

"Basic Corporate Governance Policy"

Preface: Purpose of Establishment of Basic Corporate Governance Policy

The Company has established the "Basic Corporate Governance Policy" based on the resolution of the Board of Directors to seek sustainable corporate growth and increased corporate value over the mid- to long-term, in accordance with the corporate philosophy of "Contributing to Society through Technology."

Chapter 1

Basic Approach to Corporate Governance

Article 1. Basic Approach

The Company shall make every effort to enhance corporate governance in accordance with the following basic approach.

- (1) The Company shall respect the rights of shareholders, secure equal treatment of shareholders, take into consideration the interests of various stakeholders such as employees, customers, clients, creditors and local communities in addition to shareholders, and appropriately cooperate with these stakeholders.
- (2) The Company shall disclose corporate information timely and appropriately to ensure transparency.

Chapter 2

Securing the Rights and Equal Treatment of Shareholders

Article 2. Shareholders Meeting

1. The Company shall make every effort to develop an environment in which shareholders can exercise their rights appropriately at the Shareholders Meeting of the Company.
2. To give shareholders sufficient time to consider the agenda and to allow shareholders to exercise their rights appropriately, the Company shall send out convening notices for the general Shareholders Meeting about three (3) weeks before the Meeting, and post the notices on the websites of the Company and Tokyo Stock Exchange, Inc. without delay.

3. The Company shall make every effort to develop an environment in which all the shareholders, including those who cannot attend the Shareholders Meeting, can exercise their rights appropriately.
4. In the Company, the voting rights at the Shareholders Meeting shall be exercised, in principle, by shareholders listed or recorded on the shareholders registry. However, in case that practical shareholder request, in advance, to attend the Shareholders Meeting through a shareholder listed or recorded on the shareholders registry, the Company shall develop an environment in which the practical shareholder can observe the Shareholders Meeting.
5. The Company shall make every effort to hold the general Shareholders Meeting by avoiding days on which many companies hold shareholders meetings when setting the date of the general Shareholders Meeting.
6. In the Company, the Board of Directors shall analyze the results of resolutions and the ratios of approval and disapproval at the Shareholders Meeting, and take necessary measures such as enhancement of dialogue with shareholders.

Article 3. Securing Equal Treatment of Shareholders

The Company shall equally treat all the shareholders according to their equity, and disclose information timely and appropriately such that there occurs no information gap among shareholders.

Article 4 . Strategic Shareholdings

1. The purpose of the strategic shareholding policy of the Company is to improve the corporate value of the Company over the mid- to long-term by promoting smooth business execution such maintenance and strengthening of business relationships and stable financing.
2. The Board of Directors shall confirm, every year, the reasonableness of principal strategic shareholdings by comprehensively taking into consideration returns and risks including mid- to long-term earning opportunities and dividends.
3. In exercising its voting rights of the strategic shareholdings, the Company shall exercise its voting rights appropriately upon judging whether or not it conforms to the strategic shareholding policy of the Company, whether or not it contributes to the improvement of the corporate value of the company subject to the strategic shareholdings, and whether or not it contributes to the improvement of the corporate value of the Company.

Article 5. Related Party Transactions

1. The Company shall engage in transactions with the directors of the Company upon obtaining prior approval of the Board of Directors, in accordance with applicable laws and regulations and internal rules.
2. The Company shall engage in transactions with principal shareholders of the Company upon obtaining prior approval of the Board of Directors, in accordance with applicable laws and regulations and internal rules such that the transactions do not harm the interest of the Company and the common interests of shareholders, except for the case in which the transaction terms and conditions are clearly the same as those of general transactions.

Chapter 3

Consideration of Interests of Stakeholders

Article 6. Code of Conduct

The Company shall establish the Corporate Charter and the Code of Conduct common to the Group, and shall be thorough in compliance with laws and regulations and corporate ethics by the officers and employees of the entire Group.

