

Corporate Governance

Directors



(Back row, from the left)

Minoru Murata Outside Director (Audit & Supervisory Committee Member)	Osamu Iwahashi Outside Director (Audit & Supervisory Committee Member)	Tomomi Fujita Outside Director (Audit & Supervisory Committee Member)	Hiromichi Satake Outside Director (Audit & Supervisory Committee Member)	Yasushi Enomoto Director (Audit & Supervisory Committee Member)
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Hideki Takeguchi Director Senior Managing Executive Officer	Kengo Numata Director Executive Vice President	Takaaki Kato Director Chairman Executive Officer	Hiroaki Nanjo Representative Director President and Chief Executive Officer	Tsuyohito Nishiyama Director Senior Managing Executive Officer	Koji Tanaka Director Executive Officer
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Managing Executive Officer

Takashi Manabe
Ryoji Tani
Norito Uchiyama
Mitsuaki Adachi

Executive Officer

Akira Taguchi
Hidetoshi Tomita
Norio Maeda
Kunio Hamada
Keiji Nakamura

Corporate Governance

• Basic policy on corporate governance

In order to safeguard and steadily increase Takuma's corporate value over the long term, it is essential not only to ensure the development of the company's businesses, but also to clearly define governance in corporate operations—that is, to ensure that shareholders' oversight of operations is carried

• Board of Directors

As of June 26, 2019, the Board of Directors was comprised of six directors (excluding directors who are members of the Audit & Supervisory Committee) and five directors (of whom four were outside directors). The Board of Directors meets regularly once a month as a rule and whenever else it is necessary to make decisions about important issues related to business management and issues established by law and ordinances, as well as to oversee the execution of the directors' duties.

Directors	Including the following outside directors:
11 (10 men and 1 woman)	4 (3 men and 1 woman)

• Executive Officers

In order to accelerate management decision-making and clarify where management responsibilities are placed, we have adopted an executive officer system in which we appoint executive officers who are entrusted with the responsibility of executing our business activities. As of June 26, 2019, there were 15 executive officers (including those who also serve as directors). Moreover, we have also established a Committee of Executive Officers, which is chaired by the president/chief executive officer, as an organization that deliberates matters that are brought up at meetings of the Board of Directors and other important issues related to the execution of our business activities. This committee communicates and provides direction about items decided by the Board of Directors and other important items related to the execution of our business activities appropriately to the divisions that are to execute them.

out appropriately and that officers carry out their operational responsibilities by means of a process that is clear, rational, efficient, and legally compliant. For that reason, we believe that understanding the Corporate Governance Code and putting it into practice in an autonomous and systematic manner are top-priority management issues.

