

Outside Expert Opinion

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1. Features of the Takuma Group's approach to CSR management

I believe that the Takuma Group's business plays an important role in supporting Japanese industry, particularly with regard to a wide variety of plants, and there is strong need on the part of society for the company to continue to operate. I conduct research into CSR as a specialist in the various management structures that provide a basis for corporate sustainability, including corporate governance, risk management, and compliance. I reviewed the Takuma CSR Report 2018 from that perspective, and I'd like to introduce some of its features as I see them.

The first feature is corporate governance. At its regular general meeting of shareholders in June 2016, the company transitioned to a corporate structure with an auditing committee, an organization that was newly established in the revised Companies Act, and it acted voluntarily to establish a Human Resources & Remuneration Advisory Committee. This decision was a pioneering one that was presumably intended as an institutional design change to enhance the oversight function of the Board of Directors and to facilitate free and vigorous discussion.

The second feature is compliance structures. Takuma has established a Compliance & CSR Promotion Organization, and the Group as a whole practices the PDCA cycle for managing major risks. Members of the organization are responsible for education and awareness-raising in their respective departments, and they report regularly back to the division on the progress of those efforts. On the Group level, the Takuma Group Coordinating Committee for Compliance & CSR Promotion facilitates awareness-raising activities such as employee education. It is apparent that the committee has identified issues such as the Antimonopoly Act, export control, and harassment as significant risks, and that it's working to spread awareness through frequent employee education programs.

The third feature is the cycle used to assess the extent to which compliance and CSR awareness have spread throughout the organization and to improve that level of penetration. Takuma began conducting a CSR Awareness Survey in 2008, and it expanded the scope of the survey to include Group companies in 2013. By quantitatively

assessing the penetration of compliance and CSR education year by year, the company is working to improve associated measures.

I believe that the Takuma Group's CSR activities are distinguished by extensive employee education and communication. I also believe that companies can address most of the risks they face by improving employee awareness and cultivating an organizational culture that is characterized by free and open communication. Going forward, I hope to see Takuma continue activities such as these.

2. Areas where Takuma can do more

Currently, experts are predicting composite natural disasters with far-reaching regional consequences such as a Nankai megathrust earthquake. The Takuma Group has formulated a business continuity plan (BCP) to address the risks posed by such events. I believe that the effectiveness of the BCP can be enhanced if the company conducts regular crisis simulation training going forward in which it practices implementing its BCP and makes improvements to those aspects of the plan that prove problematic.

In addition, the Takuma Group's 12th Medium-Term Management Plan calls for the company to actively develop its businesses overseas. Global companies must take on significant risks due to high civil penalties and fines often levied overseas in areas such as data protection, bribery prohibition, and antitrust law as well as legal systems that apply across borders. By adding these topics to its already extensive employee education programs, I believe Takuma will be able to develop into an organization that is even more capable of developing its businesses in the future.

I believe that the Takuma Group is currently implementing a sophisticated program of compliance and CSR activities. Going forward, I expect to see the Group enhance its sustainability so that it can develop even further by exploring how to adjust its compliance and CSR activities to its expanding businesses and social changes.

+ Response to the Outside Expert Opinion



Koji Tanaka

Director & Executive Officer
Executive Manager
Compliance &
CSR Promotion Division &
Corporate Service Division

I would like to thank Professor Takano of Kansai University for offering his valuable insights on the CSR Report 2018.

In compiling this report, we have worked to offer stakeholders an easy-to-understand introduction to a variety of activities carried out by the Takuma Group with the goal of resolving social issues and increasing corporate value by achieving sustained growth as well as to the Group's 12th Medium-Term Management Plan, which began this year, and we have focused on inviting involved parties to express their thoughts on related subjects in their own words.

