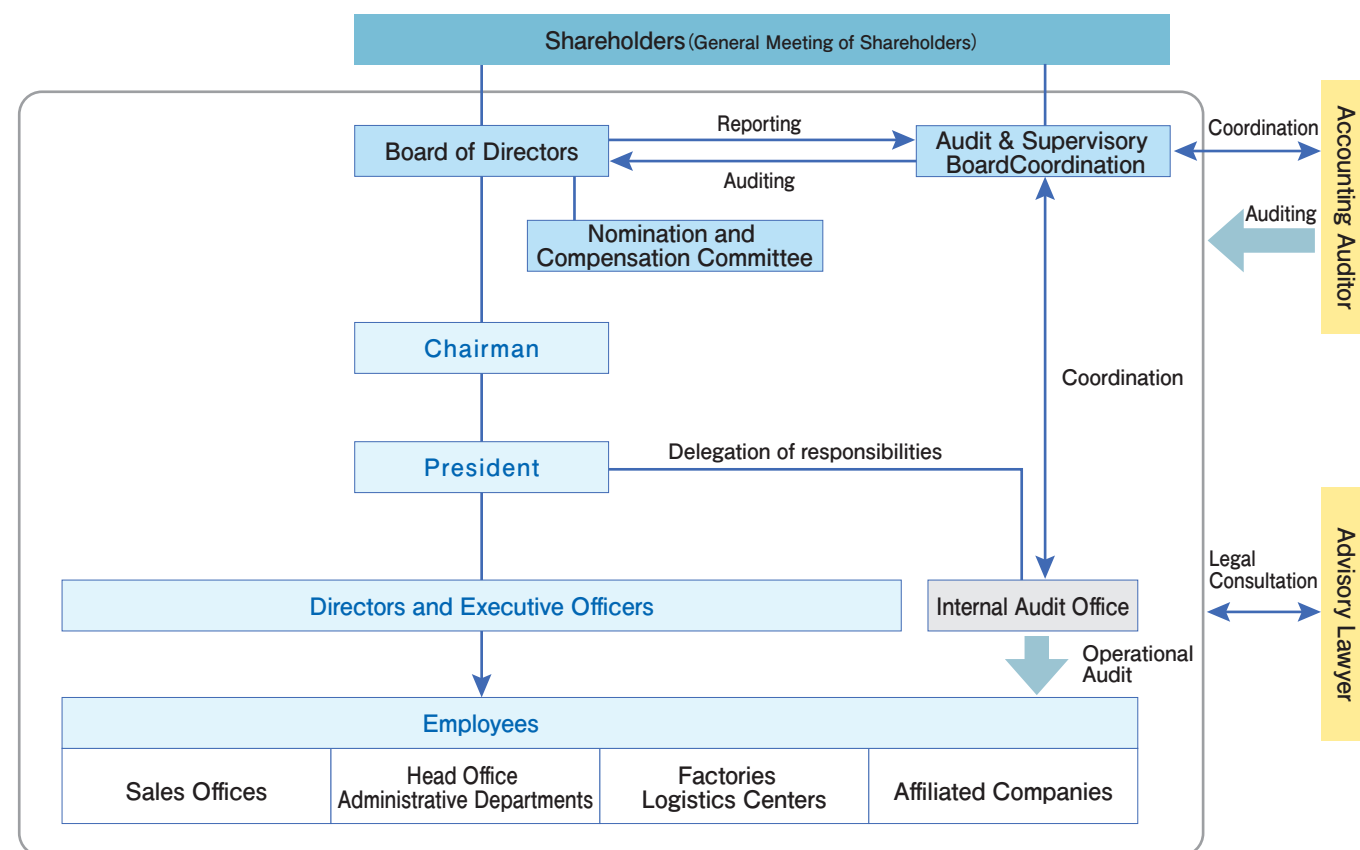


Corporate Governance Framework and Explanation



Basic Approach to Corporate Governance

In order to improve the soundness and transparency of management in the pursuit of sustainable growth and high earnings capability for our company, we believe it important to have in place a management organizational structure and mechanisms which facilitate the swift implementation of necessary measures and, therefore, have made stronger corporate governance one of our top management priorities. The Audit & Supervisory Board system which we have adopted as a corporate governance system is a system which utilizes an Audit & Supervisory Board to audit the Board of Directors. Two of the four Audit & Supervisory Board members are outside members who monitor the Company from a fair and neutral standpoint, thereby facilitating a system in which the management monitoring function is fully implemented.