• Audit & Supervisory Committee

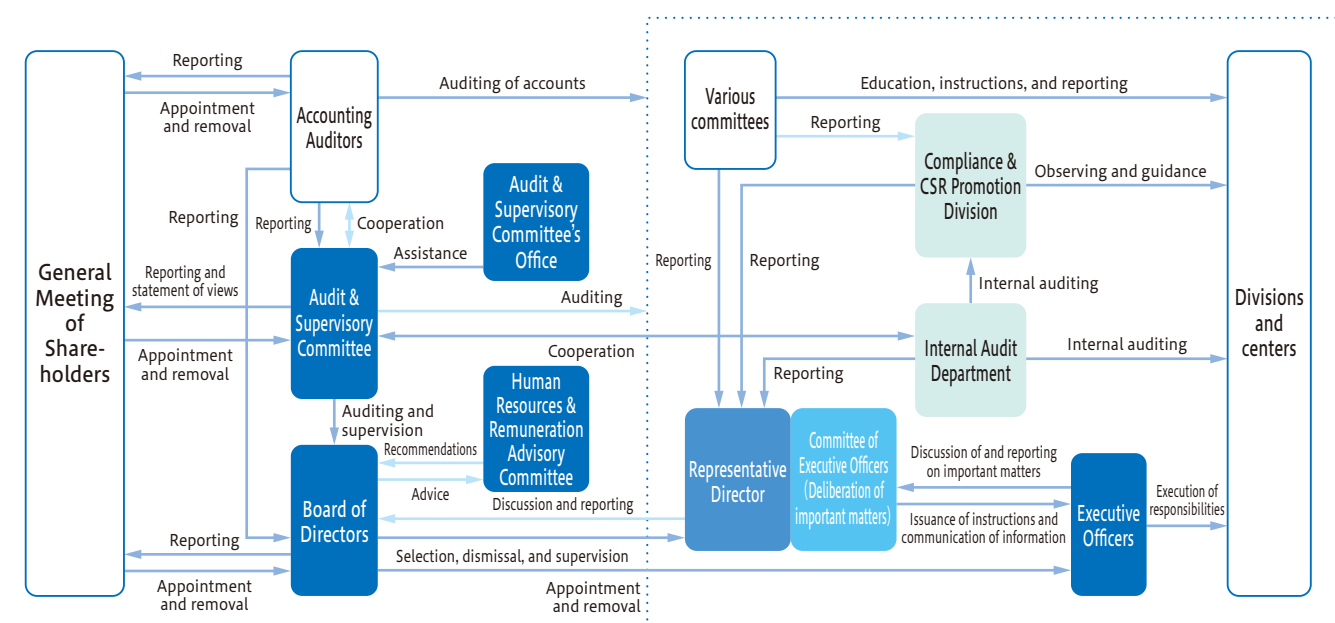
An Audit & Supervisory Committee that consists of five members, of whom four are outside directors, is responsible for accounting and operational audits. Members of the committee attend important meetings, including those of the Board of Directors and the Committee of Executive Officers, and they strive to understand and observe the status of business execution in a timely and appropriate manner. Drawing on their professional background and experience, they express their opinions as necessary from an objective perspective, and they conduct strict auditing of the business execution performed by the directors. To facilitate the effectiveness of audits carried out by the Audit & Supervisory Committee, the representative director holds regular meetings with committee members to ensure good communication.

• Audit & Supervisory Committee's Office

Takuma has established an Audit & Supervisory Committee's Office to help carry out the committee's work.

• Human Resources & Remuneration Advisory Committee

To augment the above structures, we have established a Human Resources & Remuneration Advisory Committee comprised of independent officers, representative directors, and the officer in charge of human resources. The purpose of the committee, a majority of whose membership consists of independent outside directors, is to increase transparency and objectivity in the selection of candidates for director and executive officer positions and in the determination of the compensation and other terms so as to enhance the oversight function of the Board of Directors.



Corporate governance structure

(As of June 26, 2019)

Corporate Governance

Internal Control

Takuma has adopted a Basic Policy for Establishment of an Internal Control System (the full text is available on our website) in accordance with the Companies Act. We continue to review and improve this policy in response to changing circumstances.

Working towards thorough compliance, Takuma built a compliance promotion organization in FY2006 in order to continuously implement enlightenment and educational activities that make corporate ethics, related laws and ordinances, and internal rules fully understood. To control the danger of loss, we have also prepared a “Risk Management Code” that determines the person in charge of each risk, and we set up our risk management organization

according to that Code. When the unexpected occurs, emergency headquarters are established with the company president as the director in charge of risk management, and an organization is put in place in order to minimize and prevent further damage through prompt action.

Internal control, constructed and evaluated in order to report on and prevent misstatements in our financial reporting, is based on the Financial Instruments and Exchange Act. This internal control on financial reporting for the Group has resulted in reports that indicate this system has been effective.

In this way, we will continue to work in the future to ensure thorough compliance while carrying out business properly and efficiently while also deepening risk management.

Compliance & CSR Promotion Structure

Basic approach

Led by the department in charge of compliance and CSR promotion (CSR Department), Takuma aims at encouraging that activity through the Compliance & CSR Promotion Organization that was installed for the purpose of enabling compliance and CSR to concretely permeate company-wide through an in-house organization.

This organization is composed of a chairman (the Executive Manager of the Compliance & CSR Promotion Division), a secretariat (positioned in the CSR Department), and an executing organization in each division, center, and department. As the person in charge of promoting compliance and CSR in his or her division, each division or center manager is appointed as a Compliance and CSR Promotion Administrator. As persons who implement awareness and education in compliance and CSR in their respective departments, department managers are appointed as Compliance and CSR Promoters. The meetings conducted within this mechanism include regular meetings and departmental meetings.

