, (ii) technology, innovation, and DX, (iii) environment, (iv) global, (v) sales strategy and marketing, (vi) finance and accounting, (vii) legal and risk management, and (viii) human resources development and labor.

The skills of the current members of the Company's Board of Directors are not excessive or inadequate and are appropriately assigned, and the list is as follows:

<Director's knowledge, experience, and ability>

	Corporate management and management strategy	Technology, innovation, and DX	Environment	Global	Sales strategy and marketing	Finance and accounting	Legal and risk management	Human resources development and diversity
Kazuhito Kojima	●	●	●		●			●
Hiroshi Kubota			●		●			●
Tadashi Kamiya		●	●		●			
Ichiro Yamamoto		●	●					●
Shuma Uchino	●					●	●	
Atsushi Takagi	●			●		●		
Yoko Seki						●	●	●

Hideka Morimoto			●				●	●
Hirotaka Yamada	●					●	●	●
Kazuo Sakakibara							●	●
Hiroyuki Hioka	●		●	●			●	●
Hiroyuki Wakamatsu						●	●	

[Supplementary Principle 4-11-2 Status of Concurrent Posts Held by Directors and Audit & Supervisory Committee Members]

When outside directors or outside Audit & Supervisory Committee members serve as an officer of any other listed company, the Company ensures that they would spend the time and energy required to fulfill their roles and responsibilities the Company expects them to perform. The Company checks and adjusts in advance a schedule of meetings of the Board of Directors and the Audit & Supervisory Committee to increase the attendance rate. The Company discloses the status of important concurrent posts in its business report, reference documents for shareholders meetings and securities reports. No internal director holds any important concurrent post.

[Supplementary Principle 4-11-3 Analysis/Evaluation of Effectiveness of the Board, Disclosure of Summary of Results Thereof]

The results of the analysis and evaluation of the effectiveness of the Board of Directors for FY2025, as well as the Board of Directors' activity policy for FY2026, are disclosed at the following URL.

(URL: https://www.tte-net.com/sustainability/governance/corporate_governance/index.html#a01)

[Supplementary Principle 4-14-2 Policy for Training of Directors and Audit & Supervisory Committee Members]

The Company believes that the knowledge required of directors and Audit & Supervisory Committee members mainly consists of knowledge unique to the Company such as knowledge of the businesses, finance and organization of the Company and general knowledge such as the roles required of directors and Audit & Supervisory Committee members and responsibilities including legal ones.

Executive directors, through discussions at the Management Issue Review Committee, work to gain a better understanding of general matters such as the businesses, finance and organization of the Company every year. Executive directors and internal directors who are Audit & Supervisory Committee members work to understand the roles and responsibilities required of directors and Directors who are Audit & Supervisory Committee members by participating in training by outside experts.

The Company provides an explanation of matters such as the businesses, finance and organization of the Company to outside directors and outside Audit & Supervisory Committee members when they assume their posts and as required, to facilitate acquisition of knowledge required of the Company's outside directors and outside Audit & Supervisory Committee members. As such, the Company develops an environment for them to fulfill their roles.

The Company provides opportunities and services and pays necessary expenses to acquire and properly update the knowledge required of each director and Audit & Supervisory Committee member. The Board of Directors regularly checks the progress of training for executive directors and internal directors who are Audit & Supervisory Committee members.

[Principle 5-1 Policy for Constructive Dialogue with Shareholders]

The Company works to secure an opportunity to give explanations to the stock market and have constructive dialogue with shareholders to facilitate understanding of the Company's management. The Company continues to share information obtained through such dialogue within the Company and reflect it as required.

(i) Appointment of Management and Directors Who Supervise Matters to Be Included in (ii) Through (v) Below for Overall Dialogue with Shareholders and Ensure Constructive Dialogue Is Held

The President and Executive Officer supervises the dialogue with shareholders, and CFO or the Manager supervising IR serves as the person in charge of handling information. The Manager of the Corporate Communication Division serves as the person in charge of timely information disclosure while the Manager of the Accounting Division serves as the person in charge of securities report, etc. (see the "Schematic Diagram of the Overview of System for Timely Disclosure" at the end of the Report).

(ii) Measures for Organic Collaboration of Departments in Charge of IR, Corporate Planning, General Affairs, Finance, Accounting and Legal That Assist Dialogue

All of the above departments belong to the Corporate Planning and Corporate Management Divisions, and they share information and issues on a regular basis through scheduled meetings and other opportunities, while working in close coordination and striving to take appropriate actions.

(iii) Initiatives for Strengthening of Means of Dialogue Other Than Individual Interview (e.g., Investor briefings and IR activities)

In addition to a financial results briefing, the Company plans and holds dialogue such as investor briefings as appropriate. The Company also participates in an external event for investors.

(iv) Measures for Proper and Effective Feedback of Opinions and Concerns of Shareholders Collected from Dialogue to Management and the Board of Directors

Directors and executives directly obtain information by attending investor briefings and circulating analyst reports and also receive reports from departments in charge on a regular basis and as required.

(v) Measures for Management of Insider Information for Dialogue

The Company, from the perspective of preventing insider trading, ensures full compliance with the "Rules for Management of Insider Trading" which stipulate matters concerning the Financial Instruments and Exchange Act and other laws and management of internal information. In having dialogue, the Company carefully manages information so that others will not suspect it of communicating insider information, and discloses information in a non-selective and fair manner. The Company designates the period from the day following the last day of an accounting period (quarterly/full year) to the date of announcement of financial results as a "quiet period." The Company provides training to acquire and update knowledge of prevention of insider training.

[Measures to Realize Management With Awareness of Cost of Capital and Stock Price]

Contents Update	Disclosure of actions (Update)
Availability of English disclosure Update	Yes
The date of update Update	May 13,2026

Supplementary Explanation Update

The Company aims to secure a level of ROE that exceeds the cost of capital and further improve it, and is working to expand the equity spread through improving ROE and reducing the cost of capital. At the same time, the Company is striving to enhance profitability through the steady execution of its growth strategies and to improve capital efficiency. The Company also continues to enhance shareholder returns and engage in constructive dialogue with shareholders and investors, and to reflect the feedback from such dialogue in management. Through these efforts, the Company aims to improve its evaluation in the capital markets, including the enhancement of PBR.

Our current analysis, targets, and initiatives to realize management with awareness of cost of capital and stock price are disclosed in our 2026 Medium-Term Management Plan: Step for the FUTURE (including a partial review of the target management indicators) posted on our website, as well as in our financial results presentation for FY2025.

(Reference) For details, please refer to the Company's website (URL below).

