

## T&K TOKA Basic Policy on Corporate Governance

(Purpose)

T&K TOKA CO., LTD. (the “Company”) aims to improve its overall level of corporate governance, in order to sustainably enhance its corporate value over the medium to long term, and to contribute to the interests of its shareholders and other stakeholders, by practicing T&K, “Technology & Kindness,” which is the Company’s corporate philosophy.

### **Chapter 1 General Provisions**

(Principles on Corporate Governance)

Article 1

1. The Company shall continuously pursue the best possible corporate governance and make continuous efforts toward its further enhancement.
2. The basic management policy of the Company is to further improve satisfaction among its shareholders and other stakeholders. With the aim of establishing a sound and highly transparent management structure that is capable of responding promptly and appropriately to changes in the management environment, the Company shall endeavor to strengthen corporate governance throughout the Group, and to maintain and improve the efficiency, fairness, and transparency of its management, in accordance with the following principles:
  - (1) Respect the rights of shareholders and ensure equal treatment;
  - (2) Develop positive and smooth relations with shareholders and other stakeholders;
  - (3) Ensure transparency by appropriately and fairly disclosing corporate information;
  - (4) Clarify the roles and responsibilities and duties of the Board of Directors and the Audit and Supervisory Committee to ensure that they can thoroughly fulfill the management monitoring and supervisory functions; and
  - (5) Engage in constructive dialogue with shareholders in order to contribute to sustainable growth and the medium- to long-term enhancement of corporate value.

### **Chapter 2 Securing the Rights and Equal Treatment of Shareholders**

(General Shareholder Meetings)

Article 2

1. As it is a shareholder’s right to exercise their voting rights at general shareholder meetings, the Company shall strive to send convocation notices for annual general shareholder meetings, and to disclose information sufficiently early to ensure adequate time to consider the agenda, to ensure that shareholders can appropriately exercise their voting rights.
2. The Company shall set the date, time, and venue of general shareholder meetings so as to allow as

many shareholders as possible to attend the meetings, and to better reflect their intentions.

3. The Company shall strive to create an environment that facilitates the appropriate exercise of voting rights by all shareholders, including those not in attendance at the general shareholder meetings, such as through use of the Electronic Voting Platform.
4. When a considerable number of votes are cast against a proposal of the Company that is approved at a general shareholder meeting, the Board of Directors shall analyze the reasons for such opposition and the causes for the considerable number of nay votes, and consider the necessary response.

(Securing the Equal Treatment of Shareholders)

Article 3

The Company shall treat shareholders equally based on their shareholdings, and disclose information in a timely and appropriate manner, in order to avoid information disparities between shareholders.

(Protecting the Rights of Shareholders)

Article 4

1. The Company shall examine the necessity and rationale of capital policies that result in a change of control or in significant dilution, ensure that appropriate procedures are taken, and appropriately disclose details to shareholders, in order to prevent the interests of existing shareholders from being unfairly harmed.
2. When adopting and implementing anti-takeover measures, the Company shall examine the necessity and rationale, ensure that appropriate procedures are taken, and provide sufficient explanations to the shareholders.
3. When a tender offer is made for the Company's shares, the Company shall appropriately disclose to the shareholders the position of the Board of Directors concerning the tender offer. The Company shall not unduly hinder the right of the shareholders to sell their shares in response to such tender offer.

(Basic Policies Concerning Cross-Shareholdings and the Exercise of Voting Rights Relating to Cross-Shareholdings)

(Cross-Shareholdings)

Article 5

1. The Board of Directors of the Company shall separately establish and disclose basic policies concerning cross-shareholdings of listed shares and basic policies concerning the exercise of voting rights relating to cross-shareholdings.
2. The Board of Directors shall examine the economic rationale and future outlook of cross-

shareholdings on an annual basis, and confirm the objective and underlying rationale of such holdings.

3. The Company shall examine changes in the volume of transactions, results of business, and future relationships with cross-shareholders, and determine whether to continue to hold their shares or to reduce such holdings through share disposal.

