

[Translation]

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Corporate Governance

CORPORATE GOVERNANCE

TAKARA BIO INC.

Last update: June 27, 2024

Takara Bio Inc.

Koichi Nakao, Representative Director

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Securities Code: 4974

<https://www.takara-bio.com/en/index.html>

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

Basic View on Corporate Governance, Capital Structure, Corporate Profile and Other Basic Information

1. Basic way of thinking

Guided by the Takara Bio corporate philosophy of “Contributing to the health of humankind through the development of revolutionary biotechnologies such as gene therapy,” in order to overcome “the Corona Cliff” and achieve dramatic growth, we will reform our business structure, promote the sustainable growth of the Reagents / Instruments business and dramatic growth of CDMO business, and develop platform technology for biologics development. We will develop a new business strategy aimed at becoming a global platform provider responsible for the infrastructure of the life science industry. In addition, we will create new value and contribute to the realization of a sustainable society through the implementation of our corporate philosophy. To this end, it will be necessary to strengthen our corporate governance system to promote honest and fair corporate activities constantly. We will work to ensure management transparency, improve efficiency, and make swift decisions.

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

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

We recognize that the establishment of a process (succession plan) for the development of the next generation of management executive, who will be the successors to the Chief Executive Officer (CEO) and other top executives is an important management issue for achieving sustainable growth and increasing corporate value over the medium to long-term. Executive corporate executives who are not serving concurrently as directors also attend meetings of the Board of Directors as part of the management team and participate as observers in our goals and specific management strategies. The Board of Directors will consider the requirements demanded of the CEO and other positions and the formulation of development policies based on the business environment surrounding the Company and our corporate culture, and with reference to the advice and recommendations of the Nominations and Compensation Committee.

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

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

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

(Principle 1-4 Cross-Shareholdings)

We do not currently hold shares of other listed companies as strategic cross-shareholdings, and our basic policy is not to hold any in future either.

(Principle 1-7 Related Party Transactions)

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

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

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

- Based on the concept of promoting the active participation of diverse human resources as stated in the “Takara Bio Group Sustainability Management Promotion Policy,” we are promoting the active participation of diverse human resources, including the active participation of women. The state of such activities is disclosed on our website and other media. In addition, as we expand and grow our business overseas, we have appointed foreign corporate executives and senior employees at overseas group companies. As a result of promotions to date, new hires and appointments of women and mid-career recruits to managerial positions, and the appointment of foreign employees as corporate executives and senior employees at overseas group companies have advanced, and we will continue to work to ensure the diversity of internal human resources.
- To further enhance our corporate value, we have developed a human resource development program aimed at improving the skills of each and every employee. We are also developing a system that will enable all employees to work with enthusiasm while balancing work and personal life in accordance with their individual lifestyles. The state of implementation is disclosed on our website and elsewhere.

(Principle 2-6 Corporate Pension)

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

(Principle 3-1 Enhancement of Information Disclosure)

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

- (i) Business strategies are disclosed in the Annual Securities Report and the Medium-Term Management Plan.
- (ii) We disclose our basic corporate governance policies on our website, annual reports, and securities reports.
- (iii) We disclose our policy on remuneration for Directors and Auditors in our annual securities report.
- (iv) Our policies and procedures regarding the nomination of candidates for Directors and Auditors and the appointment and dismissal of Executive Officers are described below.

[1] Policy and Procedures for the Board of Directors to Nominate Candidates for Director

We pay attention to ensuring diversity from the perspectives of gender, internationality, career and age. In light of the following standards, the Nominations and Compensation Committee deliberates and considers the candidates, and the Board of Directors passes a resolution based on the advice and recommendations of the Committee.

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

[2] Policy and Procedures for the Board of Directors to Nominate Candidates for Auditor

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

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

[3] Policies and Procedures for the Board of Directors to Appoint and Dismiss Corporate Executives

(Policy and Procedures for Appointment)

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

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

(Policy and Procedures for Dismissal)

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

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

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

Our initiatives for sustainability, such as human resource development and environmental measures, are disclosed in the "Takara Bio Group Sustainability Management Promotion Policy".

In addition, we position the development of the human resources capable of supporting global business growth and the next generation of the Group, and the further improvement of technological capabilities and quality as extremely important management issues for sustainable growth and the improvement of corporate value over the medium to long-term, and allocate and invest appropriate management resources for the development of human resources and the improvement of technological capabilities and quality.

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

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

• In the Regulations Governing Meetings of the Board of Directors, we have established mainly the following matters as those subject to resolution by the Board of Directors, and delegates matters that do not fall under these to the management team (Directors and Executive Officers). (Supplementary Principle 4-1 [1])

- (i) Matters concerning the General Meeting of Shareholders
- (ii) Personnel affairs of Directors, Executive Officers and important employees
- (iii) Matters concerning the accounting of the Company
- (iv) Matters concerning the disposition and acceptance of important assets that fall under the specific criteria for amounts
- (v) Other matters stipulated by laws and regulations or the Articles of Incorporation and important business matters, as well as the determination or the occurrence of material facts that may affect the Group's operation, work, financial position or results

(Principle 4-9 Judgment Criteria for the Assignment and Independence of External Officers)

We have established "Judgment Criteria for the Assignment and Independence of External Officers." In accordance with these criteria, the Board of Directors deliberates on, considers, and selects candidates for independent External Director.

(Supplementary Principle 4-10 [1] Use of Optional Mechanism)

In order to ensure the independence and objectivity of the functions of the Board of Directors with respect to the nomination of candidates for Director and the compensation of Directors, we have established a Nominations and Compensation Committee under the Board of Directors, which consists primarily of independent Directors, to obtain appropriate advice and recommendations. The independence of the committee is ensured because the committee is composed of three or more members, the majority of whom are External Directors, and the chairperson of the committee is selected from among the External Directors. The committee deliberates and considers the nomination of Director candidates and the individual remuneration of Directors prior to a resolution of the Board of Directors, and gives advice and makes suggestions to the Board of Directors based on the results.

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

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

We believe that the roles and responsibilities of the Board of Directors are extremely important for sustainable growth and the improvement of corporate value over the medium to long-term, and that it is important to consider the composition of the Board of Directors continuously to improve its effectiveness continuously. We will advance consideration of the composition of the Board of Directors continuously from now on in accordance with management strategies and changes in the environment. The skills matrix is disclosed in the notice of convocation of a General Meeting of Shareholders.

(Supplementary Principle 4-11 [2] Concurrent Duties as a Corporate Executive of a Listed Company)

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

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

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

(Supplementary Principle 4-14 [2] Corporate Executive Training)

As a training policy for Directors and Auditors, including External Directors and External Auditors, as well as Executive Officers, we encourage and support participation in academic conferences and seminars in accordance with the experience and knowledge of each individual, provide the information they require to fulfill their respective roles and responsibilities, and provide support for the acquisition of knowledge, as well as support for the expenses required for these activities on an ongoing basis.

(Principle 5-1 Constructive Dialogue with Shareholders)

We appoint a person in charge of information management and appoint the PR & IR Department as the department in charge of IR. We strive to improve understanding of the Company by holding individual meetings quarterly and financial results briefings twice each year (first-half and year-end financial results) for analysts and investors, and also by holding individual investor briefings sequentially. The opinions and concerns expressed during interviews with shareholders are fed back to management, including the President & CEO, through reports and internal meetings.