2026 Medium-Term Management Plan: Step for the FUTURE -Four years to embark for the future-

(URL: https://www.tte-net.com/ir/plan/pdf/medium_term_plan_2023_note.pdf)

(URL: https://www.tte-net.com/ir/plan/pdf/medium_term_plan_2023_review.pdf)

(URL: https://www.tte-net.com/ir/plan/pdf/medium_term_plan_2023_review_20250513.pdf)

(URL: https://www.tte-net.com/english/ir/plan/pdf/medium_term_plan_2023_note_en.pdf)

(URL: https://www.tte-net.com/english/ir/plan/pdf/medium_term_plan_2023_en_review.pdf)

Financial results for FY 2025, p. 10

(URL: https://ssl4.eir-parts.net/doc/1969/ir_material_for_fiscal_ym/202905/00.pdf)

(URL: https://ssl4.eir-parts.net/doc/1969/ir_material2/277981/00.pdf)

2. Capital Structure

Foreign Shareholding Ratio	From 20% to less than 30%

[Status of Major Shareholders] Update

Name/Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	14,190,800	10.64
Nippon Life Insurance Company	9,121,080	6.83
State Street Bank And Trust Company 505001	7,299,128	5.47
Takasago Thermal Engineering Employee Shareholding Association	6,286,388	4.71
Takasago Kyoeikai	5,383,342	4.03
Custody Bank of Japan, Ltd. (Trust Account)	5,296,800	3.97
The Dai-ichi Life Insurance Company, Ltd.	4,231,574	3.17
Keiokaku, Ltd.	2,033,640	1.52
Mizuho Bank, Ltd.	1,815,584	1.36
Sanwa Kogyo Co., Ltd.	1,662,000	1.24

(As of March 31, 2026)

Controlling Shareholder (except for Parent Company)	-
Parent Company	None

Supplementary Explanation Update

(Note) The shareholding ratio is calculated net of treasury stock (7,117,381 shares).
Treasury stock does not include the Company's shares (1,180,624 shares) held by the Directors' Compensation BIP Trust.
Treasury stock does not include the Company's shares (789,200 shares) held by the Stock Benefit Trust (J-ESOP) and the Stock Granting ESOP Trust.
Although the Large Shareholding Report (Amendment Report) made available for public inspection on April 22, 2025 and May 22, 2026 states that Capital Research and Management Company held shares as described below as of May 15, 2026, the Company is unable to confirm the actual number of shares held as of the voting record date, and therefore has not included them in the above status of major shareholders.
The details of the Large Shareholding Report (Amendment Report) dated May 22, 2026 are as follows.

Name	Address	Number of shares held (thousands)	Shareholding ratio to total number of issued shares (%)
Capital Research and Management Company	333 South Hope Street, Los Angeles, CA 90071, U.S.A.	5,246	3.74

3. Corporate Profile

Listed Stock Market and Market Section	Tokyo Prime
Fiscal Year-End	March
Type of Business	Construction
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

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

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5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

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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 Audit and Supervisory Committee

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	17
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Outside Director
Number of Directors	12
Appointment of Outside Directors	Appointed
Number of Outside Directors	7
Number of Outside Directors appointed as Independent Officers	7

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Shuma Uchino	From another company								△			
Atsushi Takagi	From another company								△			
Yoko Seki	Lawyer											○
Hideka Morimoto	Other											○

Kazuo Sakakibara	Lawyer											○
Hiroyuki Hioka	From another company											○
Hiroyuki Wakamatsu	Certified Public Accountant											○

*19 Categories for “Relationship with the Company”
*19 ○: the director presently falls or has recently fallen under the category, △: the director fell under the category in the past.
*19 ●: a close relative of the director presently falls or has recently fallen under the category, ▲: 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 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/an audit & supervisory committee member
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 for which outside directors/audit & supervisory committee members of the Company are 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. Other

Outside Directors’ Relationship with the Company (2) Update

Name	Audit & Supervisory Committee Member	Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Shuma Uchino		○	Shuma Uchino is from Mitsubishi Corporation, and the Company maintains a regular business relationship with the said company. As the ratio of these transactions to the Company's sales is 0.00% (rounded off to the nearest hundredth) and due to other factors, and because their effect on the judgment of shareholders and investors is considered to be insignificant, the Company has determined that he has independence as an outside director. The Company's independence criteria for outside officers are set forth in “4. Supplementary Explanation” below.	Shuma Uchino has abundant experience and knowledge as a representative director and CFO of a general trading company, and, based on such experience and knowledge, we expect that he will be able to supervise and check business management from an objective perspective independent from business execution and adequately perform his duties as an outside director, such as by offering advice and opinions useful to the business management of the Company. He currently serves as Chairperson of the Board of Directors and is expected to continue to contribute to the effective functioning of the Board of Directors. For the above reasons, we have appointed him as an outside director. <Reason for Appointing as Independent Officer> As stated above, we believe there is no particular problem in terms of independence and no possible conflict of interest with general shareholders, and so we appointed him as independent officer.
Atsushi Takagi		○	Atsushi Takagi served as part-time adviser from April 2021 to June 2022, when he was appointed as outside director of the Company at an ordinary general meeting of shareholders, on the condition that he would serve as outside director of the Company. His duty as adviser was to offer advice as an independent outsider and his fee was not substantial (less than 10 million yen). Hence, the effect on the judgment of shareholders and investors is considered to be insignificant, so the Company has determined that he has independence as an outside director. The Company's independence criteria for outside officers are set forth in “4. Supplementary Explanation” below.	Atsushi Takagi has work experience as an analyst at a securities company, a high level of knowledge of finance and accounting, and broad insight into the construction sector, and we expect that he will be able to supervise and check business management from an objective perspective independent from business execution based on such experience and knowledge and adequately perform his duties as an outside director given the reason mentioned above, such as offering advice and opinions useful to the business management of the Company. He currently chairs the Governance, Nomination and Remuneration Committee, a voluntarily established body that advises the Board, and is expected to continue to contribute to the ongoing improvement of corporate governance, etc. For the above reasons, we have appointed him as an outside director. <Reason for Appointing as Independent Officer> As stated above, we believe there is no particular problem in terms of independence and no possible conflict of interest with general shareholders, and so we appointed him as independent officer.

Name	Audit & Supervisory Committee Member	Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Yoko Seki		○	--------	Yoko Seki has abundant experience and knowledge as a lawyer and certified public accountant, and we expect that she will be able to supervise and check business management from an objective perspective independent from business execution based on such experience and knowledge. While she was not involved in corporate management by any other method than serving as outside officer, we believe she can adequately perform her duty as outside director given the reason mentioned above such as offering advice and opinions useful to business management of the Company. <Reason for Appointing as Independent Officer> As stated above, we believe there is no particular problem in terms of independence and no possible conflict of interest with general shareholders, and so we appointed her as independent officer.
Hideka Morimoto		○	Hideka Morimoto served as a part-time advisor to the Company from April 2020 until the Company's General Meeting of Shareholders in June 2021, at which time he was elected as an outside director of the Company. However, we believe that he is independent as an outside director because his duties included providing advice from an independent outside perspective and his remuneration was not substantial (less than 10 million yen). The Company's independence criteria for outside officers are set forth in “4. Supplementary Explanation” below.	Hideka Morimoto has abundant experience and knowledge in the administrative and environmental fields, and we expect that she will be able to supervise and check business management from an objective perspective independent from business execution based on such experience and knowledge. While he was not involved in corporate management by any method other than serving as outside officer, we believe he can adequately perform his duties as outside director given the reason mentioned above, such as offering advice and opinions useful to the business management of the Company. <Reason for Appointing as Independent Officer> As stated above, we believe there is no particular problem in terms of independence and no possible conflict of interest with general shareholders, and so we appointed him as independent officer.
Kazuo Sakakibara	○	○	--------	Kazuo Sakakibara has abundant experience and knowledge as a prosecutor and lawyer for many years. We have appointed him as outside director who is Audit & Supervisory Committee member, because we expect that he can supervise and check business management from an objective perspective independent from business execution based on such experience and knowledge and can adequately perform his duties as outside director who is Audit & Supervisory Committee member given the reason mentioned above, such as offering advice and opinions useful to the business management of the Company. He currently contributes to the effective operation of the Audit & Supervisory Committee as its Chairperson. While he was not involved in corporate management by any other method than serving as outside officer, we believe he can adequately perform his duty as outside director who is Outside Audit & Supervisory Committee member given the reason mentioned above. <Reason for Appointing as Independent Officer> As stated above, we believe there is no particular problem in terms of independence and no possible conflict of interest with general shareholders, and so we appointed him as independent officer.

