

▶ Corporate Governance



Corporate Governance

Tokai Rika is striving to increase its corporate value. The basic philosophy guiding our business practice is to earn the trust and keep meeting the expectations of all stakeholders, especially shareholders. On the basis of a healthy corporate culture, we are committed to further enhancing our corporate governance in order to increase our competitiveness as a global company even further.

Description of company organizations, and development status of the internal control system

We hold a meeting of the board of directors, chaired by the president, once a month in principle, in order to decide on statutory and important matters and to supervise business execution. In addition, the number of directors has decreased by clarifying the division between management and business execution, and as a result the ratio of external directors and external Audit & Supervisory Board Member has increased. As an activity for enhancing the transparency and corporate health of the board of directors meeting, we implement the following:

- 1 We explain topics to be discussed in advance to external directors and external Audit & Supervisory Board Members, and ask them to attend the meeting after deepening their understanding of the topics.
- 2 We regularly hold meetings between external directors, external Audit & Supervisory Board Members, our President and Executive Vice Presidents, and exchange opinions regarding, for example, management of the board of directors.
- 3 In relation to matters that are discussed by the board of directors (mainly capital investment), they actually observe and assess the facility, the production line, and more as necessary.

We also hold management meetings chaired by the President and corporate officer at least twice a month in principle, which make decisions about and reports on business execution, as a subordinate body of the board of directors.

The board of directors has established the Nominating Committee and the Compensation Committee as advisory bodies in order to increase the independence and transparency of the appointment and dismissal of directors and corporate officers, and the process of determining compensation. These committees are chaired by external

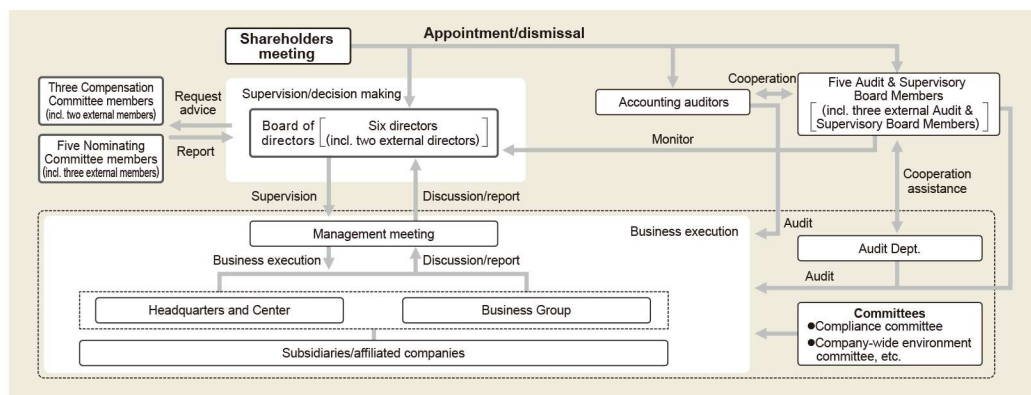
directors and the majority of the members are external directors and external Audit & Supervisory Board Members.

Our basic attitude toward internal control is for directors and corporate officers themselves to set an example and comply with laws and ordinances and corporate ethics, so that they permeate throughout the company through the behavior of directors and corporate officers, and business is conducted in an appropriate manner.

Moreover, we have made it a principle to integrate internal control into the process of business execution, so that we personally verify the appropriateness of the business conducted in each process and correct things ourselves. We adopt group management through common policies, such as the business philosophy, mid-term management policy, and group policies, as a system for ensuring the appropriateness of the business conducted in the corporate group consisting of our company and subsidiaries. Furthermore, with regard to the management of subsidiaries, we maintain control by stipulating matters for approval, reporting, etc., while respecting their independence. In addition, we have our subsidiaries establish a compliance system that is suitable for themselves, and we have also made our internal reporting system available to each of them. Our response to environmental issues, which is one axis of ESG, is discussed and decided by the “Company-wide Environment Committee” attended by the president and related officers.

Please refer to the Annual Securities Report, the Corporate Governance Report, and Business Activities Report for information in regard to directors and corporate officers.

■ Corporate governance system diagram



*As of June 10, 2020

Audit system (Threefold audit)

We have established an annual audit plan and perform audits in accordance with the Audit & Supervisory Board Member auditing standards and the regulations of the board of Audit & Supervisory Board Members. Specifically, we attend important meetings and committees, including the board of directors, and present our opinions to them, exchange views with management through audits conducted by visiting affiliated companies, and inspect forms, in order to confirm the governance status of our corporate group.

The actual audit work, such as administrating the board of Audit & Supervisory Board Member office, revising rules and planning visiting audits are handled full-time by one Audit & Supervisory Board Member employee. We hold meetings periodically between internal auditing departments and accounting auditors as necessary, in order to exchange a wide range of information regarding each other's audit policies and audit plans, summaries of audits performed during the term, future tasks, and more.