[Dialogue with Shareholders]

IR activities for the year ended March 31, 2024 is as follows.

[1] Details of IR activities and main responders (FY2024)

- Financial results briefings (held in May and November): President & CEO
- Small meetings and individual meetings (held every quarterly financial results): Directors in charge of IR, at least 100 meetings held in FY2024
- Briefings for individual investors (held in December and March): President & CEO and IR Officers

[2] Shareholders with whom we had dialogue

- Domestic and overseas institutional investors, analysts, etc.

[3] Themes of dialogue and matters of concern

- Summary of financial results (Reasons for differences from the previous fiscal year's results and forecasts)
- Forecast for the next fiscal year
- Business environment, business measures, medium-to long-term strategies, etc.

[4] Feedback of shareholder's opinions to management

- Regular feedback through reports and internal meetings (whenever necessary for matters of high urgency and importance).

[Actions to Achieve Cost of Capital and Stock Price Conscious Management]

We gain a proper understanding of the Company's own cost of capital and set Return on Equity (ROE) above the cost of capital as a quantitative target for our Medium-Term Management Plan. The Board of Directors discusses and verifies the specific initiatives etc. to achieve the targets. We also regularly report stock prices, market capitalization, Price-to-Book Ratio (PBR) and Price Earnings Ratio (PER) to the Board of Directors, and analysis the gap between the Company's own valuation and the valuations of securities analysts and institutional investors, and actual market valuations, and consider to eliminate these gaps. We disclose Medium-Term Management Plan 2026 (Term:FY2024 to FY2026) which expresses quantitative targets (operating income, ROE) and KPI (net sales, R&D expenses) and also disclose our strategy about the cost of shareholder's equity and market valuation on our website(<https://www.takara-bio.com/en/ir/management/plan.html>) and explain our results at briefings, etc.

2. Capital Structure

Foreign shareholding ratio

Less than 10%

[Status of Major Shareholders] Update

| Name / Company Name | Number of Shares Owned | Percentage (%) |
|--|------------------------|----------------|
| Takara Holdings Inc. | 73,350,000 | 60.91 |
| The Master Trust Bank of Japan, Ltd. (Trust Account) | 6,356,900 | 5.28 |
| The Japan Custody Bank, Ltd. (Trust Account) | 2,118,900 | 1.76 |
| JP MORGAN CHASE BANK 385781 | 676,220 | 0.56 |
| STATE STREET BANK WEST CLIENT-TREATY 505234 | 652,200 | 0.54 |

| | | |
|---|---------|------|
| STATE STREET BANK AND TRUST COMPANY 505001 | 542,786 | 0.45 |
| The Bank of Kyoto, Ltd. | 500,000 | 0.42 |
| Takara Bio Inc. Employee Stock Ownership Plan | 434,300 | 0.36 |
| Hiroo Amano | 398,800 | 0.33 |
| KIA FUND F149 | 388,700 | 0.32 |

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

Supplementary Explanation

3. Corporate Attributes

| | |
|---|--|
| Listed Stock Market and Market Section | Tokyo Stock Exchange Prime |
| Fiscal Year-End | March |
| Type of Business | Chemicals |
| Number of Employees (Consolidated) as of the End of the Previous Fiscal Year | More than 1,000 |
| Sales (Consolidated) as of the End of the Previous Fiscal Year | From 10 billion yen to less than 100 billion yen |
| Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year | Less than 10 |

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

We conduct business operations that maintain our uniqueness and independence in the Takara Holdings Group. We never carry out transactions with the parent company for the benefit of the parent company or the detriment of the Company and minority shareholders. Transactions with the parent company include the licensing of trademark rights, outsourcing of computer-related services and leasing of information-related equipment, and transactions with other companies of the parent company's group include the sale of products and the leasing of real estate (the Company's office buildings). Our basic policy in all of these transactions is to determine the terms and conditions, including the amount, of each transaction after discussions and negotiations based on market prices, etc., the same as with general transactions.

In addition, with the aim of protecting the interests of minority shareholders, we seek the advice and recommendations of the Special Committee, an optional committee, on matters relating to significant transactions or acts in which the interests of the parent company or its subsidiaries conflict with those of our minority shareholders.

5. Other Special Circumstances that May Have a Material Impact on Corporate Governance **Update**

As of March 31, 2024, Takara Holdings Inc. (listed on the Prime, Tokyo Stock Exchange; securities code 2531) is the Company's parent company, holding 60.93% of the voting rights in the Company. The relationship between the Company and Takara Holdings is as follows.

1. The position of the Company in the Takara Holdings Group (Takara Holdings and its associated companies)

The extraordinary general meeting of shareholders of Takara Shuzo Co., Ltd. (now Takara Holdings Inc.) held on February 15, 2002 approved the proposal to spin off the alcoholic beverage and food business, and biotechnology business with the aim of maximizing the special characteristics of each respective business and creating a business environment that would increase the growth potential and competitiveness of both. On this basis, Takara Shuzo and the Company were established on April 1, 2002, through a corporate split, with each becoming a wholly-owned subsidiary of Takara Holdings (since then, Takara Holdings' ownership of voting shares in the Company has decreased to 60.93% due to third-party allotments of new shares, capital increases through public offerings, etc., implemented by the Company).

The Takara Holdings Group consists of Takara Holdings Inc., the holding company, and 68 affiliated companies (66 subsidiaries and 2 associated companies). Within the Group, we are positioned as a subsidiary specializing in biotechnology business, and are promoting biotechnology business together with the nine affiliated companies (subsidiaries) of the Company.

2. Approach and measures for securing independence from the parent company necessary from the viewpoint of protecting minority shareholders, etc.

Takara Holdings Inc., has established and operates the Takara Holdings Group Management Rules from the perspective of consolidated business management. However, its objective is to maximize the corporate value of the Group as a whole while maintaining the independence and autonomy of Takara Holdings Group companies. The rules also apply to the Company and we report on resolutions, etc., made by the Board of Directors to Takara Holdings, but we are not required to gain prior approval from Takara Holdings for the resolutions of the Board of Directors and we manage our business operations independently.

Furthermore, various meetings have been established within the group. Those pertinent to us are the "Group Strategy Committee" and the "Takara Bio Coordination Committee". These meetings are intended to foster reporting between Group companies and in their current form, do not impede the independence and autonomy of the Company.

In addition, Mutsumi Kimura, director of the Company, also serves as President of Takara Holdings Inc.

Mutsumi Kimura was invited to join the Company because he has a wealth of experience and results in the areas of corporate planning, finance, accounting, public relations, general affairs, human resources, etc., and demonstrated leadership as the executive vice president of Takara

To protect the interests of minority shareholders, the Company has established a Special Committee under the Board of Directors to provide appropriate advice and recommendations. The committee is composed of three or more independent members, including external corporate executives, and the chairperson is selected from among its members, ensuring the independence of the committee. The committee deliberates and considers matters relating to significant transactions and practices where the interests of the Company's parent company or subsidiaries conflict with those of minority shareholders, and provides advice and recommendations to the Board of Directors based on the results.