Name	Audit & Supervisory Committee Member	Independent Officer	Supplementary Explanation of the Relationship	Reasons for Appointment
Hiroyuki Hioka	○	○	--------	Hiroyuki Hioka, has abundant experience and knowledge as a representative director of a listed company, in addition to his experience in promoting compliance, handling corporate risks, and supervising general affairs at an airline company, which he will utilize to supervise and check management from an independent standpoint and provide useful suggestions and opinions for the Company's management. We have appointed him as outside director who is Audit & Supervisory Committee member, because we expect that he will be able to appropriately perform his duties as outside director who is Audit & Supervisory Committee member. <Reason for Appointing as Independent Officer> As stated above, we believe there is no particular problem in terms of independence and no possible conflict of interest with general shareholders, and so we appointed him as independent officer.
Hiroyuki Wakamatsu	○	○	--------	Hiroyuki Wakamatsu has not only professional knowledge in accounting but also a wide range of professional knowledge and experience in corporate auditing through his experience as a certified public accountant at a major audit firm and as an outside corporate auditor at a listed company, which he will utilize to supervise and check management from an independent standpoint and provide useful suggestions and opinions for the Company's management. We have appointed him as outside director who is Audit & Supervisory Committee member, because we expect that he will be able to appropriately perform his duties as outside director who is Audit & Supervisory Committee member. <Reason for Appointing as Independent Officer> As stated above, we believe there is no particular problem in terms of independence and no possible conflict of interest with general shareholders, and so we appointed him as independent officer.

【Audit & Supervisory Committee】

Composition of Committee Members and Attributes of the Chairperson

	All committee members	Full-time members	Inside directors	Outside directors	Chairperson
Audit & Supervisory Committee	4	1	1	3	Outside director

Presence of directors and employees to assist the Audit & Supervisory Committee in the performance of its duties	Present

Matters concerning the independence of such directors and employees from the executive directors Update

To support the Audit & Supervisory Committee, the Audit & Supervisory Committee Office, which reports directly to the Audit & Supervisory Committee and consists of two dedicated staff members, has been established as an organization to assist the Audit & Supervisory Committee members in the performance of their duties.
Staff members of the Audit & Supervisory Committee Office are not subject to the directions and orders of any directors who are not Audit & Supervisory Committee members in performing their duties to assist the Audit & Supervisory Committee, but are subject to the directions and orders of the Audit & Supervisory Committee, and their personnel transfer, evaluation, disciplinary actions, etc., are conducted in accordance with the Company's internal rules after obtaining prior consent from the Audit & Supervisory Committee, thereby ensuring the independence of the execution departments and the effectiveness of instructions given by the Audit & Supervisory Committee to the staff of the Office.

Cooperation among Audit & Supervisory Committee, Accounting Auditors and Internal Audit Departments

Audit & Supervisory Committee members discuss an audit system/plan at the beginning of a year, regularly receive a report from KPMG AZSA LLC (accounting auditor) on the status and results of audits and observe an audit conducted by accounting auditors as required. By collaborating with accounting auditors by exchanging information and opinions, Audit & Supervisory Committee members improve the effectiveness of audits. They facilitate mutual collaboration through sharing of information and improve the effectiveness of audits while receiving a report from the Internal Audit Office on the status and results of audits regularly and as appropriate.

【Optional Committees】

Establishment of an optional committee corresponding to a nominating committee or compensation committee	Established

Status of establishment of committee(s), composition of members, and attributes of the chairperson (chair).

	Committee Name	All committee members	Full-time members	Inside directors	Outside directors	Outside experts	Other	Chair person (Chair)
Optional committee corresponding to a nominating committee	Governance, Nomination and Remuneration Committee	5	0	1	4	0	0	Outside Director
Optional committee corresponding to a compensation committee	Governance, Nomination and Remuneration Committee	5	0	1	4	0	0	Outside Director

Supplementary Explanation

The Company has established the Governance, Nomination and Remuneration Committee, which is composed of a majority of independent outside directors and chaired by an independent outside director, as an optional advisory body for nomination of and remuneration for officers, including those of subsidiaries. After discussions at the Committee, the Company determines, based on a resolution of the Board of Directors, nomination of candidates for directors and remuneration of directors (except for Directors who are Audit & Supervisory Committee members and outside directors). The committee is chaired by an independent outside director. Independent outside directors who are members of the Committee are expected to provide useful advice and opinions from an independent perspective and enhance the objectivity and transparency. The Committee holds at least one meeting in a fiscal year.

[Independent Officers]

Number of Independent Officers	7

Matters relating to Independent Officers

The Company appoints all outside directors and outside Audit & Supervisory Committee members who satisfy the requirements for independent officers as such.

For standards and a policy for independence from the Company in appointing outside directors and outside Audit & Supervisory Committee members, the Company refers to the standard for judgment of the independence of independent officers as stipulated by the guideline on listing management of TSE. The criteria for determining the independence of such outside directors and outside Audit & Supervisory Committee members are described in [Principle 4-9 Independence Standards and Qualification for Independent Outside Directors] above.

[Incentives]

Incentive Policies for Directors	Others

Supplementary Explanation for Applicable Item

Introduction of stock compensation plan (Director's compensation BIP trust)

For the purpose of clarifying the link between officers' remuneration and the financial performance/stock value of the Company and further motivating Directors to contribute to the medium- and long-term improvement of performance and corporate value, the Company introduced a stock compensation plan (Directors' Compensation BIP Trust) for Directors except for outside directors and Audit & Supervisory Committee members.

The new compensation covers three consecutive fiscal years and Directors of the Company (except for outside directors and Directors who are Audit & Supervisory Committee members), executive officers the Company signed an engagement agreement with (except for expats), and deputy executive officers the Company signed an engagement agreement with (except for expats). The Company contributes up to 1,800 million yen in cash for the three fiscal years to Directors. Performance-linked remuneration will be paid on a fixed schedule upon the completion of the Medium-term Management Plan, and non-performance-linked remuneration will be paid upon resignation.

Recipients of Stock Options	

Supplementary Explanation for Applicable Item

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[Director Remuneration]

Disclosure (of Individual Directors' Remuneration)	Individual Disclosure (partial)

Supplementary Explanation for Applicable Item Update

FY2025: From April 1, 2025 to March 31, 2026

Total remuneration by officer category, total amount of each type of remuneration and number of eligible officers

Category	Total remuneration (million yen)	Total amount of each type of remuneration (million yen)			Number of eligible officers
		Basic remuneration	Performance-linked compensation, etc.	Non-monetary compensation, etc. (stock compensation)	
Director (except for Audit & Supervisory Committee member) (except for outside director)	389	153	155	80	4
Outside director (except for Audit & Supervisory Committee member)	80	80	-	-	4
Director (Audit & Supervisory Committee member) (except for outside director)	30	30	-	-	2
Outside director (Audit & Supervisory Committee member)	63	63	-	-	3
Total	564	327	155	80	13

(Notes)

1 The BIP Trust for director remuneration is established separately from the maximum amount of 550 million yen for directors' remuneration (excluding directors who are Audit and Supervisory Committee Members) approved at the 143rd Ordinary General Meeting of Shareholders. The upper limit of the BIP Trust for director remuneration was approved at the 144th Ordinary General Meeting of Shareholders (held on June 19, 2024) as 1,800 million yen for each three-fiscal-year period. The number of directors (excluding directors who are Audit and Supervisory Committee Members and outside directors) as of the conclusion of the said General Meeting of Shareholders was four.

2 The amount of share-based remuneration above represents the provision for stock benefits recorded during the fiscal year under the BIP Trust for director remuneration system.