Article 7. Relationships with Stakeholders

1. The Company shall take into consideration the interests of various stakeholders such as employees, customers, clients, creditors and local communities in addition to shareholders by implementing the corporate philosophy of "Contributing to Society through Technology".
2. The Company shall stipulate in the internal rules that various stakeholders including its employees may notify the Compliance Committee consisting of the directors and corporate auditors of illegal or unethical practices in the Company, and that such stakeholders shall not be disadvantageously handled by the Company due to such notification.
3. The Company shall promote the CSR management aiming to be a company that considers the global environment and is trusted by the society. Based on the EHS (Environment, Health, and Safety) Declaration published in 2008 as the platform thereof, the Company shall establish the mid- to long-term plan (EHS 100) common to the Group, review and modify the specific implementation plan at least once a year, and publish the results as the social and environmental report every year.

Article 8. Internal Reporting

The Company always has the internal reporting contact office "Window for Tomorrow" as the contact office for the officers and employees to report and consult the acts of violating, or potentially violating, the laws and regulations, and disseminates and operates the contact office. The credibility from whistleblowers is improved by reporting the response details of the internal reporting to the Compliance Committees to promote internal reporting. Further, it shall be stipulated in the internal rules that the employees and the like shall not be disadvantageously handled due to the fact of reporting or consultation.

Chapter 4

Ensuring Appropriate Information Disclosure and Transparency

Article 9. Ensuring Appropriate Information Disclosure and Transparency

1. The Company shall disclose financial and business matters in a fair, detailed and plain manner in accordance with the Corporation Law, the Financial Instruments and Exchange Act, other applicable laws and regulations, and the Regulations of the Financial Instruments Exchange.
2. The Company shall make information disclosure other than the statutory information disclosure timely and appropriately based on the Corporate Charter to broadly enhance the transparency to the society.

Chapter 5

Roles of the Board of Directors, etc.

Article 10. Roles of the Board of Directors

1. The Board of Directors shall be responsible for realizing efficient and effective corporate governance based on the commission from shareholders, and ensuring the sustainable growth of the Company and the improved corporate value over the mid-to long-term through the corporate governance.
2. In order to fulfil the responsibility of the preceding paragraph, the Board of Directors shall exhibit the supervision function of the management in general to ensure the fairness and transparency of the management, and at the same time, it shall perform decision making in the best manner for the benefit of the Company through the development of management strategies and management plans and decisions of business execution on important investment matters and the like.

3. The Board of Directors shall set forth the details of the matters to be decided by the Board of Directors in the internal regulations.
4. The Board of Directors shall delegate the execution and determination of the business other than the matters to be decided by the Board of Directors to the management team such as the president and representative director, and supervise the execution status of such duties.

Article 11. Executive Officer System

1. The Company shall adopt the executive officer system and share the roles of the management supervision function and business execution function to accelerate decision making.
2. The executive officers shall execute the business in their charge determined by the Board of Directors in accordance with instructions of the president and representative director.

Article 12. Roles of Independent External Directors

The Company shall appoint more than one (1) independent external directors under consideration that the appointment of independent external officers provided with more various specialized knowledge and experiences further promotes vigorous discussion in decision making and the supervision function by the Board of Directors and the like, and ensures appropriate decision making and supervision.

Article 13. Chairperson of the Board of Directors

1. The Chairperson of the Board of Directors shall make every effort to improve the quality of discussion at the Board of Directors and to ensure effective and efficient operation of the Board of Directors through open, lively, constructive discussion and exchange of opinions.
2. The Chairperson of the Board of Directors shall fully disseminate, in advance, the annual schedule of the Board of Directors that considers the management strategies, settlements, and other important matters to the attendees so as to have fruitful discussion, and shall fully disseminate, in advance, the matters to be considered to the attendees prior to the Board of Directors.

Article 14. Board of Directors Composition

1. It is stipulated that the number of directors of the Company shall be not more than twelve (12).

2. To further enhance corporate governance, the Company shall appoint more than one (1) external officer, and shall make every effort to ensure appropriate decision making and supervision by the Board of Directors based on opinions of the external officers from various points of view.