Nobuko Kawashima (external director), Kazuko Kimura (external director), Noriomi Matsumura (external director), Kunihiro Kamada (external auditor), Yasuo Himejiwa (external auditor), and Masaaki Makikawa (external auditor)

3. Takara Group's approach and policies on the Group management

This is a system that consolidates management resources and aims for growth in three business segments:

Takara Bio is a growing enterprise of great promise in the Group. Takara Holdings believes that having Takara Bio in their business portfolio is extremely important for maximizing the Group's corporate value in the future. Takara Holdings also believes that Takara Bio needs to have its own means of financing in order to further accelerate growth of Biomedical Business. Moreover, to hire and train talented employees and further advance the management of Takara Bio, Takara Holdings believes it is vital to maintain Takara Bio as a listed subsidiary. No fund management (such as participation in the cash management system) has been conducted with Takara Holdings.

4. Contracts: Not applicable.

1. Matters Related to Organizational Composition, Management, etc.

[Directors]

External Directors' Relationships with the Company (1)

[illegible]

*** Categories for “Relationship with the Company**
*** Marked with “O” when the director presently falls, or has recently fallen, under the category, and with “Δ” when the director fell under the category in the past.**
*** Marked with “●” when a close relative of the director presently falls, or has recently fallen, under the category and with “▲” when a close relative of the director fell under the category in the past.**

- a. Executive of the Company or a Company subsidiary
- b. Non-executive director or executive director of the parent company of the Company
- c. Executive of a fellow subsidiary company of the Company Group
- d. Person or executive of a company whose major business partner is the Company
- e. Major business partner or executive of a major business partner of the Company
- f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a corporate executive of the Company
- g. Major shareholder of the Company (or an executive of a major shareholder if the shareholder is a legal entity)
- h. Executive of a client or supplier company of the Company (not falling under any of d, e or f) (only directors)
- i. Executive of a company in a relationship of mutual appointment of external corporate executives (only directors)
- j. Executive of a company that receives donations from the Company (only directors)
- k. Other

| Name | Designation as an Independent Officer | Supplementary Explanation of the Relationship | Reasons for Appointment |
|-------------------|---------------------------------------|---|---|
| Nobuko Kawashima | ○ | <p>Concurrently holds positions as:</p> <p>Professor, Faculty of Economics at Doshisha University</p> <p>External director at TOKAI Holdings, Inc.</p> | Ms. Kawashima has been conducting research on the themes of creative economics and corporate social responsibility for many years, and we have judged that she can use her knowledge as an expert to strengthen the management system of the Company. In addition, we have judged that she is independent because she is not a person with a potential conflict of interest with general shareholders based on the Judgment Criteria for the Independence of External Corporate Executives (see “Relationships with Independent Officers” and “Other Matters Concerning Independent Officers” below). Accordingly, she has been designated as an Independent Officer. |
| Kazuko Kimura | ○ | <p>Concurrently holds positions as:</p> <p>Professor emeritus at Kanazawa University</p> <p>Representative director of the Medicines Security Workshop</p> <p>External director, Mitsubishi Warehouse Co., Ltd.</p> | Ms. Kimura specializes in quality control in pharmaceutical distribution, eradication of low-quality drugs and counterfeit drugs, development of technology to prevent counterfeiting, and specialist training. We have judged that she can use her knowledge as an expert in the management of the Company. In addition, we have judged that she is independent because she is not a person with a potential conflict of interest with general shareholders based on the Judgment Criteria for the Independence of External Corporate Executives (see “Relationships with Independent Officers” and “Other Matters Concerning Independent Officers” below). Accordingly, she has been designated as an Independent Officer. |
| Noriomi Matsumura | ○ | <p>Concurrently holds positions as:</p> <p>Professor of Obstetrics and Gynecology, Kinki University School of Medicine</p> | Mr. Matsumura has extensive experience and expertise in all aspects of medicine, including obstetrics and gynecology, and is particularly familiar with the fields of genomic analysis of tumors, molecular targeted therapy, and immunotherapy. We have judged that he can use his knowledge as an expert in the management of the Company. In addition, we have judged that she is independent because she is not a person with a potential conflict of interest with general shareholders based on the Judgment Criteria for the Independence of External Corporate Executives (see “Relationships with Independent Officers” and “Other Matters Concerning Independent Officers” below). Accordingly, he has been designated as an Independent Officer. |

Committee's Name, Composition, and Attributes of Chairperson

| | Committee's Name | All Committee Members | Full-Time Members | Internal directors | External directors | External Experts | Other | Chairperson |
|---|--|-----------------------|-------------------|--------------------|--------------------|------------------|-------|--------------------|
| Committee Corresponding to Nomination Committee | Nominations and Compensation Committee | 5 | 0 | 2 | 3 | 0 | 0 | External directors |
| Committee Corresponding to Compensation Committee | Nominations and Compensation Committee | 5 | 0 | 2 | 3 | 0 | 0 | External directors |

Supplementary Explanation

Supplementary Explanation

The Company has established a voluntary Nominations and Compensation Committee under the Board of Directors to strengthen the independence, objectivity and accountability of the functions of the Board of Directors. The committee is composed of three or more members, the majority of whom are external corporate executives. The chairperson of the committee is selected from among the external corporate executives.

< Committee Members >

Nobuko Kawashima (external director and chairperson)

Kazuko Kimura (external director)

Noriomi Matsumura (external director)

Koichi Nakao (president & CEO)

Yoh Hamaoka (director)

< Matters to be deliberated >

- Matters concerning candidates for director to be proposed to the general meeting of shareholders
- Matters concerning the revision of the compensation limit for directors to be proposed to the general meeting of shareholders
- Matters concerning the individual compensation of directors

[Auditors]

| | |
|--|-------------|
| Establishment of the Supervisory Board | Established |
| Maximum Number of Auditors Stipulated in the Articles of Incorporation | 5 |
| Number of auditors | 5 |

Cooperation Among Auditors, Accounting Auditors and Internal Audit Department

The Company's auditors work with Internal Audit Department (four full-time internal auditors) to verify the effectiveness of the internal control system. In addition, the Company meets with the accounting auditors Deloitte Touche Tohmatsu LLC several times a year to give each other detailed reports on audit plans and results, and to attend audits and exchange information. Internal Audit Department makes site-visits to the Company and its subsidiaries with the auditors to implement audits from the perspectives of legality and compliance. Apart from reporting the results to the Board of Directors and the president and CEO, we are making efforts to enhance internal controls and checks by sharing information with internal control divisions such as the Takara Bio Compliance Committee and Finance Department.

| | |
|--|-----------|
| State of Appointment of External Auditors | Appointed |
| Number of External Auditors | 3 |
| Number of External Auditors Designated as Independent Officers | 3 |

External Directors' Relationships with the Company (1)

| Name | Background | Relationship with the Company* | | | | | | | | | | | | |
|------------------|------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k | l | m |
| Kunihiko Kamada | Lawyer | | | | | | | | | | | | | |
| Yasuo Himeiwa | CPA | | | | | | | | | | | | | |
| Masaaki Makikawa | Academic | | | | | | | | | | | | | |

* Categories for "Relationship with the Company"

* Marked with "O" when the director presently falls, or has recently fallen, under the category, and with "△" when the director fell under the category in the past.

* Marked with "●" when a close relative of the director presently falls, or has recently fallen, under the category and with "▲" when a close relative of the director fell under the category in the past.