Supplementary Explanation for Applicable Item Update

Name	Total remuneration (millions of yen)	Position	Company type	Total amount of each type of remuneration (million yen)		
				Basic remuneration	Performance-linked compensation, etc.	Non-monetary compensation, etc. (stock compensation)
Kazuhito Kojima	159	Director	Reporting company	56	68	34

(Notes)

Above shown Non-monetary compensation, etc. (Stock compensation) amounts are incurred amount during the fiscal year as provision of allowance for share-based remuneration under Director's compensation BIP trust.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company determines, based on a resolution of a shareholder meeting, the maximum limit of total remuneration of each director and Audit & Supervisory Committee member.

The Company has established the Governance, Nomination and Remuneration Committee as an optional advisory body to the Board of Directors, which is composed of a majority of independent outside directors and is chaired by an independent outside director. After discussions at the Committee, the Company determines, based on a resolution of the Board of Directors, remuneration of directors.

Remuneration of directors (except for Directors who are Audit & Supervisory Committee members and outside directors) of the Company consists of basic remuneration, bonus and stock compensation (Directors' Compensation BIP Trust).

Remuneration of Directors who are Audit & Supervisory Committee members only consists of basic remuneration whose amount is determined through discussions by audit & supervisory committee members by considering the details, volume and difficulty of duties of each Audit & Supervisory Committee member and the extent of responsibilities in a comprehensive manner. No bonus or stock-related remuneration such as stock compensation (Directors' Compensation BIP Trust) is paid to Directors who are Audit & Supervisory Committee members in light of their duties. For details, see [Principle 3-1 Full Disclosure] (iii) "Policy and Procedures for Board of Directors to Determine Remuneration of Executives and Directors" above.

[Supporting System for Outside Directors and/or *Audit & Supervisory Committee Members*]

Outside directors receive information as appropriate mainly from the persons in charge at the Global Business Planning Headquarters or at the Corporate Operations Headquarters, and are briefed in advance on agendas when a board meeting is held. In addition, outside directors who are Audit & Supervisory Committee members receive information directly from a person in charge of each department and are also briefed in advance on agendas mainly by internal directors who are Audit & Supervisory committee members when a meeting of the Audit & Supervisory Committee is held (usually held prior to a board meeting).

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

The Company has a "Board of Directors" and an "Audit & Supervisory Committee." The Company also has a system of executive officers in place to clarify the function of making a decision and supervising business management and the function of executing business, and to promote agile and efficient business management while keeping an adequate number of directors and shortening their term of office.

The Board of Directors currently consists of 12 members (of those, seven are outside directors) and holds a meeting each month in principle and as required. The Board of Directors passes a resolution for important matters based on the Rules for the Board of Directors as well as matters stipulated by laws and the Articles of Incorporation, and supervises the directors' performance of their duties.

Outside directors strive to fulfill their expected roles by providing useful suggestions and opinions at meetings of the Board of Directors and other meetings from an objective standpoint and professional perspective independent of the execution of business operations.

The Board of Directors improves the efficiency of business management and secures the legality and validity of business execution by making important decisions on business execution and supervising the performance of duties by directors. The Company signed a limited liability agreement for liability stipulated by Paragraph 1, Article 423 of the Companies Act with seven outside directors which limits liability for damages to the total amount stipulated by each item of Paragraph 1, Article 425 of the Act when they perform their duties in good faith and free of gross negligence.

The Audit & Supervisory Committee currently consists of four members (or those, three are outside directors) and meets once a month, in principle, and on an ad hoc basis. The Audit & Supervisory Committee supervises the directors' performance of their duties, including reporting audit results to the Board of Directors.

In addition, in order to promote the development and operation of the internal control system of the Company and its corporate group in a cross-functional manner, the Company has established the "Internal Control Committee," chaired by the officer in charge of risk and compliance (officer in charge of corporate operations) and composed of Executive Officers at the head office, including those of profit centers responsible for group companies. The committee deliberates on the development of the internal control system of the Group and revisions to the basic policy for the internal control system based on the status of its development, matters to be submitted to the Board of Directors, as well as the operational framework for compliance promotion and risk management of the Group, revisions to the Company's regulations related to compliance and risk management, and annual activity policies related to compliance and risk management of the Company, and reports to the Board of Directors.

The Governance, Nomination and Remuneration Committee has been established as an optional advisory body to the Board of Directors, and it consists of a majority of independent outside directors and is chaired by an independent outside director. The Committee deliberates on the appointment, reappointment and dismissal of the Company's Directors and Executive Officers, as well as Representative Directors of affiliated companies (excluding those of less importance to the Company), and recommends them to the Board of Directors (provided, however, that the appointment and reappointment of Directors who are Audit & Supervisory Committee members require the consent of the Audit & Supervisory Committee), and also deliberates on the remuneration of the Company's Directors (excluding Directors who are Audit & Supervisory Committee members), Executive Officers, and Representative Directors of affiliated companies. In addition, the Committee confirms the policy for formulating and the progress of the CEO succession plan formulated by the Representative Director and President.

Names of the members of the organizations above are listed in the following table.

Title	Name	Board of Directors	Management Council	Audit & Supervisory Committee	Governance, Nomination and Remuneration Committee	Internal Control Committee
President and Representative Director	Kazuhito Kojima	○	⊙		○	
Representative Director and Executive Vice President	Hiroshi Kubota	○	○			⊙
Director and Senior Managing Executive Officer	Tadashi Kamiya	○	○			○
Director and Executive Officer	Ichiro Yamamoto	○	○			○
Outside Director	Shuma Uchino	⊙			○	
Outside Director	Atsushi Takagi	○			⊙	
Outside Director	Yoko Seki	○			○	

Outside Director	Hideka Morimoto	○			○	
Director (Audit & Supervisory Committee member)	Hirotaka Yamada	○		○		
Outside Director (Audit & Supervisory Committee member)	Kazuo Sakakibara	○		⊙		
Outside Director (Audit & Supervisory Committee member)	Hiroyuki Hioka	○		○		
Outside Director (Audit & Supervisory Committee member)	Hiroyuki Wakamatsu	○		○		

○ Member of the organization, ⊙: Head of the organization * The head is elected by mutual vote

In addition, Audit & Supervisory Committee members, accounting auditors and the Internal Audit Office work together to enhance corporate governance by conducting an effective audit.

(1) Audit & Supervisory Committee

There are currently four Directors who are Audit & Supervisory Committee members at the Company (of those, three are outside audit & supervisory committee members). They monitor the status of corporate governance, attend board meetings and other important meetings, review important requests for approval and visit offices according to an audit policy/plan determined by the Audit & Supervisory Committee. They also collaborate with accounting auditors and the Internal Audit Department to audit the performance of duties by directors in an effective audit. For subsidiaries, they exchange information and cooperate with directors and Audit & Supervisory Committee members thereof at a meeting of the Group Management Council and the Group Audit & Supervisory Committee. outside directors who are Audit & Supervisory Committee members including one lawyer and one certified public accountant obtain and provide information and work to monitor operations from an independent perspective. On the other hand, the Director who is full-time Audit & Supervisory Committee member monitors and supervises operations based on his abundant knowledge and experience at the Company and enhance the effectiveness of audits from his respective position.

The Company signed a limited liability agreement for liability stipulated by Paragraph 1, Article 423 of the Companies Act with three outside Audit & Supervisory Committee members which limits liability for damages to the total amount stipulated by each item of Paragraph 1, Article 425 of the Act when they perform duties in good faith and free of gross negligence.