Regular meetings

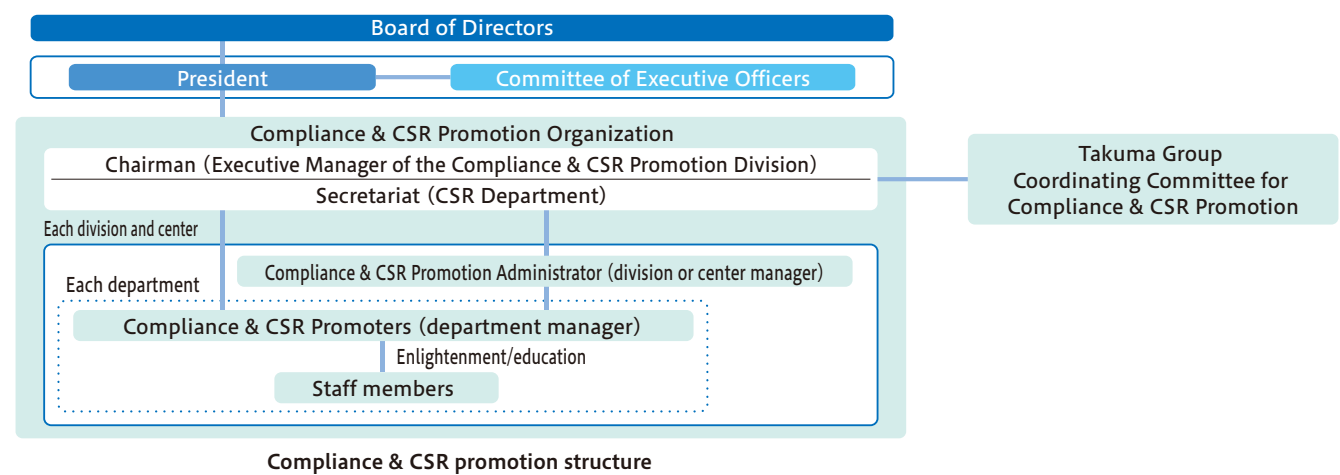
Regular meetings are held once a year. The person in charge of promotion receives reports on the status of compliance and CSR promotion company-wide, as well as on the status of the implementation of compliance and CSR promotion education for the past year, etc., and participants deliberate on a promotion plan for the current fiscal year.

Departmental meetings

Promotion members convene departmental meetings once a quarter, with educational training aiming at the permeation of compliance and CSR in each department. After departmental meetings, promotion members implement compliance and CSR promotion education in their respective departments using training materials or in-house educational materials and report the result to the Secretariat.

Takuma Group Coordinating Committee for Compliance & CSR Promotion

We are pursuing awareness-raising and educational activities targeting group companies through our Takuma Group Coordinating Committee for Compliance & CSR Promotion to ensure thorough compliance and risk management throughout the Group. During FY2018, we invited representatives of group companies to participate in two meetings of the committee.



Risk Management Structure

Takuma follows a “Risk Management Policy” that connects company-wide risks and separately classifies them into “project risks” related to our core business, i.e., plant construction; “DBO project risks” and “DBO project operation, maintenance and management risks” related to our DBO business; and “potential risks,” “actualized risks,” and “financial reporting risks” related to other corporate business activities.

We are also building a risk management organization and constructing a system of risk management and promoting the strengthening of management for group companies as well through our Takuma Group Coordinating Committee for Compliance and CSR Promotion.