- a. Executive of the Company or a Company subsidiary
- b. Non-executive director or accounting advisor of the Company or a Company subsidiary
- c. Non-executive director or executive director of the parent company of the Company
- d. Auditor of the parent company of the Company
- e. Executive of a fellow subsidiary company of the Company Group
- f. Person or executive of a company whose major business partner is the Company
- g. Major business partner or executive of a major business partner of the Company
- h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a corporate executive of the Company
- i. Major shareholder of the Company (or an executive of a major shareholder if the shareholder is a legal entity)
- j. Executive of a client or supplier company of the Company (not falling under any of f, g or h) (only directors)
- k. Executive of a company in a relationship of mutual appointment of external corporate executives (only directors)
- l. Executive of a company that receives donations from the Company (only directors)
- m. Other

External Directors' Relationships with the Company (2)

| Name | Designation as an Independent Officer | Supplementary Explanation of the Relationship | Reasons for Appointment |
|------------------|---------------------------------------|---|--|
| Kunihiko Kamada | ○ | Concurrently holds positions as: A member of Daiichi Legal Professional Corporation | Mr. Kamada possesses abundant expert knowledge and experience as a lawyer and the Company has judged that his advice and recommendations for the promotion of compliance management and the securing of the validity and appropriateness of decision-making by the Board of Directors and the Supervisory Board would be useful to the Company. In addition, we have judged that he is independent because he is not a person with a potential conflict of interest with general shareholders based on the Judgment Criteria for the Independence of External Corporate Executives (see "Relationships with Independent Officers" and "Other Matters Concerning Independent Officers" below). Accordingly, he has been designated as an Independent Officer. |
| Yasuo Himeiwa | ○ | Concurrently holds positions as: Director of Himeiwa CPA Office External director (Audit and Supervisory Committee Member) of Sharp Corporation External director (Full-time Audit and Supervisory Committee Member) of IDEC Corporation | Mr. Himeiwa possesses abundant expert knowledge and experience in finance and accounting as a certified public accountant, and the Company has judged that his advice and recommendations on the improvement of the transparency and objectivity of management would be useful to the Company. In addition, we have judged that he is independent because he is not a person with a potential conflict of interest with general shareholders based on the Judgment Criteria for the Independence of External Corporate Executives (see "Relationships with Independent Officers" and "Other Matters Concerning Independent Officers" below). Accordingly, he has been designated as an Independent Officer. |
| Masaaki Makikawa | ○ | Concurrently holds positions as: Visiting Professor, Research Organization of Science and Technology, Ritsumeikan University President of Osaka Hatsushiba Gakuen | The Company has judged that Mr. Makikawa's experience and expert knowledge in dealing with research supervision on state projects, and industry-academia collaboration projects including many contract research and joint research projects in the fields of medical engineering and bioengineering would be useful to the Company. In addition, we have judged that he is independent because he is not a person with a potential conflict of interest with general shareholders based on the Judgment Criteria for the Independence of External Corporate Executives (see "Relationships with Independent Officers" and "Other Matters Concerning Independent Officers" below). Accordingly, he has been designated as an Independent Officer. |

[Relationships of Independent Officers]

Number of Independent Officers

6

Matters Relating to Independent Officers

Based on the purpose of the Corporate Governance Code, our basic policy is to appoint independent external directors as at least one-third of our directors in principle, considering comprehensively factors such as business characteristics and the environment surrounding the Company. In accordance with this basic policy, we currently have three independent external directors, two of whom are women, and have established systems for communication and coordination with management, and cooperation with the auditors and the Supervisory Board to exchange information and share awareness.

The "Judgment Criteria for the Independence of External Corporate Executives" established by the Company are as follows.

< Independence Criteria for External Officers >

External corporate executives at the Company who do not fall under any of the following criteria are deemed to be independent officers.

- (1) Currently a director, auditor, manager or other employee of our parent company
- (2) Any person who was in the past a director, auditor, manager or other employee of our parent company
- (3) Currently a director, auditor, manager or other employee of our sister company
- (4) Any person who was in the past a director, auditor, manager or other employee of one of our sister companies
- (5) Any person who is a major supplier of the Company or a Company subsidiary (any person who received payments from the Company or a Company subsidiary of 2% or more of that person's annual consolidated total sales during the most recent fiscal year), or the parent company or a major subsidiary thereof, or if such person is a company, its executive director, executive officer, operating officer, manager or other employee
- (6) Any person who, during any of the three fiscal years preceding the most recent fiscal year, was a major supplier of the Company or a Company subsidiary (any person who received payments from the Company or a Company subsidiary of 2% or more of that person's annual consolidated total sales during the most recent fiscal year), or the parent company or a major subsidiary thereof, or if such person is a company, its executive director, executive officer, operating officer, manager or other employee
- (7) Any person who is a major customer of the Company (any person who paid 2% or more of the annual consolidated total sales of the Company or a Company subsidiary during the most recent business year), or the parent company or a major subsidiary thereof, or if such person is a company, its executive director, executive officer, operating officer, manager or other employee
- (8) Any person who, during any of the three fiscal years preceding the most recent fiscal year, was a major customer of the Company or a Company subsidiary (any person who paid 2% or more of the annual consolidated total sales of the Company or a Company subsidiary during the subject business year), or the parent company or a major subsidiary thereof, or if such person is a company, its executive director, executive officer, operating officer, manager or other employee
- (9) Any director (limited to those in charge of business execution) or other executive officer (meaning officer or employee who executes the business of the organization) of organizations that have received donations or grants from the Company or Company subsidiaries averaging more than 10 million yen per year over the past three years (for example, public interest incorporated associations, non-profit corporations, etc.)
- (10) Any person who is or was a director, auditor, accounting advisor, executive officer or operating officer of a company that has accepted a director (regardless of whether full-time or part-time) from the Company or a Company subsidiary, or of its parent company or subsidiary
- (11) Any person who is a director, auditor, accounting advisor, executive officer, operating officer, manager or other employee of a financial institution or other large creditor (hereinafter referred to as "Large Creditors") that is indispensable in the Company's fund procurement and relied upon to the extent that they are irreplaceable
- (12) Any person who was a director, auditor, accounting advisor, executive officer, operating officer, manager or other employee of the current Large Creditors of the Company or their parent company or major subsidiaries in the past three years
- (13) Any person who is an employee or partner of a certified public accountant (or tax accountant) or auditing firm (or tax accountant corporation) that is currently an accounting auditor or accounting advisor of the Company or a Company subsidiary
- (14) Any person who was an employee or partner of a certified public accountant (or tax accountant) or auditing firm (or tax accountant) that was an accounting auditor or accounting advisor of the Company or a Company subsidiary during the most recent three years, and who was in actual charge of auditing work (excluding auxiliary involvement) for the Company or a Company subsidiary (including any person who has current retired or resigned)
- (15) Any lawyer, certified public accountant, tax accountant or other consultant who does not fall under (13) or (14) above who has, in addition to directors' compensation, obtained from the Company or Company subsidiaries any monetary or other proprietary benefits averaging 10 million yen or more over the past three years
- (16) Any employee, partner or associate of a law firm, auditing firm, tax accountant corporation, consulting firm or other expert advisory firm that does not fall under (13) or (14) above which has the Company or a Company subsidiary as a major customer (any firm that received payments from the Company or a Company subsidiary of 2% or more of that firm's annual consolidated total sales on average over the past three years)
- (17) Any person whose spouse or relative within the second degree of kinship falls under any of (1) through (16) above
- (18) Any person who may have a substantial conflict of interest is likely to arise on a permanent basis due to circumstances other than those considered in (1) through (17) above

[Incentives]

Incentive Policies for Directors

Performance-linked compensation

Supplementary Explanation

For details, refer to "Disclosure of the Policy for Determining Compensation Amounts and Their Calculation Method" below.