(2) Internal Audit

Regarding internal audits, the Internal Audit Office (10 employees) has been established as a department under the direct control of the President, to carry out, from an independent perspective, the Business Audit Plan for the adequacy and efficiency of operations at the head office, branch offices and Group companies, in accordance with the Internal Audit Regulations. For subsidiaries, the Office exchanges information as required. The Internal Audit Office checks the status of required measures and improvements while reporting audit results to President and Representative Director and Audit and Supervisory committee. The Office evaluates the status of internal control over financial reporting of the Company and important consolidated subsidiaries (J-SOX). The Office also works with Directors who are Audit & Supervisory Committee members and accounting auditors to ensure an effective internal audit is conducted.

(3) Accounting Auditors

The certified public accountants who executed accounting audit work of the Company in FY2025 are Mr. Atsushi Nagata and Mr. Hiroshi Yabumae, and they are affiliated with KPMG AZSA LLC. The number of years of continuous auditing amount to five years for Mr. Nagata and four years for Mr. Yabumae. In addition, they have 16 certified public accountants as their assistants plus 43 other assistants. In selecting an audit firm, the Company considers a quality management system, independence and expertise as an accounting auditor in a comprehensive manner. When it is considered difficult for the accounting auditor to conduct a proper audit, the Audit & Supervisory Committee shall submit a proposal for dismissal or non-reappointment of the accounting auditor to a shareholders' meeting. When any of the reasons described in each item of Paragraph 1, Article 340 of the Companies Act applies to the accounting auditor, the Audit & Supervisory Committee shall dismiss the accounting auditor with the consent of all Audit & Supervisory Committee members.

Furthermore, as part of the procedures to reappoint the accounting auditor, the Audit & Supervisory Committee receives reports from KPMG AZSA LLC on its quality management system, audit plan and overview of audit status and interviews a department in charge on its assessment of the auditor to ensure that the firm properly conducts an audit.

3. Reasons for Adoption of Current Corporate Governance System

To further enhance the speed of management decision-making while ensuring rationality, as well as to further enrich discussions at Board of Directors meetings and strengthen the supervisory function of management, on June 23, 2023, the Company transitioned to a company with the audit & supervisory committee, which allows the Board of Directors to delegate a significant portion of the decision-making on important business execution to the executive directors.

Currently, seven out of 12 directors are independent outside directors (all seven are independent directors). We believe that the effectiveness of this system will be further enhanced by having these outside directors perform function of offering advice and supervising business management appropriately independent from business execution and from an objective and outside perspective based on their abundant experience and knowledge.

III Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanation
Early Notification of General Shareholder Meeting	The Company provides information to shareholders at an earlier stage by dispatching materials ahead of the statutory deadline.
Exercise of Voting Rights by Electromagnetic Means	The Company has adopted an electronic voting system.
Participation in the Platform for Electronic Exercise of Voting Rights and Other Efforts to Improve the Environment for Institutional Investors to Exercise Voting Rights	The Company uses a platform for the exercise of voting rights by Institutional investors.
Provision of Convocation Notice (Summary) in English	Some content is translated into English and provided.
Other	Before sending a notice of a general shareholder meeting, the Company discloses such notice (including an English translation of a part thereof) and a notification of independent officers to the Tokyo Stock Exchange, and posts them on the Company website. June 1, 2026: Disclosed a notice of a general shareholder meeting (including an English translation of a part thereof) and a notification of independent officers to the Tokyo Stock Exchange and posted them on the Company website. June 5, 2026: Sent out a notice of a general shareholder meeting. June 25, 2026: Held a general shareholder meeting.

2. IR Activities Update

	Supplementary Explanation	Explanation by Representative
Preparation and Publication of Disclosure Policy	The Company discloses the "Disclosure Policy (Rules for Information Disclosure)" on its website.	
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds a briefing on financial highlights, the status of a management plan and future outlook. About 70 securities analysts and fund managers attend this briefing. President and representative director and officers in charge attend to security company's conference or small meeting with analysts and fund managers to having a discussion about management policy and performance with various institutional investors, in according with fair disclosure policy.	Established
Posting of IR Materials on Website	The Company posts information such as a settlement of accounts, a securities report, timely disclosed materials, reference data on financial results and a medium-term management plan.	
Establishment of Department and/or Person in Charge of IR	Corporate Communication Division (Contact: Manager of Corporate Communication Division)	
Other	The Company participates in an IR event for individual investors twice a year or so.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company has the Basic Principles of Sustainability in place.
Implementation of Environmental Activities and CSR Activities etc.	As part of promotion of CSR management, the Company developed the "CSR Activity Plan" in April 2012 based on the basic approach to CSR: "Position CSR management at the core of business management as part of business activities and work to improve corporate value and realize sustainable society while fulfilling social responsibility as a good corporate citizen." Furthermore, the Company newly developed the Basic Principles of Sustainability to strengthen its efforts to address today's ESG issues. These activities are summarized in the Integrated Report and released on the Company website.
Development of Policies on Information Provision to Stakeholders	The Company discloses information while trying to secure timeliness, legality, accuracy and fairness according to the standard stipulated in the rules for listing of Tokyo Stock Exchange, Inc. The Company also proactively discloses information not covered by the standard if it is considered to help investors make a judgment.
Other	Currently, 12 Directors of the Company consist of 11 men and one woman. The Company will consider employing candidates regardless of their gender when they have appropriate qualities as our Director.

IV Matters Related to the Internal Control System Basic Views on Internal Control System and the Progress of System Development Update

(1) System to Ensure That Duties of Directors and Employees Are Performed in Compliance with Laws and the Articles of Incorporation

i) The Company establishes the Compliance Office, an organization dedicated to promotion of compliance, and properly manages the whistle-blower system, including a hotline for consultation and reporting, while appointing an Officer in Charge of Compliance. For important themes to promote, the Company develops compliance programs and performs PDCA management at the Risk and Compliance Committee under the Internal Control Committee. As such, the Company works to secure a system contributes to enforcement and improvement of compliance.

[Operation during the consolidated period under review]

We strengthened and thoroughly implemented our system by promoting the Compliance Program. In addition, various compliance activities were carried out by the relevant divisions, including the development of internal guidelines related to the Antimonopoly Act, the prevention of harassment, the consultation and reporting desk and its proper operation, as well as various topic-specific training sessions. The adequacy of these activities and the status of the development and operation of compliance were regularly monitored and confirmed by the Risk and Compliance Committee, which met six times during the year.

ii) The Company has established the Group Action Guidelines, which specify basic rules of conduct for Group officers and employees, and distributes the same to all of them via the internal network. Additionally, the Company enforces full compliance through continuous training on compliance for all directors and employees depending on their level and duties.

[Operation during the consolidated period under review]

The Company is further strengthening efforts to ensure awareness and effective utilization of the Group Code of Conduct by each individual and each workplace, including posting it on the Company's website, and is also promoting its dissemination and establishment by providing guidance linked to the Code in various training programs. With respect to the Act on Elimination and Prevention of Involvement in Bid Rigging, etc. and the Antimonopoly Act, measures have been implemented for all officers and employees to thoroughly prevent recurrence and avoid fading and formalization. In addition, we have made all officers and employees aware of the whistleblower system through training and notices, changed the name of the system internally and the contact point externally to promote its use, and worked to ensure compliance through PDCA cycle activities in our daily operations.

iii) The Company elects outside directors who have abundant experience and knowledge in areas outside the Company's realm of expertise and strengthens the guidance on and supervision of the execution of duties from diverse perspectives.