Among the four Audit & Supervisory Board Members, two are outside members, ensuring impartial and neutral oversight. This framework establishes a fully functional supervisory system for company management.

Board of Directors

The Board of Directors is comprised of nine directors (three of whom are outside directors), and it meets, with Audit & Supervisory Board members in attendance, to decide on the Company's important business operations and to supervise the execution of duties by the directors. Individuals who have extensive experience and insight into corporate management, and who can provide advice and supervision from a fair and neutral standpoint, are invited to serve as outside directors. Additionally, with the aim of establishing a management system that can respond quickly and accurately to changes in the rapidly changing business environment, we clearly define the roles and responsibilities of directors, who are in charge of management decision-making functions and the supervision of business execution, and of executive officers, who are responsible for business execution, in order to accelerate management strategy decision-making and further strengthen our supervisory and business execution systems.

Audit & Supervisory Board

We have adopted an Audit & Supervisory Board system which is comprised of four Audit & Supervisory Board members (two of whom are outside members). The Audit & Supervisory Board audits the execution of duties by directors from the perspective of legality and propriety and strives to ensure management transparency and stronger monitoring functions. Individuals who have extensive experience and insight into corporate management, as well as expertise in areas such as corporate legal affairs and corporate finance, are invited to serve as outside Audit & Supervisory Board members.

Audit & Supervisory Board members attend meetings of the Board of Directors and other important meetings, express their opinions as necessary, and seek to ascertain important decision-making processes and the status of business execution. Also, in addition to conducting interviews and engaging in opinion exchange with the representative director as appropriate, in order to improve the quality of audits by increasing the effectiveness of internal audits, Audit & Supervisory Board audits and accounting audits, the Audit & Supervisory Board members report on audit results, engage in opinion exchange, etc., as part of efforts to strengthen mutual cooperation.

Nomination and Remuneration Committee

We have voluntarily established a Nomination and Remuneration Committee to ensure objectivity and transparency regarding the nomination and remuneration of directors. The members of this committee are internal directors and outside directors, with half of the members being outside directors.

Determination of Compensation for Executives and Directors

Policy

Compensation for directors (excluding non-executive directors) is structured to reflect company performance and the responsibilities of each position. It comprises three components: base salary, which is a fixed monthly remuneration; short-term incentive compensation, which consists of performance-based bonuses; and long-term incentive compensation, which is provided through a stockholding program for executives. Compensation for non-executive directors consists solely of base salary, reflecting their role and independence. Compensation for non-executive directors consists solely of base salary, reflecting their role and independence.

Procedures

To ensure objectivity and transparency, the voluntary Nomination and Compensation Committee, with at least half of its members being outside directors, deliberates within the total compensation framework approved at the General Meeting of Shareholders. Based on these deliberations, the final decision is made by the Board of Directors.

Appointment and Dismissal of Senior Management and Nomination of Director and Auditor Candidates

Policy

For executives and director candidates, we select individuals with a well-balanced mix of diverse knowledge, experience, and skills necessary for management decision-making. For auditor candidates, we appoint individuals with extensive experience and expertise in corporate management, finance, accounting, and legal affairs.

Procedures

To ensure objectivity and transparency, the voluntary Nomination and Compensation Committee, which consists of at least half outside directors, reviews executive and director candidates. The Board of Directors makes the final decision.

For auditor candidates, the selection process follows established policies. The President and the director in charge of human resources draft the proposal, which is then approved by the Audit & Supervisory Board before the Board makes the final decision.