Recipients of Stock Options

Supplementary Explanation

[Director Compensation]

Disclosure of Individual Directors' Compensation

No Individual Disclosure

Supplementary Explanation

Total compensation for the year ended March 31, 2024

Total amount of compensation, etc. 10 directors, 261 million yen (including 3 external directors, 23 million yen)

(Including 10 directors with fixed compensation 149 million yen [including 3 external directors, 23 million yen])

(Including performance-linked compensation 6 directors, 112 million yen [for directors other than external directors])

(Note 1) The amount of compensation, etc., for directors does not include the amount of employee salary for directors who serve concurrently as employees.

(Note 2) Includes one director who resigned at the conclusion of the 21th Ordinary General Meeting of Shareholders held on June 23, 2023.

Policy for Determining Compensation Amounts and Their Calculation Method

Established

Disclosure of the Policy for Determining Compensation Amounts and Their Calculation Method

Matters concerning the policy for determining compensation amounts, etc., for corporate executives and their calculation method

1. Basic way of thinking

The Company's basic concept related to compensation for corporate executives is to employ talented human resources as managers, motivate them more strongly towards the execution of management strategies and establish an annual compensation system that will lead to the further improvement of corporate value.

Based on the performance evaluation method approved by the meeting of the Board of Directors held on December 16, 2019, the amount of compensation for corporate executives is determined by the president and CEO, authorized by the Board of Directors, within the limit of compensation resolved upon at the Ordinary General Meeting of Shareholders, taking comprehensively into account their positions and individual contributions to the Company's financial results, and with the advice and recommendations of the Nominations and Compensation Committee established voluntarily by the Company.

2. Compensation system

Compensation for corporate executives is comprised of fixed compensation and variable performance-linked compensation in accordance with the Company's financial results so that the responsibilities of directors and their contributions to the Company's financial results can be reflected. Fixed compensation is 50% of the amount of compensation for the previous fiscal year, and variable compensation is determined by a Company-wide performance evaluation and a divisional performance evaluation, on the basis of 50% of the amount of compensation for the previous fiscal year.

Only fixed compensation is paid to directors and auditors independent from the execution of business within the limit of compensation resolved upon at the Ordinary General Meeting of Shareholders.

3. Calculation method for variable compensation

The calculation method for variable compensation for directors who execute business is based on a Company-wide performance evaluation (25%) and a divisional performance evaluation (25%) based on a comparison of operating profit against the budget and the previous fiscal year. The Company-wide performance evaluation fluctuates within a lower limit of 90% and an upper limit of 110%, and the divisional performance evaluation fluctuates within the range from 80% to 120%.

4. Resolution of the Ordinary General Meeting of Shareholders on Compensation for Corporate Executives

The details of a resolution of the Ordinary General Meeting of Shareholders regarding the compensation of corporate executives are as shown below.

i) Date of resolution at the Ordinary General Meeting of Shareholders

June 23, 2017

ii) Directors

Fixed compensation

Annual amount to be no more than 184.8 million yen (including within 30 million yen for external directors)

Performance-linked compensation

Annual amount to be no more than the amount equivalent to 5% of consolidated operating profit on an annual basis in the previous fiscal year

[Support System for External Directors (External Corporate Auditors)]

In the convocation of a Board of Directors meeting, external directors are sent proposals and other related materials in advance, as well as explanations by the directors in charge, etc., as required. Under this system, external directors monitor the execution of duties by directors. Apart from attending meetings of the Board of Directors and other important meetings, the Company's external auditors receive reports from directors, etc., on the state of execution of duties, view important documents, and audit the execution of duties. Furthermore, Internal Auditing Department provides supplementary explanations as required, including on the state of cooperation with Internal Auditing Department (four full-time members), etc.

2. Matters Related to Functions such as Business Execution, Auditing, Oversight, Nomination, Determination of Compensation, etc. (Overview of the Current Corporate Governance System)

The Company has adopted an Audit and Supervisory Board system, and three of the five auditors are external. Under this system, auditors attend meetings of the Board of Directors and other important meetings, receive reports from directors, etc., on the state of execution of duties, view important documents, and audit the execution of duties.

The Board of Directors consists of nine directors (of whom three are external directors, including two women) who meet whenever necessary in addition to the regular monthly Board of Directors meetings. The board makes decisions on management policies, matters stipulated by laws and regulations, and important issues concerning management matters, and oversees the state of execution of duties by directors. In addition, with officers (nine excluding directors who are also executive officers, including two women.) participating as observers at Board of Directors meetings, this system strengthens the function of reporting on the state of execution of duties and allows for quick communication and confirmation of the intentions of management.

The Company is audited by Deloitte Touche Tohmatsu LLC. The audit for the fiscal year that ended in March 2024 was conducted by Tomonori Suzuki and Yuya Minobe, certified public accountants of Deloitte Touche Tohmatsu LLC. In addition, 10 certified public accountants and 12 other people assisted in these auditing activities.

We also receive advice as needed from lawyers regarding business management and day to day operations.

Pursuant to the provision of Article 426, Paragraph 1 of the Companies Act, we stipulate in our Articles of Incorporation that the Board of Directors may resolve to exempt directors and auditors (including former directors and auditors) from liability for damages due to neglect of duties to the extent permitted by law. The objective of this provision is to ensure that directors and auditors are able to perform the roles expected of them to the full. Furthermore, based on the provisions of the Articles of Incorporation pursuant to the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into agreements with external directors and external auditors that limit their liability for damages to the legal minimum set in Article 425, Paragraph 1 of the Companies Act.

3. Reasons for Adoption of the Current Corporate Governance System

As a company oriented towards highly specialized research and development, we have judged that the most appropriate corporate governance system for the Company is the current one, under which directors who are deeply knowledgeable about our business are able to make decisions and supervise business execution flexibly, with a clear sense of ownership and a sense of speed, while highly independent external directors who possess knowledge and experience related to our business work with the Supervisory Board to supervise business execution.

/// Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Revitalize General Meetings of Shareholders and Facilitate the Exercise of Voting Rights

| | Supplementary Explanation |
|--|--|
| Early Notification of General Meetings of Shareholders | Notification is sent at least three weeks prior to the day of the meeting. |
| Scheduling of AGMs Avoiding Peak Days | The General Meeting of Shareholders each year is scheduled to avoid days when AGMs are concentrated so that many shareholders can attend. 18th Ordinary General Meeting of Shareholders: June 23, 2020 19th Ordinary General Meeting of Shareholders: June 24, 2021 20th Ordinary General Meeting of Shareholders: June 24, 2022 21th Ordinary General Meeting of Shareholders: June 23, 2023 22th Ordinary General Meeting of Shareholders: June 21, 2024 |
| Allowing Electronic Exercise of Voting Rights | Shareholders have been able to exercise voting rights via the internet since the 16th General Meeting of Shareholders. |
| Participation in Electronic Voting Platform | We participate in the platform for electronic exercise of voting rights for institutional investors operated by ICJ Inc. |
| Provision of Convocation Notice in English | An English translation (summary) of the convocation notice is disclosed on our website on the same day as the Japanese version. |
| Other | The convocation notice and matters disclosed on the internet are disclosed on our website ahead of sending out the printed notice. The materials are available at "Stock Information > General Meeting of Shareholders" on the "Investor Relations" tab. (https://www.takara-bio.com/en/ir/stock/meeting.html) At a General Meeting of Shareholders, we use a large screen to give more visual overview explanations of the business report, long-term management concepts and medium-term business plans. In addition, we disclose the results of the exercise of voting rights at a General Meeting of Shareholders on our website. |

2. IR Activities

| | Supplementary Explanation | Explanation by the Representative |
|---|---|-----------------------------------|
| Preparation and Publication of Disclosure Policy | The policy is published on our website at "Disclosure Policy" on the "Investor Relations" tab. ■ Takara Bio Inc. "Disclosure Policy" Materials available at https://www.takara-bio.co.jp/ja/ir/policy.html (Japanese) and https://www.takara-bio.com/en/ir/policy.html (English) | |
| Regular Investor Briefings for Individual Investors | (Timing) We hold briefings several times a year. (Description) We provide an overview of business and explain mainly our future business plans and key measures over about one hour and then have Q&A. (Participants) We aim at about 50 individual investors. Briefings are also held on the website as necessary. We held the investor briefings twice in the fiscal year ended March 2024. | Established |
| Regular Investor Briefings for Analysts and Institutional Investors | We hold financial results briefings twice a year (November for the interim period and May for the full fiscal year). In addition, we provide video explanations of financial results and conduct individual meetings every quarter (including the interim and full-year periods). Apart from this, we also conduct interviews and seminars whenever there is a request. At every briefing, we mainly explain an overview of business, our future business plans and key measures and then have Q&A. | Established |
| Regular Investor Briefings for Overseas Investors | Currently, our foreign shareholder ratio is not necessarily high so we do not hold these meetings. However, we do respond to overseas investors individually by providing interviews through events for overseas investors held by securities companies, conference calls, etc. | No |
| Posting of IR Materials on Website | The Company publishes financial statements, annual securities reports, quarterly securities reports, financial results briefing materials, financial results briefing videos, annual reports, and timely and voluntary disclosure materials on the Company website at https://www.takara-bio.co.jp/ja/ir/library.html (Japanese) and https://www.takara-bio.com/en/ir/library.html (English). | |
| Establishment of Department and / or Manager in Charge of IR | Department: PR & IR Department Manager in charge of IR: Takuya Kakemi, General Manager of PR & IR Department and responsible for IR communication | |

3. State of Initiatives Related to Respect for Stakeholders

| | Supplementary Explanation |
|---|--|
| Stipulation of Internal Rules on Respecting the Position of Stakeholders | We stipulate our basic attitude towards stakeholders in the Takara Group Compliance Action Guidelines. |
| Implementation of Environmental Activities, CSR activities, etc. | The Company has established a basic policy on the promotion of sustainability management, is working on various social initiatives related to sustainability, including health, through business activities, and aiming for both the realization of a sustainable society and the sustainable growth of the Takara Bio Group. We have established a Sustainability Promotion Committee chaired by the president and promote sustainability so that we contribute to the resolution of social issues through these initiatives by identifying materialities, cooperating with stakeholders and working with the Takara Group. |
| Formulation of Policies on the Provision of Information to Stakeholders, etc. | Based on the Takara Group Compliance Action Guidelines, we disclose management information such as financial descriptions and the state of our business activities to shareholders, investors, etc., in a timely and appropriate manner, communicate the Company's corporate philosophy and management policies clearly, and engage in mutual communication by taking opinions on and criticisms of our policies seriously. The basic policy on information disclosure is available from our website at https://www.takara-bio.com/en/ir/policy.html Also, the policy on appropriate information disclosure and ensuring transparency is presented in the "Takara Bio Corporate Governance Policy." https://www.takara-bio.com/en/sustainability/materiality/governance/main/01/teaserItems1/0/linkList/0/link/p240627_e.pdf |

IV Matters Related to the Internal Control System

1. Basic Views on the Internal Control System and the State of its Development

Based on Article 362, Paragraph 4, Item 6 of the Companies Act and Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, we made the following determinations regarding the development of the systems necessary to ensure that the execution of duties by directors complies with laws and regulations and the Articles of Incorporation, and other systems necessary to ensure the appropriateness of operations as a corporation.

1. Systems to ensure that the execution of duties by directors and employees complies with laws and regulations, and the Articles of Incorporation, as well as systems to ensure the appropriateness of operations at the corporate group comprised of the Company, its parent company and subsidiaries
 - i) We established and manage the "Takara Bio Compliance Committee," chaired by the president and CEO as the organization that supervises the compliance activities of the Company Group as a whole.
 - ii) This committee specifies clearly the action guidelines related to the "law and social ethics" that each and every one of the Company Group's corporate executives and employees should observe, and provides education for corporate executives and employees within the Group through group training and daily guidance in the workplace based on the "Takara Group Compliance Action Guidelines" formulated by the Compliance Committee, under which the Takara Bio Compliance Committee operates, established at Takara Holdings Inc., the Company's parent company (and to which the Company also sends members and working members).
 - iii) By observing these action guidelines, we will respond resolutely to anti-social forces and have absolutely no relationships with them.
 - iv) "Helplines" have been installed and are operated in the Compliance Promotion Department of Takara Holdings Inc. and external third-party institutions as reporting portals in the event that a corporate executive or employee discovers a violation of laws and regulations or other unfair practices in operations within the Group and it is impossible or difficult to resolve or prevent the problem by normal means and methods in the course of business. The Group has been informed that disadvantageous treatment of anybody who reports a problem due to that reporting, etc., is prohibited. v) We conduct internal auditing based on the "Internal Audit Regulations" and strive to ensure the proper execution of duties by taking necessary measures based on the results of such internal audits. Furthermore, the divisions responsible for internal audits are independent organizations to ensure a sufficient check function against audited departments, etc.
 - vi) The Company Group complies with related laws and regulations and the listing rules established by the Tokyo Stock Exchange, develops company-wide systems to ensure the reliability of financial reports, and evaluates and improves these systems to enhance them continuously.
 - vii) With regard to the relationship between the Company and our parent company, Takara Holdings Inc., Takara Holdings was established as a holding company from the perspective of consolidated business management and the "Takara Holdings Group Company Management Rules" apply to us, operated with the aim of maximizing the corporate value of the group overall while maintaining the independence and autonomy of group companies, including the Company. We report regularly to Takara Holdings information such as the matters resolved by the Board of Directors of the Company, and the state of the business activities of the Company and its subsidiaries.
 - viii) With regard to the relationships between the Company and its subsidiaries, we receive regular reports on business activities while maintaining the independence and autonomy of the subsidiaries. In principle, we discuss important matters in advance. In addition, the company's auditors and divisions in charge of internal audits work together to implement on-site inspections of subsidiaries and carry out audits from the perspective of ensuring the appropriateness of business execution.
2. Systems to store and manage information related to the execution of duties by directors

So that we can confirm the state of execution of duties by directors and employees appropriately after the fact, the Company formulates internal rules related to guidelines on the preparation of records of the state of execution of duties, such as the minutes of General Meetings of Shareholders, minutes of meetings of the Board of Directors, approval documents (documents of decisions made by the president, etc.) and other documents related to decision-making, as well as storage periods, management systems (including security systems), etc., for those records.
3. Rules and other systems on the management of the risk of loss
 - i) The Takara Bio Compliance Committee supervises the overall "crisis management" of the Company Group, and under the supervision of the committee, each division works on activities to prevent or mitigate risks in the areas of "laws and social ethics," the "safety and quality of products and merchandise," "safety and health" and other aspects of the environment surrounding the Company Group.
 - ii) If an emergency occurs, we will respond based on the "Takara Group Emergency Response Manual" and establish an emergency response headquarters as needed, centered on the president and corporate executives in charge of compliance matters.