[Operation during the consolidated period under review]

In order to ensure the legality and appropriateness of the performance of duties by Directors, outside directors, who are independent of the Company, attended 12 meetings of the Board of Directors and provided useful suggestions and opinions to the Company's management from their professional viewpoints based on their respective high levels of insight from an independent standpoint. Thus, we have further strengthened the supervisory and control functions of the Company's management. In addition, in order to enable the outside directors to provide effective guidance and supervision, the Company engaged in initiatives to help them better understand the Company's business, such as explaining the background of the agenda of the Board of Directors' meetings in advance, inspecting each branch, and providing opportunities for dialogue with employees.

(2) System on Storage and Management of Information on Performance of Duties by Directors

The Company records data of important meetings such as board meetings, requests for approval and other information on performance of duties by directors in writing or in an electromagnetic medium, and stores and manages it in accordance with the internal rules for document management. In addition to the Information Security Policy and the Information Control Regulations, the Company worked on the thorough implementation of measures to prevent information leaks by establishing and disseminating information control regulations.

[Operation during the consolidated period under review]

The information about important meeting minutes (e.g. Board of Directors meeting, etc.), internal approval form and other information relates to Director's execution of duty are securely stored and managed by recording as documents and electronic media. IT security committee are periodically held (5 times a year) and took countermeasures to prevent information leakage, while monitoring incident such as cyber attacks. Company internally information security trainings were conducted by online basis.

(3) Rules and Other System for Management of the Risk of Loss

i) The Company establishes the cross-sectional Risk Management Committee under the Internal Control Committee, including administration, sales and technology divisions to formulate the Risk Management Rules and promote company-wide risk management, as well as appoint Risk Officer. The Company also promotes activities to prevent and mitigate risks through identification/assessment of risks including major affiliated companies and implementation of measures to deal with material risks.

[Operation during the consolidated period under review]

The Company has identified risk events according to their likelihood of occurrence and magnitude of impact, selected management risks with high priority in terms of risk response, and conducted PDCA management of measures to mitigate such risks at the Company-wide Risk Management Committee, which was held six times during the year. In addition to reviewing existing risks (including elimination and integration), we are identifying new risks, taking into account the political, economic, social, and other environments. Through these activities, we have established a framework to prevent such risks from materializing and, if they do materialize and, if they do materialize, to conduct causal analysis and prevent their recurrence. In addition, the Risk Management Committee met five times to assess the adequacy of these activities.

ii) The Company develops a system to accurately handle an unforeseen contingency by formulating Rules for Crisis Management and calling/holding a company-wide crisis management meeting which swiftly and properly handles material risks when they surface.

[Operation during the consolidated period under review]

We have established the Rules for Crisis Management, and have developed and operated a framework for responding appropriately to unforeseen circumstances.

iii) The Company improves its capability to continue business in the event of emergency circumstances by developing a business continuity plan in case of a wide-scale disaster and other events and reviewing and enhancing the effectiveness of the plan through a regular drill.

[Operation during the consolidated period under review]

We have regularly reviewed our Business Continuity Plan (BCP) to strengthen our ability to cope with earthquakes and other disasters by conducting effective drills. In the current fiscal year, the Company conducted BCP training based on the revised BCP manual using a scenario assuming a Tokyo metropolitan earthquake and confirmed the effectiveness of the manual.

iv) For risks by function such as quality, safety, environment, compliance, information and profit/loss, the Company develops a proper risk management system by appointing departments in charge in identifying/assessing the risks mentioned above.

[Operation during the consolidated period under review]

With respect to function-specific risks, the Company has endeavored to properly manage such risks by establishing appropriate divisions, regularly assessing the degree of impact on management and the likelihood of occurrence, and taking preventive and remedial measures as appropriate.

(4) System to Ensure that Duties of Directors Are Performed Effectively

i) The Company clarifies the function to make a decision and supervise business management and the function to execute business, and promotes agile and efficient business management by placing the Management Council under the Board of Directors with the President and Representative Director as a chairperson and introducing a system of executive officers.

[Operation during the consolidated period under review]

By delegating certain matters to the Management Council in accordance with the Rules for Decision-Making, the Company promoted speedy and efficient management by ensuring that directors perform their duties effectively. The Board of Directors, which met 12 times, organized agenda items into “Corporate themes” (matters to be discussed, acted upon, and resolved by the Board in determining the Company’s direction), “Monitoring themes” (matters to be supervised by the Board of Directors), and “Operational themes” (matters to be addressed in the operation of the Board of Directors). Based on this, as in prior years, the Board worked efficiently by explaining the agenda in advance and sharing the summaries thereof, while focusing as much as possible on discussions related to the supervision of management, such as the direction of medium- to long-term management strategies and the strengthening of corporate governance.

ii) The Company develops and reviews, as required, Rules for Administrative Authority, Rules for Segregation of Duties, Rules for Decision-Making, and other rules to expedite decision-making and improve the efficiency of business management such as the performance of duties.

[Operation during the consolidated period under review]

Rules and regulations, such as the Rules for Administrative Authority, the Rules for Segregation of Duties, and the Rules for Decision-Making, were revised as needed, and a framework for the rapid development of business strategies was established.

(5) System to Ensure the Adequacy of Operations of the Corporate Group Consisting of the Company and Subsidiaries Thereof [Overview of the System]

i) With respect to the management of subsidiaries, while respecting their autonomy, the Company has established a management control system by placing a department in charge of management control within the Company and by stipulating rules for discussion and reporting of important matters in the Affiliate Companies Governance policy. For certain important matters of subsidiaries, the Company approves them based on a prior discussion with subsidiaries. The Company also requires subsidiaries to report operating results, financial conditions and other important information. Furthermore, meetings are regularly held with the attendance of the Company's management and presidents of subsidiaries to ensure the appropriateness of business operations. When risks surface, the Company requests subsidiaries to promptly report them to the contact department of the Company.

[Operation during the consolidated period under review]

Important matters of the Group companies were reported to our Company in accordance with the Regulations on the Affiliate Companies Governance policy and were approved in accordance with the Rules for the Board of Directors or the Regulations for the Management Council of our Company and other related regulations. The Group Management Council in Japan was held three times and the CEO Meeting of overseas Group companies was held twice during the year, to regularly review the status of business and management issues, and to confirm the adequacy of Group management. The occurrence of significant risks at the Company's subsidiaries and their subsequent responses were reported to the Company in a timely and appropriate manner.

ii) The Company operates a compliance system appropriately as a corporate group, including a risk management system, a crisis management system and a whistle-blower system, by formulating the Group Action Guidelines, which specify basic rules of conduct to be observed by officers and employees of the Group, and by developing internal rules for each subsidiary.

[Operation during the consolidated period under review]

In addition to the Japanese version, the Company is working to expand the Group Code of Conduct to domestic and overseas subsidiaries and to ensure the same level of awareness and dissemination as the Company (parent company) by preparing multilingual versions of the Group Code of Ethics, including an English version. In addition, at the Company-wide Risk and Compliance Committee held on a regular basis, the Company has monitored and managed the risk management and compliance status of subsidiaries. Regarding the internal reporting system, the Company has worked to ensure its proper functioning by not only establishing reporting systems at each company but also setting up a direct reporting channel to the Company, promoting awareness at each company, and encouraging its use through training and notices.

iii) The Internal Audit Office shall conduct audits of the Company and its subsidiaries and report the results directly to the Board of Directors and the Audit & Supervisory Committee as necessary. In addition, the Internal Audit Office monitors the proper execution of business by the subsidiaries by dispatching directors, etc. from the Company as necessary.

[Operation during the consolidated period under review]

The Internal Audit Office conducted internal audits of all business operations from the perspective of legality, appropriateness, and efficiency. In addition, employees of the Company were dispatched to each company as officers, etc., to ensure the appropriateness of operations.