Article 15. Qualification and Nomination Procedures of Directors

1. The Company considers that persons provided with excellent individuality, knowledge, capability and rich experiences capable of precisely, fairly and efficiently executing the management based on the Corporate Philosophy and the Basic Management Policy of the Company, and the excellent sense of ethics are eligible for the directors of the Company.
2. In selection of director candidates, the Company shall judge candidates chiefly by their personal characters, irrespective of the gender, age, nationality and the like, and also consider the diversity.
3. The term of office of all the directors shall be one (1) year, and all the directors shall be subject to appointment based on the resolution by the general Shareholders Meeting.
4. In accordance with the provisions of this Article, the president and representative director shall prepare the personnel plan for new director candidates, and the new directors shall be determined by the Board of Directors upon obtaining advice from external directors.

Article 16. Standards Regarding the Independence of Independent External Directors and Qualities of Independent External Directors

1. In selection of independent external directors, the independent external directors shall not interfere with the Company's standards for determination of the independence, in addition to the qualities set forth in paragraph 1 of Article 15.
2. The Company publishes the standards for determination of the independence as indicated in the Annex.

Article 17. Qualification and Nomination Procedures of Corporate Auditors

1. The Company considers that persons provided with excellent individuality, knowledge, capability and rich experiences capable of precisely, fairly and efficiently auditing the execution of the duties of directors, and the excellent sense of ethics are eligible for the corporate auditors of the Company.
2. The Company considers that a person provided with appropriate knowledge on

- finance and accounting is eligible for at least one corporate auditor of the Company.
3. The Company shall consider the diversity of the persons forming the Board of Corporate Auditors.
 4. In accordance with the provisions of this Article, new corporate auditor candidates including substitute corporate auditors shall be determined by the Board of Directors upon obtaining the consent of the Board of Corporate Auditors.

Article 18. Restriction on Interlocking of Independent External Officers

Independent external directors and independent external corporate auditors shall limit interlocking outside the Company to a reasonable range, and the Company shall disclose the interlocking status every year.

Article 19. Improvement and Training of Directors and Corporate Auditors

1. Directors and corporate auditors shall always collect information on our financial status, compliance with laws and regulations, corporate governance and other matters, and shall improve their knowledge and skills in order to fulfil their duties.
2. The Company shall perform training for directors, corporate auditors and executive officers at least once a year to improve their skills as the management.
3. The Company shall provide necessary opportunities for training for persons newly taking office as director, corporate auditor or executive officer.

Article 20. Access to Internal Information by External Officers

External officers may request, as necessary or at any time considered appropriate, internal directors, corporate auditors, executive officers or employees to give explanations or report, or submit internal materials.

Article 21. Evaluation on Effectiveness of the Board of Directors

The Board of Directors shall analyze and evaluate the effectiveness of the entire Board of Directors every year based on the self evaluation, etc. of each director, and shall publish the summary of the results.

Article 22. Directors Compensation, etc.

1. Executive director compensation shall be appropriate, fair and well-balanced compensation capable of further enhancing the motivation of the executive director to ensure sustainable growth of the Company and improvement of the corporate value over the mid- to long-term.

2. Within a range of the amount determined by the Shareholders Meeting, executive director compensation shall be determined by reflecting the partially performance-linked elements and be linked with mid- to long-term performance in accordance with the policy of the preceding paragraph.
3. External director compensation shall be the fixed compensation reflecting the duties of the external director, and shall not include share-related compensation and other performance-linked elements.

Chapter 6

Dialogue with Shareholders

Article 23. Dialogue with Shareholders

1. The Company shall make much account of constructive dialogue with shareholders, etc., and shall make every effort to have dialogue mainly by executive management including the top management team through various opportunities. Through the dialogue, the Company shall make every effort to obtain understanding of the management strategies and management plans of the Group, and shall sincerely receive opinions of shareholders, etc. to lead to the sustainable growth of the Company and the improvement of the corporate value over the mid- to long-term.
2. The Company shall, in principle, respond to requests for interview from shareholders aiming to have constructive dialogue contributing to the sustainable growth and the improvement of the corporate value over the mid- to long-term, by the executive management and officers within a reasonable range, taking into consideration the purpose of such interview.
3. The IR activities shall be supervised by the officer in charge of management, and opinions and concerns grasped through the dialogue with shareholders, etc. shall be immediately fed back to the related departments in the Company including the top management.
4. In order to promote constructive dialogue with shareholders, in the IR, Management Planning, General Affairs, Legal Affairs, and Accounting Departments shall organically cooperate with each other through mutual interlocking by some staffs and regular information sharing.
5. The Company shall hold the IR explanation session for analysts and institutional investors twice a year, the president and representative director shall give explanations thereof, and the materials for such explanation session shall be published on the website of the Company.