Sustainability Promotion Framework

Positioning of the Sustainability Committee

As of July 1, 2024, we have established the Sustainability Committee, chaired by the President. Recognizing that sustainability is a key management issue, we are committed to contributing to a sustainable society through our business activities. Through the use of renewable energy, reduction of energy consumption, and the development and promotion of energy-saving and water-conserving products, we contribute to the realization of a decarbonized society by reducing CO₂ emissions. Additionally, we are actively engaged in reducing industrial waste and reusing packaging materials. As part of our investment in human capital, we continue efforts to enhance talent development, promote workstyle reforms and diversity, and sustainably improve employee benefits. Through our Workstyle Transformation initiatives, we are committed to creating an environment and systems that allow each individual to maximize their potential. For disclosures based on the TCFD framework, please refer to page 26.



Sustainability Policy

Under our corporate philosophy —




Living Standard, Ethical Standard, and Quality Standard

— the Takara standard Group aims to contribute to the realization of a sustainable environment and society by addressing social challenges through its business activities while enhancing corporate value.

1. Through our business activities, we will continue to provide a more comfortable life and will contribute to the realization of a sustainable environment and society by addressing social issues.
2. We will work to reduce environmental impact, protect the environment in all our business activities, and aim to coexist with nature.
3. We will strive to create a corporate culture that respects diverse individuality and enables employees to fully demonstrate their abilities, and we will aim to be a healthy company where employees feel motivated and rewarding.
4. We will conduct fair and honest business activities in compliance with laws and regulations. We will strive to build relationships of trust with our diverse stakeholders, and will engage in fair information disclosure and constructive dialogue.

Skills Matrix of Directors and Audit & Supervisory Board Members

In alignment with the Company’s medium- to long-term management direction and business strategy, and to realize the objectives of Medium Term Management Plan 2026, we have identified the essential skills (knowledge, experience, and expertise) that the Board of Directors should possess to fulfill its decision-making and supervisory functions effectively. The key areas of expertise expected from directors are defined as follows: (1) Corporate management, (2) Finance and accounting, (3) Compliance and risk management, (4) Global business, (5) Sales and marketing, (6) Human resources strategy, (7) Procurement, manufacturing, and logistics, (8) DX and IT, and (9) ESG (Environmental, Social, and Governance)

	Name	Position	Gender	Attendance at Board of Directors Meetings in FY2023	Attendance at Audit & Supervisory Board Meetings in FY2023	Corporate Management	Finance & Accounting	Compliance & Risk Management	Global Business	Sales & marketing	Human Resources Strategy	Procurement, Manufacturing, And Logistics	DX・IT	ESG
Directors	 Takeo Watanabe	Chairman	Male	12/12 times	—	●	●	●	●	●				●
	 Masaru Komori	President, and Executive Officer	Male	9/9 times	—	●	●	●		●	●			●
	 Yoji Ito	Representative Director, Vice Chairman, and Executive Officer	Male	12/12 times	—	●	●	●			●		●	●
	 Hidetoshi Suzuki	Director and Senior Executive Officer	Male	12/12 times	—	●	●	●				●	●	●
	 Yoshimichi Shirasaka	Directors and Senior Executive Officer	Male	—	—	●	●	●		●	●		●	
	 Hidetaka Yoshikawa	Director	Male	12/12 times	—	●		●	●	●	●			
	 Ken Hashimoto	Director (Independent Outside)	Male	12/12 times	—	●	●			●		●	●	
	 Kazumi Maeda	Director (Independent Outside)	Female	9/9 times	—	●		●	●		●			
	 Tamaki Sawamura	Director (Independent Outside)	Female	—	—	●		●		●			●	
Auditor	 Shintaro Nakajima	Full-time Auditor	Male	12/12 times	13/13 times	●	●	●		●		●		●
	 Hiroshi Hata	Full-time Auditor	Male	12/12 times	13/13 times	●	●	●		●				
	 Hiroshi Kondo	Full-time Auditor (Independent Outside)	Male	12/12 times	13/13 times	●	●		●		●		●	
	 Kazuhiro Iida	Auditor (Independent Outside)	Male	12/12 times	13/13 times		●	●						

(Notes) ・Mr. Masaru Komori and Ms. Kazumi Maeda were newly appointed at the 149th Annual General Meeting of Shareholders held on June 29, 2023. Therefore, the number of Board meetings they attended differs from that of other directors.
・Mr. Yoshimichi Shirasaka and Ms. Tamaki Sawamura were newly appointed at the 150th Annual General Meeting of Shareholders held on June 26, 2024, and thus did not attend any meetings in FY2023.
・Up to six key skills and areas of expertise for each individual are indicated with a filled circle (●). However, the above table does not represent the full range of skills and experience possessed by each individual.