I'd like to express our gratitude to Professor Takano for his evaluation of the Group's CSR management initiatives in "1. Features of the Takuma Group's approach to CSR management." An old expression says that it takes a decade to build a castle, but only one day to destroy it. In that spirit, there is no shortage of scandals that threaten to undermine the trust that organizations have built up over time. Corporate governance, risk management, and compliance together provide a foundation for management that is a prerequisite for robust corporate activities. Going forward, we will pursue initiatives in these areas with a sense of urgency both to live up to stakeholders' expectations and requirements and to achieve sustainable growth for the Group.

Professor Takano also offered valuable insights with regard to enhancing the business continuity plan (BCP) and addressing significant risks in our global businesses in "2. Areas where Takuma can do more." We will strive to build tenacious business and management foundations that can withstand future environmental changes while cultivating an ESG- and SDG-driven perspective.

We value Professor Takano's observations and take them seriously, and I would request stakeholders' continued support and encouragement as we work to practice CSR management and enhance our CSR Report.

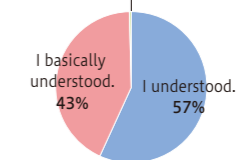
Takuma Corporate Profile & CSR Report 2017 Questionnaire Survey Results

Survey period: July 2017 to June 2018

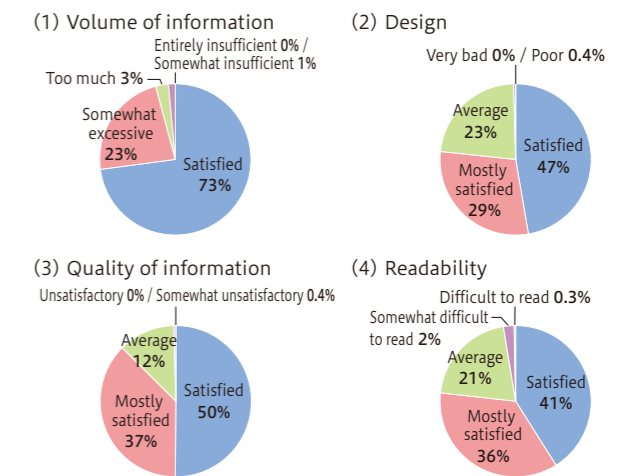
Number of respondents: 961

Q1 Did you understand the activities of our company?

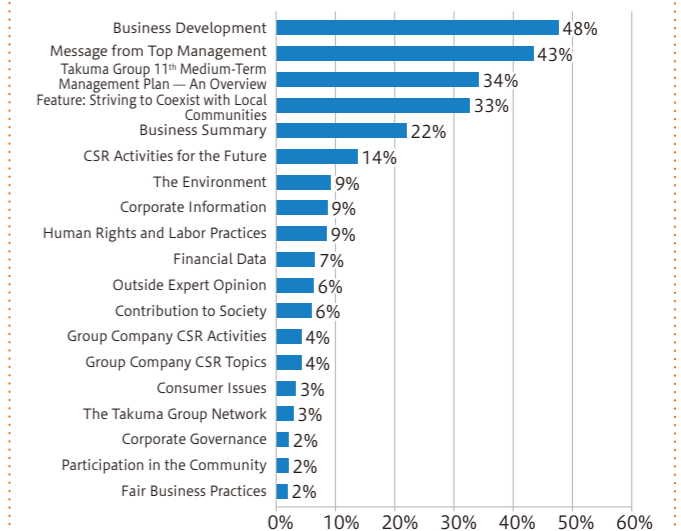
I couldn't understand very well. 0.4% / I couldn't understand. 0%



Q2 What is your level of satisfaction regarding this Report?



Q3 Which items were you interested in? (Select up to 3.)



• Editorial Policy

We have prepared this document as a CSR Report that details our CSR activities.

• Publisher and Contact for Inquiries

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• Data Collection Period

From April 1, 2017, to March 31, 2018, in principle. In addition, some activities in FY2018 are included.

• Coverage

This report applies to Takuma Co., Ltd. and its affiliates in principle.

• Time of Issue

Current issue: July 2018
Next issue: Scheduled for July 2019
Last issue: July 2017