4. Systems to ensure the effective execution of duties by directors
 - i) We hold regular meetings of the Board of Directors once a month, and other meetings as needed as the basis of the system to ensure that the duties of directors are executed efficiently.
 - ii) We have established a system for directors and employees to execute duties and make decisions appropriately and promptly by formulating "Rules for Dividing Roles and Responsibilities" and the "Rules for Authority" to clarify the internal line of command and the division of roles and responsibilities.
 - iii) Under the supervision and instruction of the Board of Directors or individual directors, project teams are organized in each responsible division or cross-divisionally as needed to work continuously on the streamlining, acceleration and computerization of operations to ensure the efficiency of management.
 - iv) We conduct internal audits from an efficiency perspective, and strive to ensure the efficiency of the execution of duties by taking necessary measures based on the results of such internal audits.
 - v) We establish management systems at Company subsidiaries along the standards of those at the Company.
5. Matters concerning employees in the event that their appointment is requested by auditors to assist in their duties, and matters concerning the independence of those employees from directors
 If an auditor requires the appointment of an employee to assist in the performance of the auditor's duties, that employee will be appointed after a system has been established that ensures the independence of that employee from directors in terms of the chain of command under which that employee is appointed, their position, benefits, etc.
6. Systems for directors and employees to report to auditors and other systems to ensure that audits by auditors are conducted effectively
 - i) In addition to meetings of the Board of Directors, auditors attend important meetings such as the strategy meetings of a business division to grasp the state of important decision-making processes and business execution. Auditors may view the minutes of meetings of the Board of Directors, approval documents (documents of decisions made by the president, etc.) and other important documents related to business execution, and have the authority to request explanations from directors and employees as necessary. Furthermore, divisions in charge of internal audits maintain close coordination with the auditors to implement audits effectively and efficiently.
 - ii) If directors discover a fact that may cause significant damage to the Company, they must report this to the auditors in accordance with laws and regulations. If directors of Company subsidiaries discover a fact that may cause significant damage to the subsidiary, they must report to the auditors of the Company via the division in charge of managing the subsidiary.
 - iii) Directors and auditors of the Company will ensure that anybody who makes the report above is not treated disadvantageously due to the report.
7. Matters concerning guidelines related to the processing of expenses or obligations arising from the execution of duties by auditors
 When an auditor requests an advance payment or reimbursement, etc., of expenses arising from the execution of duties, the Company will promptly process those expenses or obligations, excluding cases where the costs are deemed unnecessary for the execution of the duties of the auditor.

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

2. Basic Views on Eliminating Anti-Social Forces and the State of Development

We will deal resolutely with anti-social forces such as racketeers and organized crime syndicates, and will have absolutely no relationships with them. Even if we receive an unreasonable demand, we will take a resolute stand and will not attempt to resolve the situation by handing over money and goods. We will not conduct any transactions with anti-social forces or business partners who have a relationship with anti-social forces. This basic view is stated clearly in the aforementioned "Takara Group Compliance Action Guideline," which have been established as a code of conduct for each and every corporate executive and employee to comply with the "law and social ethics," and we are disseminating these guidelines thoroughly. The Company distributes a portable manual booklet containing the guidelines to all corporate executives and employees, and gives instructions so that they can be confirmed whenever needed. In addition, we have designated General Affairs Department as the department that oversees the handling of the above. It has been striving to collect information from specialized external organizations such as the police authorities, as well as local companies. If something happens, the department responds in close collaboration with relevant specialized organizations.

V Other

1. Adoption of Anti-Takeover Measures

| | |
|------------------------------------|----|
| Adoption of Anti-Takeover Measures | No |
|------------------------------------|----|

Supplementary Explanation

2. Other Matters Concerning the Corporate Governance System, etc.

The Company's internal systems related to the timely disclosure of corporate information are as follows.

The Company discloses corporate information to investors in a timely and appropriate manner in accordance with the laws and regulations related to securities exchanges, the regulations of the Tokyo Stock Exchange, and the internal "Rules for Disclosure of Important Information, etc."

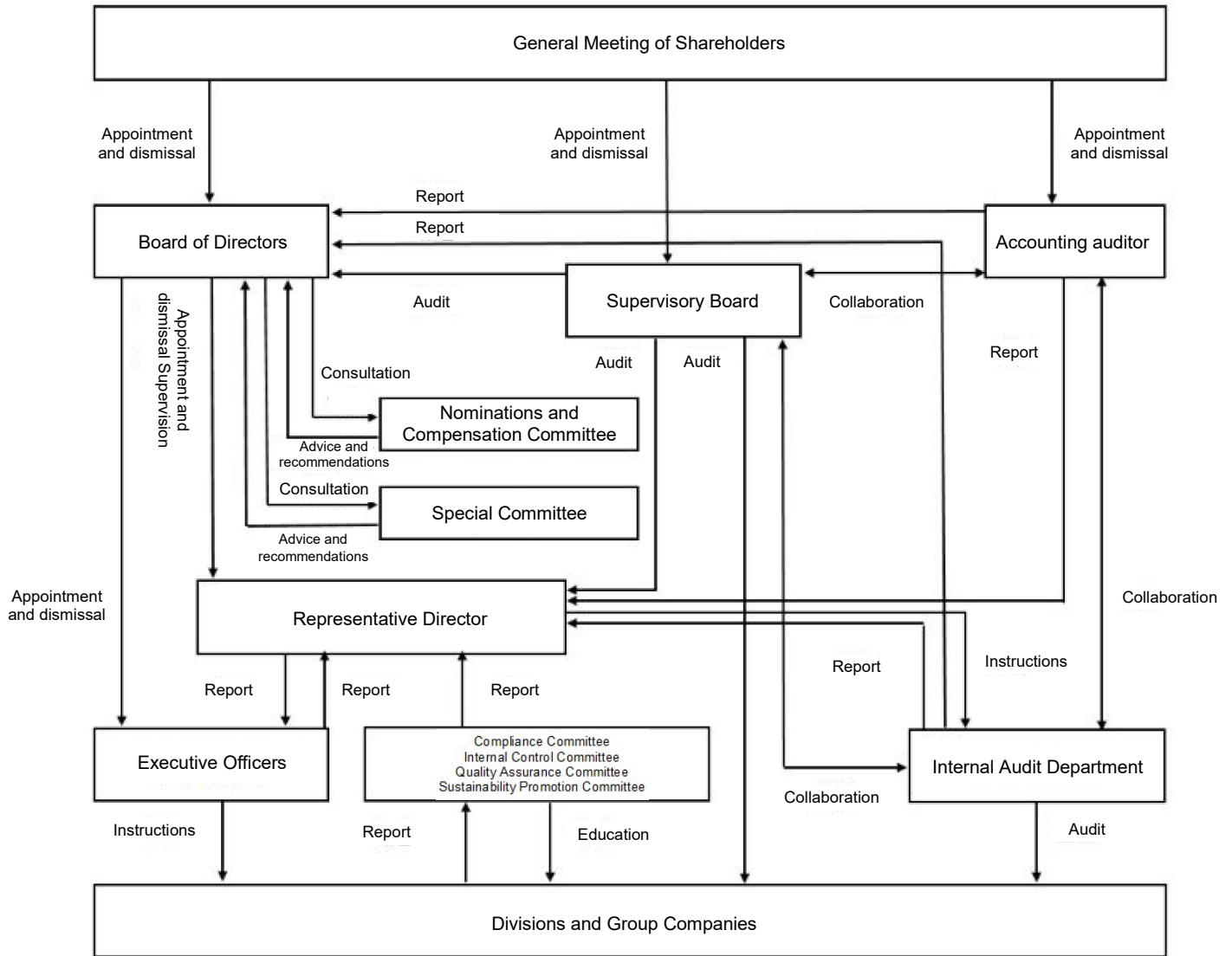
The flow from generation to aggregation and disclosure of the Company's corporate information is as follows.