The results of the internal audits were reported directly to the Board of Directors and the Audit & Supervisory Committee as needed.

iv) The Audit & Supervisory Committee regularly audits the status of performance of duty of subsidiaries.

[Operation during the consolidated period under review]

The Audit & Supervisory Committee regularly conducted audits of subsidiaries, reviewed key documents and interviewed key officers and employees regarding the status of business operations.

v) The Company develops an internal control system required to secure the adequacy and credibility of financial reporting.

[Operation during the consolidated period under review]

The Internal Audit Office, in cooperation with Corporate Planning and Corporate Management Divisions, conducts internal control evaluation procedures and internal audits for each Group company to ensure the appropriateness and reliability of financial reporting. The Internal Control Committee receives and approves the results, and reports to the Board of Directors as necessary. In addition, the results of internal control evaluations and internal audits are reported to the audit firm as appropriate.

In addition, to strengthen financial governance, the Company regularly reviewed accounting and finance-related rules and regulations, including those of Group companies.

(6) Matters Concerning Employees Who Assist Audit & Supervisory Committee, Matters Concerning the Independence of Such Employees From Directors (excluding Directors who are Audit & Supervisory Committee members) and Matters Concerning Securing of the Effectiveness of Instructions to Such Employees

Continue from past fiscal year, the Company establishes the Audit & Supervisory Committee Office which consists of dedicated employees independent from the function of performance of duty and assists duties of audit & supervisory committee members. Audit & Supervisory Committee retains the right to lead and issue orders to employees engaged in duties of the Audit & Supervisory Committee Office.

Therefore, the Company manages HR matters for these employees including performance review, transfer and disciplinary action and other personnel-related matters in accordance with the Company's internal rules after obtaining prior consent from the Audit & Supervisory Committee.

[Operation during the consolidated period under review]

Continue from past fiscal year, the Audit & Supervisory Committee Office was established and full-time employees were assigned to assist in the duties of the Directors who are Audit & Supervisory Committee members. The said employees performed their duties in accordance with the instructions of the Directors who are Audit & Supervisory Committee members. Therefore, the Company managed HR matters for these employees including performance review, transfer disciplinary action and other personnel-related matters, in accordance with the Company's internal rules after obtaining prior consent from the Audit & Supervisory Committee.

(7) System for Directors and Employees to Report to the Audit & Supervisory Committee, and Other System on Reporting to the Audit & Supervisory Committee

For matters to be reported to audit & supervisory committee members by directors and employees, the Company formulates the Regulation for Development of Audit Environment for Audit & Supervisory Committee and develops a system to report any event which causes significant damage, material misconduct such as an internal scandal or legal violation, results of an internal audit and status of whistle-blowing in addition to statutory matters at the Company and its subsidiaries.

The Company develops a system which secures rights of Directors who are Audit & Supervisory Committee members to attend important meetings such as meetings of the Board of Directors and thus allows them to keep track of the status of execution of duty.

[Operation during the consolidated period under review]

Through the establishment of the Regulation for Development of Audit Environment, the Audit & Supervisory Committee has improved and operated a framework for the reporting of, in addition to statutory matters, events that cause significant damage to the Company or its subsidiaries, serious fraud such as internal misconduct and violations of laws and regulations, the results of internal audits and the status of whistleblowing.

(8) System to Ensure That Anyone Who Reported to the Audit & Supervisory Committee Is Not Treated Unfairly on the Grounds of Such Reporting

The Company clarifies a system in the Regulation for Development of Audit Environment for Audit & Supervisory Committee to ensure that a person who made the report mentioned above to Audit & Supervisory Committee is not treated unfairly on the grounds of such reporting.

[Operation during the consolidated period under review]

A system has been established and operated in accordance with the regulations to ensure that no person who reports to the Audit & Supervisory Committee will be subjected to any adverse treatment as a result of such reporting.

(9) Expenses Incurred for Performance of Duties of Directors who are Audit & Supervisory Committee members or Matters Concerning Policy for Settlement of Debts

When Directors who are Audit & Supervisory Committee members claim certain expenses and fulfillment of obligations in performing their duties, the Company pays them except when such expenses or obligations are considered not necessary for the duties of these Directors who are Audit & Supervisory Committee members. The Company also secures a budget for various expenses of audits to ensure their effectiveness.

[Operation during the consolidated period under review]

Any claim for prescribed expenses or the performance of liabilities incurred in relation to the performance of duties by a Director who is a member of the Audit & Supervisory Committee shall be paid, unless the said expenses or liabilities pertaining to the request are found not to be necessary for the duties of the said member. In addition, a budget has been allocated for various audit expenses to ensure the effectiveness of audits, except in cases where the expenses or related liabilities are not deemed necessary for the performance of the duties of the Director who is a member of the Audit & Supervisory Committee.

(10) Other System to Ensure Effective Audit Is Conducted by Audit & Supervisory Committee

i) Outside directors account for the majority of the Audit & Supervisory Committee.

[Operation during the consolidated period under review]

Four members of the Board of Directors serve on the Audit & Supervisory Committee, three of whom are outside directors.

ii) In accordance with the Audit Policy and Audit Plan established by the Audit & Supervisory Committee, the Directors who are Audit & Supervisory Committee members shall monitor the status of corporate governance, attend meetings of the Board of Directors, Management Council and other important meetings, inspect important approval documents, and visit the Company's offices for on-site audits, while also utilizing means such as telephone lines, the Internet and others.

Directors who are Audit & Supervisory Committee members also had communication with the President and Representative Director by regularly holding meetings and exchanging opinions.

[Operation during the consolidated period under review]

In accordance with the Audit Policy, Audit Plan and this policy established by the Audit & Supervisory Committee, the Directors who are Audit & Supervisory Committee members monitored the status of corporate governance, attended the Board of Directors' meetings, Management Council and other important meetings, inspected important approval documents, and visited the Company's business sites for on-site audits. In addition, they regularly exchanged opinions with the President and Representative Director to maintain mutual communication.

iii) Directors who are Audit & Supervisory Committee members, the Internal Audit Office and accounting auditors regularly discussed the status of audits, share information, and collaborate with one another conduct an effective and efficient audit. In addition, quarterly three-way audit meetings attended by Directors who are Audit & Supervisory Committee members, the Internal Audit Office and the accounting auditor were held to share information and align perspectives on issues.

[Operation during the consolidated period under review]

The Audit & Supervisory Committee, the Internal Audit Office and the Accounting Auditor regularly reported on the status of audits, exchanged information and cooperated to conduct effective and efficient audits. In addition, a tripartite audit meeting attended by the Audit & Supervisory Committee, the Internal Audit Office and the Accounting Auditor was held on a quarterly basis to exchange information and confirm issues among them.

2. Basic Views on Elimination of Anti-Social Forces and the Progress of System Development

To eliminate relations with anti-social forces and organizations, the Company stipulates in the Group Code of Conduct that it will take a firm stance against such forces and maintain no relationships with them whatsoever, and has established an internal framework that enables practical responses through thorough dissemination to officers and employees via education and training and through collaboration with external specialized institutions.

[Operation during the consolidated period under review]

The Group Action Guidelines stipulates that the Company must take a firm stance against, and have no relationship with, antisocial forces and groups. In addition, we have established and operate an internal framework that enables us to take practical measures in cooperation with external specialized organizations.

V Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	None

Supplementary Explanation for Applicable Item

The following is a description of the Company's basic policies regarding the nature of the persons who control its financial and business policy decisions.