6. The Company shall make every effort to prevent leakage of insider information at the time of dialogue based on the Insider Information Management Rules.
7. In order to contribute to constructive dialogue with shareholders, etc., the Company shall make every effort to regularly grasp the shareholders structure based on the shareholders registry.

Article 24. Anti-Takeover Measures

1. The purpose of the anti-takeover measures of the Company is not to self-protect directors, but to ensure and improve the corporate value and common interests of shareholders. When introducing, updating and implementing the anti-takeover measures, the Board of Directors shall fully consider the necessity and reasonableness thereof.
2. The anti-takeover measures of the Company shall be introduced and updated through approval of the Shareholders Meeting, and shall reflect the intentions of shareholders. When invoking the anti-takeover measures, the independent special committee shall be established, the objectiveness and reasonableness of the anti-takeover measures shall be ensured by making judgment in accordance with preset objective invoking terms and conditions, and shall give sufficient explanations to shareholders through appropriate procedures, as necessary, such as holding of the meeting for confirming the intentions of shareholders.

Chapter 7
Miscellaneous

Article 25. Review of the Basic Policy

This Basic Policy will be reviewed, as necessary, to maintain its conformance to corporate governance according to the revisions of applicable laws and regulations, changes in social and economic business environments, and the like.

Established on November 11, 2015

Revised on July 5, 2017

(Annex)

Takasago International Corporation
"Standards Regarding the Independence of External Officers"

The Company has set forth the standards for determination of the independence of external officers (external directors and external corporate auditors) as follows, and when an external officer satisfies the following requirements, it shall be determined that the external officer is independent from the Company and that there is no possibility of conflict of interest with general shareholders.

1. An external officer must not have fallen into any of the following categories in the recent past.

- (1) A party for whom the Group is a principal business partner,¹ or an executive for such a party²
- (2) A principal business partner of the Group³, or an executive for such a party
- (3) A large shareholder of the Company who directly or indirectly holds 10% or more of the total voting rights of the Company or an executive of such a party
- (4) An executive of a party in which the Group directly or indirectly holds 10% or more of the total voting rights
- (5) A consultant, a certified public accountant or other accounting professional, or an attorney-at-law or other legal professional who has received a significant amount of money or other remuneration⁴ from the Group, other than that as compensation for acting in the capacity of director or corporate auditor (in cases where the recipient of such compensation is a corporation, partnership or any other business entity, this item refers to a person who belongs to said entity)
- (6) The spouse of any of the Group's important executives;⁵ a relative of any such executive within the second degree of kinship; a relative who cohabits with such an executive or anyone who otherwise depends on such an executive for his/her livelihood
- (7) An entity to which the Group has donated a significant amount of money or other remuneration⁴ or an executive of such an entity.

2. External directors and external corporate auditors must not be subject to any other circumstances that could reasonably be deemed to render them unqualified to perform the duties of an external director or external corporate auditor.

1. "A party for whom the Group is a principal business partner" refers to party whose annual sales to the Group accounts for a substantial part of the sales of such a party.
2. "Executives" include: executive directors, executive officers and corporate officers of stock companies (Kabushiki-Gaisha); employees of equity method affiliated companies (Mochibun-Gaisha) who hold executive positions (if such an employee is a corporation, this refers to persons who carry out the duties of said corporation set forth in Article 598-1 of the Corporation Law or other equivalent persons); executives of a corporation or entity other than a company; and employees working for a corporation or other entity.
3. "A principal business partner of the Group" refers to a case where the sales of the Group through the transactions with such a party account for a substantial part of the sales of the Group.
4. "Significant amount of money or other remuneration/compensation" refers to cases where, if the recipient is a person, said compensation totals ¥10 million or more per fiscal year; or if the recipient is a business entity, said compensation exceeds 2% of the annual consolidated sales of such an entity.
5. "Important executives" include: directors (excluding external directors); executive officers; corporate officers; and employees in senior management positions who hold ranks no lower than general manager.