Risk Management Policy

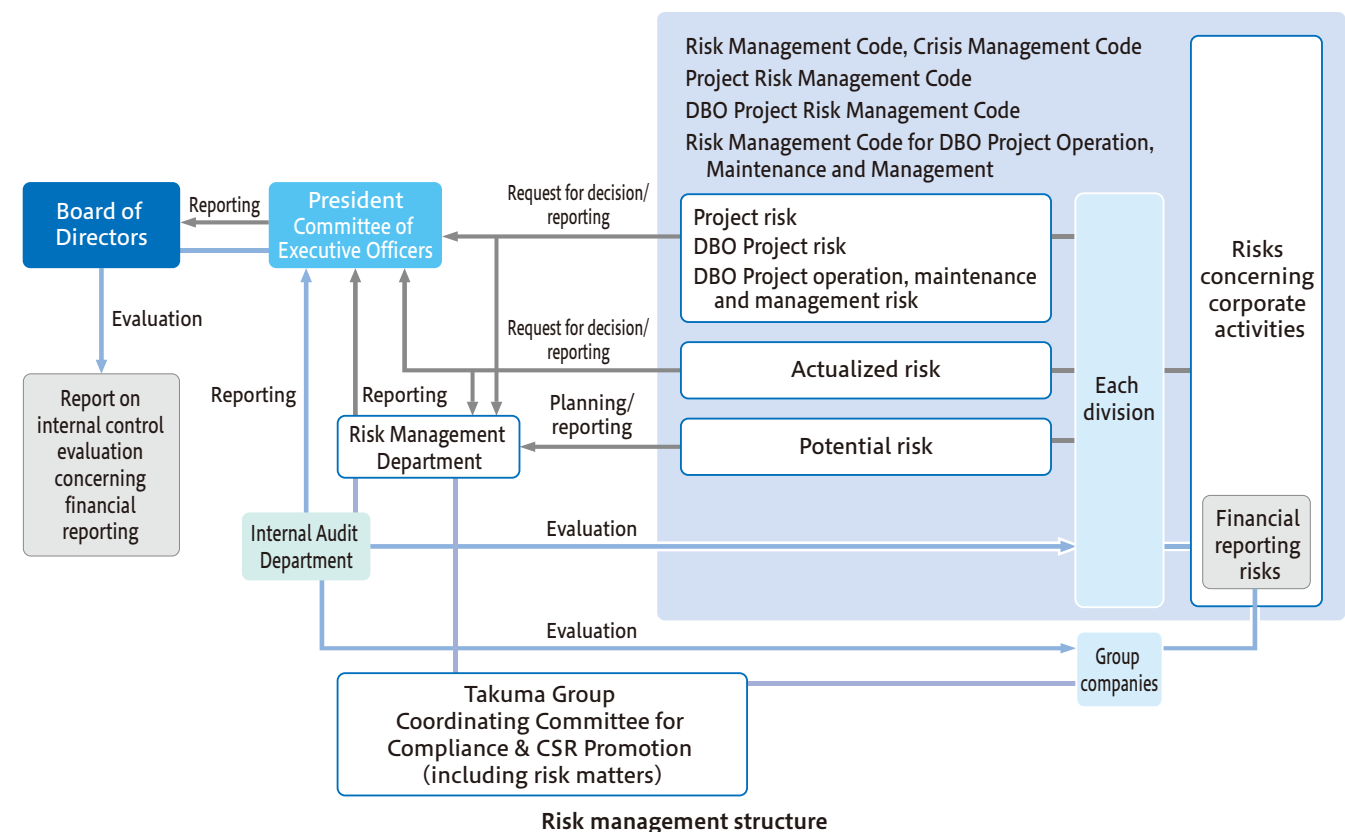
[Basic purpose of risk management]

Risk refers to all phenomena that interfere with the Group’s ability to achieve its business objectives or cause losses or harm to the interests of stakeholders.

The Takuma Group practices risk management with the goal of increasing its corporate value by working to maximize returns while minimizing the negative impacts of risk.

[Risk management action guidelines]

- 1. The president and CEO is responsible for risk management at Takuma.
- 2. All officers and employees participate in risk management activities.
- 3. Risk management activities are carried out in accordance with applicable guidelines such as the Risk Management Rules.
- 4. Risk management activities are carried out in line with the Medium-Term Management Plan and annual plan, and we work to make improvements on an ongoing basis.
- 5. When risk manifests itself, we respond by taking responsible action quickly to minimize any damage and creating provisional organizational entities as necessary.
- 6. Group companies carry out risk management activities in accordance with their own policies and plans, with support from Takuma.



Corporate Governance

Business Continuity Plan (BCP)

Takuma has formulated a “Business Continuity Plan” based on the following policies to ensure proper and appropriate continuity of business operations in the event of a large-scale disaster, pandemic, or other emergency:

1. In addition to implementing disaster-related measures to secure the safety of corporate officers and employees, maintain structures so as to enable continuity of business operations while minimizing damage in an emergency.
2. Strive to respond to customer needs and recover from damage quickly by working closely with suppliers and partner companies to continue business operations.
3. Earn the trust of numerous stakeholders, including employees, their families, shareholders, and nearby residents, and fulfill social needs by continuing business operations.