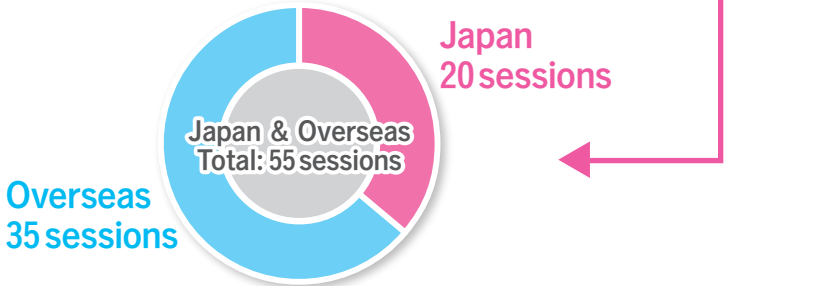
Policy on Constructive Dialogue with Shareholders and Investors

We recognize that engaging in dialogue with shareholders and investors is essential to achieving sustainable growth and enhancing long-term corporate value. It is crucial to foster an understanding of our management policies and financial position while earning trust and fair evaluation. Under the supervision of the officer in charge of investor relations (IR), designated IR department personnel handle shareholder meetings and investor interviews. Depending on the purpose and significance of the meeting, the IR officer may also participate. Additionally, if shareholders or investors request meetings with directors, including independent outside directors or auditors, and if deemed necessary based on the request, such meetings will be arranged with IR personnel or other relevant members present. The IR officer and the IR department also work closely with various departments within the company to ensure smooth communication. Feedback and requests from shareholders are shared with senior management to identify and address relevant issues. Investor dialogues focus on topics related to the company’s sustainable growth and long-term corporate value enhancement. Furthermore, we take appropriate measures to prevent the leakage of insider information during these discussions.

Status of Implementation of Dialogue with Shareholders and Investors (FY2023)

I. Results of Dialogue		
	Implemented mainly by	Sessions
General Meeting of Shareholders	All Directors and Audit & Supervisory Board Members	1
Briefings for individual investors	I R department head	2
Individual meetings	I R department head and officer in charge	55

2. Overview of Individual Meetings with Shareholders and Investors



3. Main Topics of Dialogue	
Topics	Primary content
Business overview	Distinctive characteristics and strengths of the Company, market share, market environment
Financial status	Sales performance, factors attributable to changes in operating profit
Business strategy	Domestic business initiatives, overseas business outlook
Management policy	Return on capital and PBR, capital policy, ESG, and IR

4. In-house feedback		
	Primary content	Sessions
Board of Directors	・Improving return on capital ・IR activities ・Status of shareholders	6
Management and relevant divisions	Key topics of dialogue with shareholders and investors	As necessary

5. Items Incorporated based on Dialogue			
	Suggestions	Company response	Details
Return on capital	Improve return on capital with consideration of cost of capital	Enhancement of shareholder returns	Increase dividends and purchase treasury shares with the aim of improving return on capital and further enhancing shareholder returns.
	Enhancement of disclosure materials	Prepare earnings results briefing materials on a quarterly basis	Prepare briefing materials for Q1 and Q3, in addition to those already prepared for Q2 and fiscal year-end.
	Enhancement of English-language disclosure	Enhancement of English-language disclosure	Provide English-language translations of the fiscal year-end results, in addition to summaries of the quarterly financial results briefings. Provide translations of other disclosures as necessary.
I R reinforcement	Heightened investor awareness	Overhaul of the IR website	Make various types of enhanced content available in both Japanese and English.
		Introduction of sponsored research reports	Introduce reports from Shared Research Inc., which is well-known among institutional investors.