### **Chapter 3 Considering the Interests of Stakeholders**

(Ethical Standards and Conflicts of Interest)

#### Article 6

1. The Board of Directors of the Company shall separately establish and disclose the TOKA GROUP Charter of Corporate Behavior, to ensure that directors and employees always act ethically.
2. Directors shall not engage in transactions stipulated in the Companies Act as being conflict-of-interest transactions or competing transactions, without prior approval from the Board of Directors.

(Relationships with Stakeholders)

#### Article 7

The Company shall respect and strive to maintain positive and smooth relationships with its employees, customers, local communities, and other stakeholders in order to enhance its long-term corporate value.

### **Chapter 4 Ensuring Appropriate Information Disclosure and Transparency**

(Information Disclosure and Transparency)

#### Article 8

1. The Company shall proactively disclose, in a timely and appropriate manner, significant information concerning management to the shareholders, irrespective of whether such information is positive or negative.
2. The Board of Directors shall disclose matters concerning finance and operations in a fair, detailed, and plain manner in accordance with the Companies Act, the Financial Instruments and Exchange Act, other applicable laws and regulations, and applicable rules of financial instruments exchanges.

(Internal Controls)

#### Article 9

1. As the enhancement of internal controls throughout the Group is an important factor in gaining the trust of the shareholders, the Board of Directors shall develop and appropriately operate a system to ensure the appropriateness of operations, based on the Companies Act.
2. Directors shall, based on resolutions of the Board of Directors relating to the Company's internal control systems, develop and appropriately operate those systems that are necessary for the

compliance with laws and regulations and ethics, the effectiveness and efficiency of business operations, as well as the reliability of financial reporting.

## **Chapter 5 Responsibilities and Duties of the Board of Directors**

### Section 1 Responsibilities of the Board of Directors as a Supervising Body

#### (Roles of the Board of Directors)

##### Article 10

1. The Board of Directors shall be responsible for realizing efficient and effective corporate governance, and for ensuring sustainable growth and maximizing long-term corporate value through such governance.
2. The Board of Directors of the Company shall make decisions on important matters such as determining management policies and business plans following thorough discussions, and supervise the execution of operations in order to continuously improve corporate value and the common interests of the shareholders.
3. In order to fulfill its responsibility as set forth in Paragraph 1, the Board of Directors shall ensure the fairness and transparency of management by performing supervisory functions with respect to overall operations, and make decisions in the best interests of the Company by nominating, evaluating, and determining remuneration for the president and other senior management members, evaluating significant risks facing the Company, formulating countermeasures, and making major operational decisions.

#### (Roles of Independent Outside Directors)

##### Article 11

One of the main roles of the Company's independent outside directors shall be to examine and evaluate, as necessary, the Company's management results and the performance of its senior management, based on the management strategies and business plans determined by the Board of Directors, and to determine and express their opinions regarding the appropriateness of entrusting the management of the Company to the current senior management, from the viewpoint of the common interests of all shareholders.

#### (Chairperson of the Board of Directors)

##### Article 12

1. The Chairperson of the Board of Directors shall endeavor to enhance the quality of discussions at meetings of the Board of Directors and to enable meetings to be run effectively and efficiently. To this end, the Chairperson of the Board of Directors shall create an environment for open discussion.
2. Materials concerning agendas shall be distributed to directors well in advance in order to facilitate

meaningful discussions during meetings of the Board of Directors.

## Section 2 Effectiveness of the Board of Directors

### (Composition of the Board of Directors)

#### Article 13

1. The Board of Directors shall be composed of no more than 10 directors (excluding directors who are audit and supervisory committee members), and no more than five directors who are audit and supervisory committee members.
2. Among the Company's directors, at least two independent outside directors shall be appointed.
3. Independent outside directors must satisfy independence standards set forth separately.