【Disaster rule system diagram】

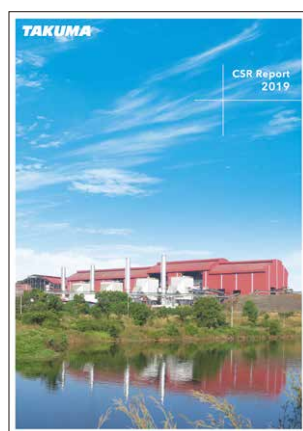


CSR Activities

Please refer to our "CSR Report 2019" for more details on our CSR activities.

[Takuma Website > CSR]

<https://www.takuma.co.jp/english/csr/index.html>



CSR-related Contents:

- CSR Activity Reports and Future Issues
- Human Rights and Labor Practices
- The Environment
- Fair Business Practices
- Activities Involving Product Quality
- Participation in the Community
- Contribution to Society

IR Activities

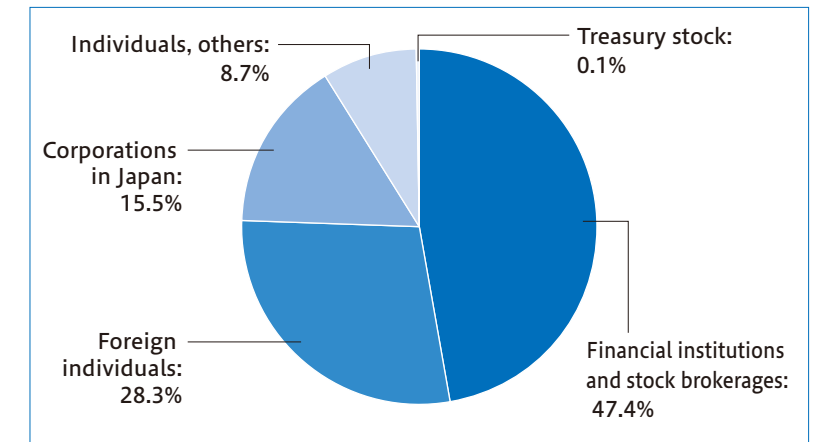
In keeping with the “Takuma Group Code of Conduct,” we provide our shareholders and investors with accurate corporate information in a timely and fair manner. As a part of this, we provide notifications on the convening of General Meetings of Shareholders, balance sheet information, timely disclosure information, marketable securities reports, shareholders reports, annual reports in English and other business information, all on our website.

[Takuma website > IR information]

<https://www.takuma.co.jp/english/investor/index.html>



Shareholders Report



Composition of shareholders (as of March 31, 2019)

Stock Information

1. Total number of authorized shares: 321,840,000
2. Total number of outstanding shares: 83,000,000
3. Total number of shareholders: 4,005 (as of March 31, 2019)
4. Major shareholders (top 10)

(as of March 31, 2019)		
Shareholder	Number of shares	Stake
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,415,000	10.1%
Japan Trustee Services Bank, Ltd. (Trust Account)	7,980,000	9.6%
Mizuho Trust & Banking Co., Ltd. (Retirement Benefits Trust, Mizuho Bank, Ltd. Account)	4,022,000	4.8%
Trust & Custody Services Bank, Ltd. (Re-entrustment)	3,593,000	4.3%
Nippon Life Insurance Company	2,275,000	2.7%
THREADNEEDLE INVESTMENT FUNDS ICVC-JAPAN FUND	1,771,000	2.1%
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,735,000	2.1%
TAKUMA CO., LTD. Kyoeikai	1,718,000	2.1%
GOVERNMENT OF NORWAY	1,688,000	2.0%
JP MORGAN CHASE BANK 380055	1,621,000	2.0%
Sumitomo Mitsui Banking Corporation		

5. Dividend Policy

Takuma returns profits to investors in line with a comprehensive assessment of business performance and other factors based on a policy of maintaining stable dividends while working to enhance the quality of its business. Our overriding goal is to remain competitive in an increasingly challenging marketplace.

Two dividends are paid each fiscal year: an interim dividend offered by resolution of the Board of Directors and a year-end dividend offered by resolution of the annual meeting of shareholders.

In keeping with this policy, the year-end dividend for the consolidated fiscal year under review was 12 yen per share, which, combined with the interim dividend, brought the annual dividend to 22 yen per share.

We plan to continue to build internal reserves to strengthen our financial foundation and to use funds to increase corporate value through capital investment, R&D investment, and other avenues in order to lay the groundwork for the future growth and expansion of our businesses.