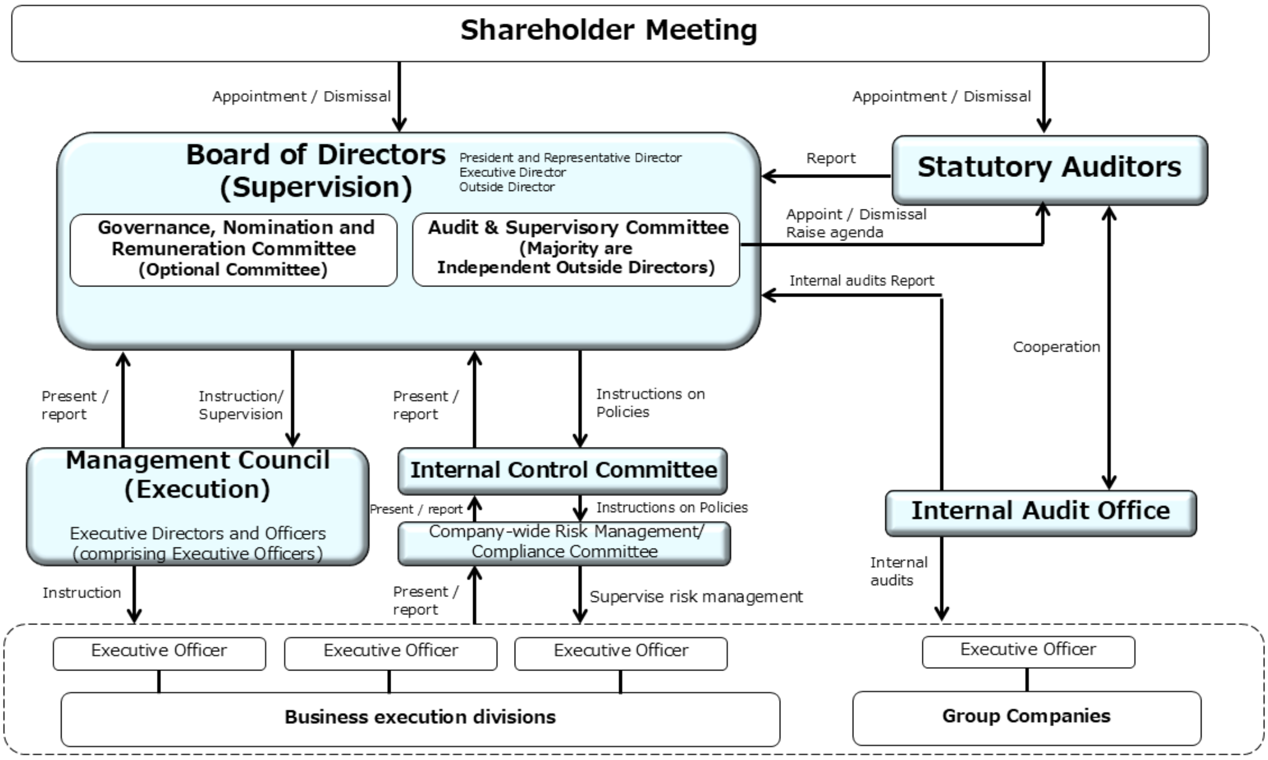
The Company will strive to secure and enhance its corporate value and the common interests of its shareholders through business development based on our Group Purpose of "With our revolutionary environmental innovations, we activate the Earth's future", which aims to enhance the engagement of all stakeholders, including shareholders, investors, customers, business partners, cooperating companies, and officers and employees.

In order to continuously and sustainably secure and increase corporate value and thus realize the common interests of shareholders, based on "Takasago Thermal Engineering Group Long-Term Vision 2040 Create our PLANET, Create our FUTURE", the Company will formulate and steadily implement a medium-term management plan while striving to strengthen corporate governance. In addition, for those who intend to make large-scale purchases of shares of the Company, the Company will take appropriate measures in accordance with the Financial Instruments and Exchange Act, the Companies Act and other relevant laws and regulations, such as seeking to provide shareholders with necessary and sufficient information to properly determine the appropriateness of large-scale purchases, disclosing the opinions, etc. of the Board of Directors, and endeavoring to ensure time and information for shareholders to consider them.

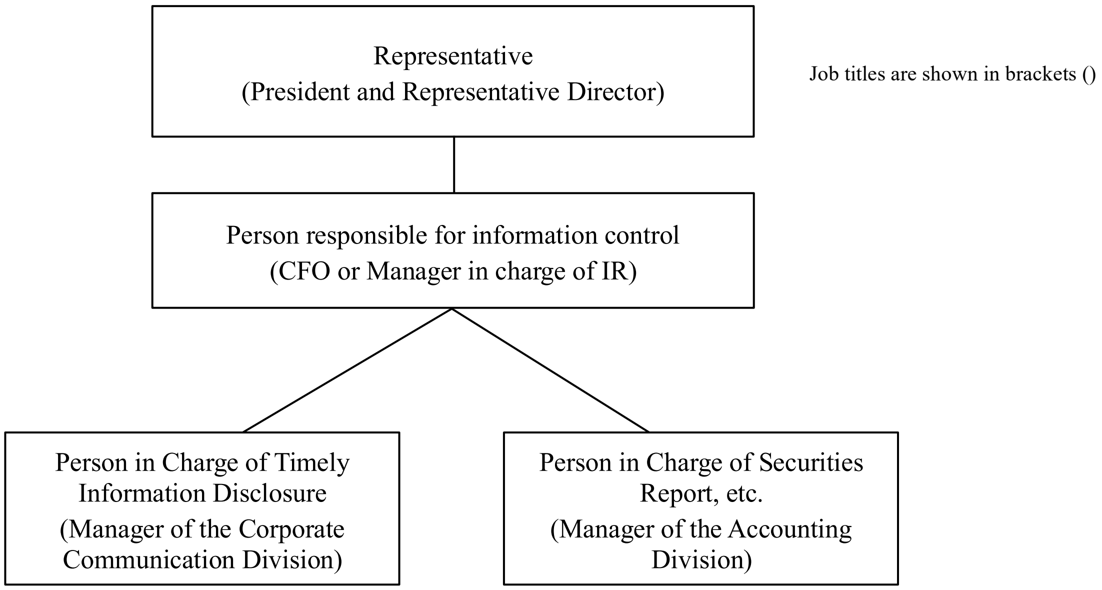
2. Other Matters Concerning Corporate Governance System

A schematic diagram of the corporate governance system and a schematic diagram of an overview of the system for timely disclosure are shown below.

[Schematic Diagram]



[Schematic Diagram of an Overview of System for Timely Disclosure]



Overview of the System for Timely Disclosure

The status of the internal system for timely disclosure of corporate information on the Company is shown below.

(1) The representative and the person in charge of handling information to ensure the timeliness, legality, accuracy and fairness of information to be disclosed. These matters are discussed at and reported to the Management Council and the Board of Directors as appropriate.

(2) The person in charge of timely information disclosure not only complies with the rules for timely disclosure and relevant laws and regulations but collects information from related departments in a swift and comprehensive manner to carry out his/her task. He or she also works on preparing proper disclosure materials and full disclosure by referring to other companies' examples of disclosure.

(3) The Company regularly receives advice and guidance from Directors who are Audit & Supervisory Committee members and accounting auditors. The Company also obtains opinions of third party experts as required.

(4) While the Company has the "Rules for Management of Insider Trading," the "Disclosure Policy (Rules for Information Disclosure)" and the "Group Corporate Code of Ethics" that stipulates strict adherence thereto, it works on preventing insider trading including at our affiliates and compliance with the Fair Disclosure Rule.