### (Director Qualifications and Nomination and Dismissal Procedures)

#### Article 14

1. The Company's directors must have excellent personalities and insight, and have high ethical values that enable them to fulfill their duties.
2. The Board of Directors shall be composed of a diverse group of directors who have different specialist knowledge and experience, and the number of directors shall be maintained at an appropriate level that enables the Board of Directors to effectively and efficiently fulfill its functions.
3. All of the Company's directors (excluding directors who are audit and supervisory committee members) shall be elected each year by a resolution of a general shareholder meeting.
4. New candidates for director shall be determined by the Board of Directors following a fair, transparent, and strict review and recommendation by the Nomination Advisory Committee.
5. Diversity in terms of gender and internationality shall be taken into consideration when selecting new candidates for director.
6. The decision to dismiss a director shall be made by the Board of Directors, following an examination and recommendation by the Nomination Advisory Committee, when circumstances arise that correspond to the dismissal standards set forth by the Board of Directors.

### (Policies and Procedures for the Appointment/Dismissal of the Representative Director and President)

#### Article 15

1. The representative director and president must have an excellent personality and insight, high ethical values, and in-depth knowledge, experience, and achievements in corporate management, demonstrate a high level of competency as a representative director and president, and be capable of managing the Company, while respecting the Company's corporate culture and corporate philosophy (T&K).
2. The representative director and president shall be determined from among the Company's directors

by the Board of Directors, following a fair, transparent, and strict review and recommendation by the Nomination Advisory Committee.

3. The decision to dismiss the representative director and president shall be made by the Board of Directors, following an examination and recommendation by the Nomination Advisory Committee, while taking into consideration the director dismissal standards provided for in Article 14, Paragraph 6 above as well as the duties, importance, and social impact of the representative director and president as a position that assumes responsibility for managing the Group.

(Audit and Supervisory Committee)

#### Article 16

1. The Audit and Supervisory Committee shall be composed of directors who are audit and supervisory committee members, the majority of whom shall be outside directors.
2. At least one audit and supervisory committee member must have appropriate knowledge of finance and accounting.
3. New candidates for audit and supervisory committee member shall be determined by the Board of Directors, following a fair, transparent, and strict review and recommendation by the Nomination Advisory Committee.
4. Meetings of the Audit and Supervisory Committee shall be held once per month in principle to freely discuss matters relating to the Company's business and corporate governance. The Audit and Supervisory Committee shall regularly receive reports on the outcome of internal audits of the Company and issues of note concerning risks from the general manager of the Internal Audit Office.
5. The Audit and Supervisory Committee may consult with legal, accounting, finance, or other advisors who are independent from the senior management and the Company's advisors, at the expense of the Company.

(Term of Independent Outside Officers and Restrictions on Concurrent Positions)

#### Article 17

1. The Board of Directors shall stipulate that outside directors whose term exceeds eight years from the time of their first appointment do not satisfy the requirements for independent outside directors in terms of independence standards.
2. The independent outside directors of the Company shall not hold concurrent positions as a director of more than two other listed companies.

(Establishment of a Nomination Advisory Committee and a Remuneration Advisory Committee)

#### Article 18

1. The Company shall establish a Nomination Advisory Committee and a Remuneration Advisory

Committee as advisory committees under the Board of Directors.

2. Independent outside directors shall comprise the majority of both the Nomination Advisory Committee members and the Remuneration Advisory Committee members, and the members shall be appointed from among the directors by the Board of Directors.

(Nomination Advisory Committee)

Article 19

1. The Nomination Advisory Committee shall examine the details of general shareholder meeting agenda items concerning the appointment and dismissal of directors prior to finalizing such agenda items and make recommendations to the Board of Directors.
2. The Nomination Advisory Committee shall establish fair and transparent basic policies and rules, regarding the execution of their duties.

(Remuneration Advisory Committee)

Article 20

1. The Remuneration Advisory Committee shall examine policies concerning remuneration for directors (including the selection of indicators for performance that are linked to performance-based remuneration and the criteria for granting share-based remuneration) and the details of remuneration for individual directors, and make recommendations to the Board of Directors.
2. The Remuneration Advisory Committee shall establish fair and transparent basic policies and rules regarding the execution of their duties.