1. In accordance with the "Guidebook on the Timely Disclosure of Company Information," if information subject to disclosure is generated, the department in charge of information (including Company subsidiaries) reports promptly to PR & IR Department (excluding financial information) or Finance Department (financial information).
2. After receiving a report, PR & IR Department or Finance Department verifies the information and reports promptly reports to General Affairs Department, where the information of the Company overall is compiled.
3. The manager responsible for the handling of internal information (the corporate executive in charge of General Affairs Department) receives a report from General Affairs Department and deliberates on the need, content, and method for disclosing the information together with the corporate executives in charge of PR & IR Department, Finance Department and other supervisory departments.

4. Each director will see the results of these deliberations and after hearing opinions, the determinations will be reported to a meeting of the Board of Directors. If the information is a matter to be resolved upon by the Board of Directors, the Board of Directors will resolve upon the matter and determine at the same time the need for disclosure. If the information is not a matter to be resolved upon by the Board of Directors, it will be a report. Depending on the case, the information may be disclosed with the approval of the representative director based on the mindset of timely disclosure.
5. This information is disclosed in a timely manner in accordance with the methods established by the Tokyo Stock Exchange by the person responsible for the handling of information, who is notified to the Tokyo Stock Exchange in advance, and is also published on the Company's website. In addition, we also submit materials to the press club or hold a press conference as required.

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

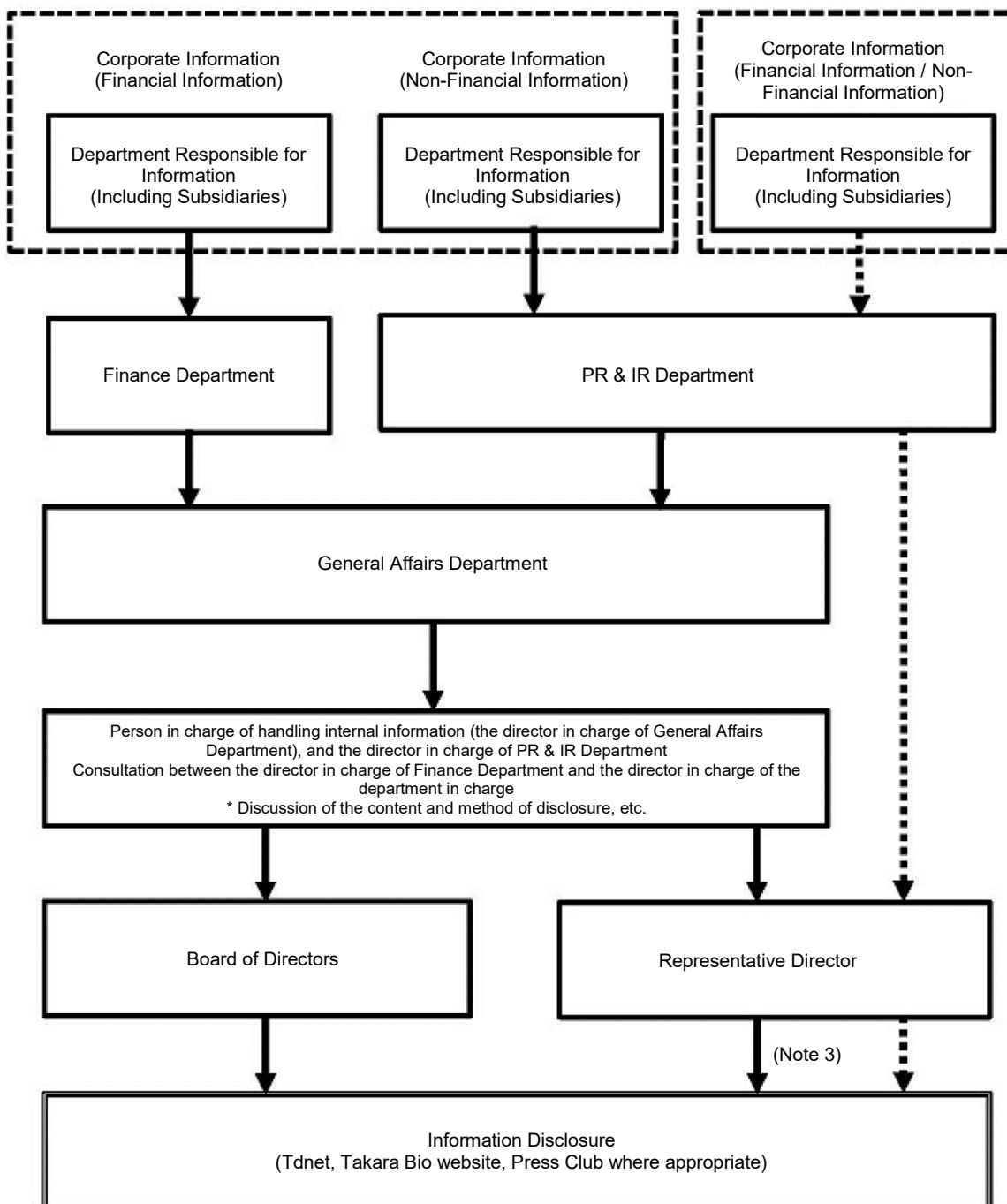
< Structure of Corporate Governance System >



< Schematic Diagram of Disclosure of Corporate Information >

A: Information Requiring Timely Disclosure (Note 1)

B: Information Subject to Fair Disclosure Rules (Note 2)



-> shows the flow of data.

(Note 1, 2) Includes information not clearly not subject to disclosure.

(Note 3) Some cases may be disclosed with the approval of the representative director.

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