(Responsibilities and Duties of Directors)

Article 21

1. Directors must collect sufficient information in order to perform their duties and participate in discussions by actively expressing their opinions.
2. Directors shall perform their duties as directors by demonstrating their expected abilities and dedicating sufficient time for the Company.
3. The Company's directors must understand related laws and regulations, the Company's Articles of Incorporation, the Rules of the Board of Directors, and other internal rules, and fully understand their duties when assuming office.

(Director's Study and Training)

Article 22

1. The Company shall provide directors with the opportunities necessary to fulfill the roles that are required of them, such as by providing knowledge and information regarding business activities

that is necessary to supervise management, at the time of assuming office and on an ongoing basis thereafter.

2. To fulfill their roles, the Company's directors must constantly and proactively collect and study information on the Company's financial standing, compliance with laws and regulations, corporate governance, and other matters.
3. The Company shall provide all directors with training opportunities on topics such as corporate governance, business ethics, and risk management.

(Access to Internal Information by Independent Outside Directors and Audit and Supervisory Committee Members)

#### Article 23

The Company's independent outside directors and audit and supervisory committee members may request explanations or reports, or the provision of internal documents from internal directors and employees at any time, when deemed necessary or appropriate.

(Self-Evaluations)

#### Article 24

The Company's directors shall conduct self-evaluations each year regarding the effectiveness of the Board of Directors and their performance as directors, and submit the results to the Board of Directors. Each year, the Board of Directors shall analyze and evaluate its effectiveness as a whole, based on self-evaluations by each director, and disclose a summary of the results in a timely and appropriate manner.

### Section 3 Remuneration System

(Remunerations for Directors)

#### Article 25

1. Remunerations for the Company's executive directors shall be linked to the long-term interests of the shareholders, and must be an appropriate, fair, and balanced amount that can further increase the executive directors' motivation to maximize the corporate value of the Company.
2. Remunerations for the Company's directors (excluding directors who are audit and supervisory committee members) shall be determined by the Board of Directors, within the scope of the amount decided at a general shareholder meeting, following fair and transparent deliberations by the Remuneration Advisory Committee.
3. Remunerations for directors who are audit and supervisory committee members shall be determined through discussions by audit and supervisory committee members, within the scope of the amount decided at a general shareholder meeting. Remunerations must reflect the time spent on, and duties

relating to the Company's operations, and may not include share-based remuneration or other performance-based factors.

4. The amount of remunerations paid to directors shall be disclosed by appropriate means.

## **Chapter 6 Dialogue with Shareholders**

(Dialogue with Shareholders)

### Article 26

1. The Company shall engage in constructive dialogue with shareholders, within the scope, and by the means deemed appropriate by the Company, in order to contribute to sustainable growth and the medium- to long-term enhancement of corporate value.
2. The Company's policies for the development of a framework and initiatives for promoting constructive dialogue with shareholders shall be as follows:
  - (1) The director responsible for IR shall oversee overall dialogue with the shareholders, and the Finance Department shall play a central role together with the Sales Division, Technical Division, and Manufacturing Division, in appropriately exchanging information and organically cooperating to engage in dialogue with shareholders;
  - (2) Directors shall engage in dialogue with shareholders to a reasonable extent;
  - (3) Briefing sessions for investors shall be held regularly to promote a means for dialogue with shareholders;
  - (4) The opinions of shareholders obtained through dialogue shall be regularly reported to directors; and,
  - (5) Insider information shall be managed appropriately, in accordance with the Company's internal rules, when engaging in dialogue with shareholders.
3. The Company shall endeavor to ascertain its shareholder structure, in order to promote constructive dialogue with shareholders.

## **Chapter 7 Supplementary Provisions**

### Article 27

This Basic Policy comes into effect from December 15, 2015.

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