

Corporate Governance

Corporate governance system

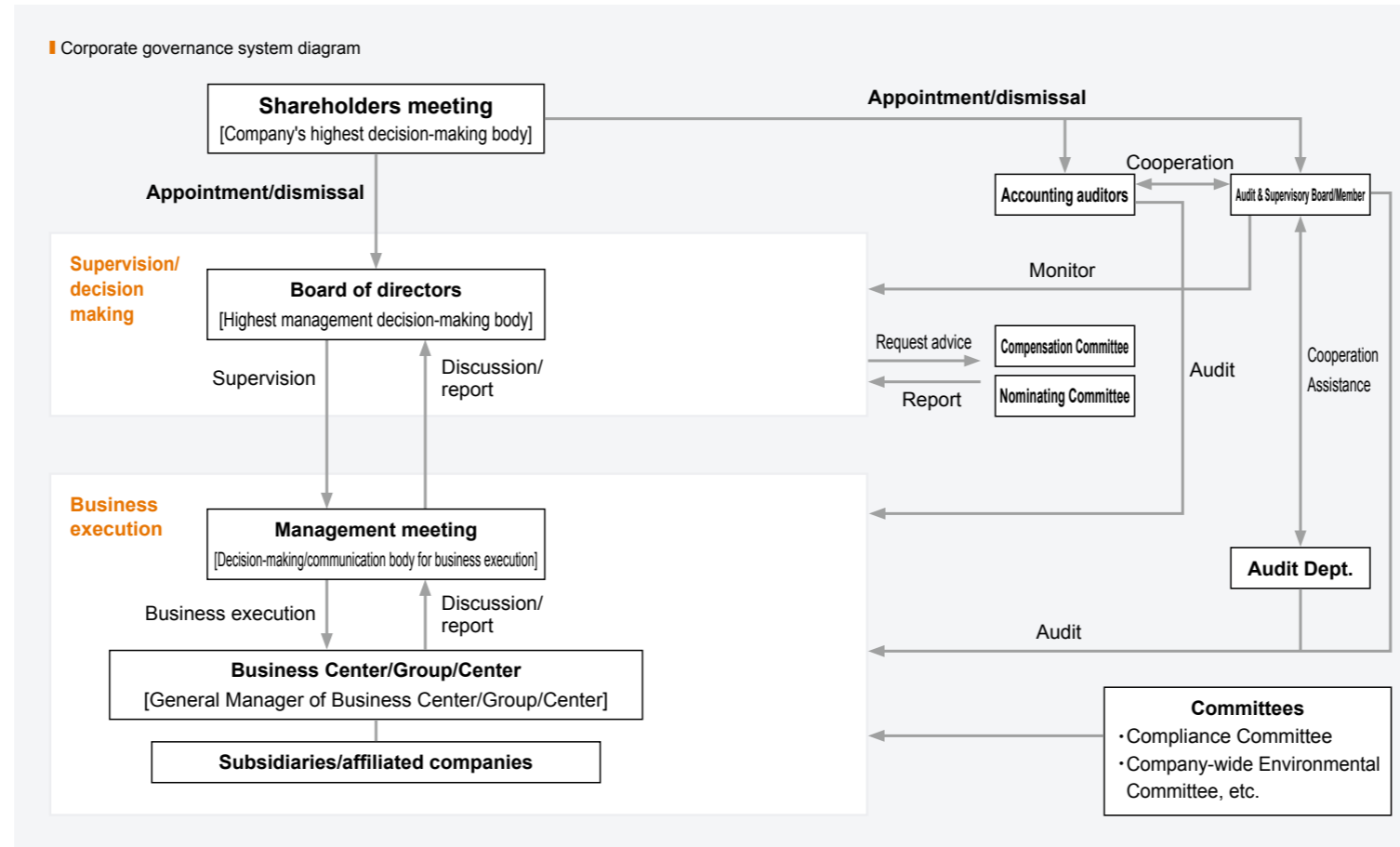
In line with the spirit of innovation “Do what others won’t do,” Tokai Rika strives for sustainable growth and stable corporate value. The basic philosophy guiding our business practice is to earn the trust and keep meeting the expectations of all stakeholders, especially shareholders. By adding one external director in June 2022, we will work to improve the effectiveness of management from diverse perspectives and further improve corporate governance. We hold a board of directors meeting once a month to decide on statutory and important matters such as management strategy and to supervise business execution, and a management meeting to make decisions about and report on business execution at least twice a month. In January 2022, we reorganized our development system into separate business areas so that we can quickly respond to changes in the environment surrounding us and any management issues. With the establishment of five new Business Centers, we will further expedite our managerial responses.

Board of directors

The board of directors, chaired by the President, is composed of internal and external officers, including three external directors and three external Audit & Supervisory Board Members. Therefore, we can combine diverse experiences and wisdom. On the board, we discuss and decide on important management matters and future business directions. Also, we ensure transparency so that we can monitor the soundness of the execution system from a variety of perspectives and make corrections. With an internal control system and a risk management system already in place, we are well prepared for aggressive management.

Audit & Supervisory Board

The Audit & Supervisory Board formulates audit



policies and plans for Audit & Supervisory Board Members, reports monthly activity of full-time Audit & Supervisory Board Members, reviews annual audit activities by Audit & Supervisory Board Members, deliberates and prepares audit reports of the Audit & Supervisory Board, and makes resolutions for the reappointment and non-reappointment of accounting

auditors throughout the year. Each Audit & Supervisory Board Member performs audits in accordance with the Audit & Supervisory Board Member Auditing Standards and the Regulations of the Audit & Supervisory Board. Specifically, they attend important meetings such as those of the board of directors and management meetings, audit the proceedings and details of proposals, and express their opinions as necessary.

Nominating Committee

Deliberation and report on proposals for the appointment and dismissal of directors and corporate officers.

Members	Hiro Yoshi Ninoyu, President
	Koki Sato, Executive Vice President
	Kei Fujioka, Director (external and chair)
	Shoji Tsuzuki, Director (external)
	Minako Miyama, Director (external)

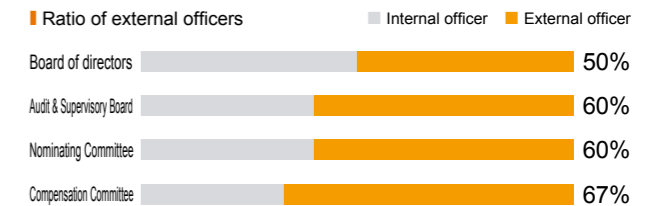
Compensation Committee

Deliberation and report on compensation system for directors and corporate officers, and individual compensation (Monthly compensation, bonuses, and restricted stock, etc.).

Members	Hiro Yoshi Ninoyu, President
	Kei Fujioka, Director (external and chair)
	Shoji Tsuzuki, Director (external)

Committee (Company-wide Environmental Committee)

The Company-wide Environmental Committee forms and operates the Environment Committee to continuously and effectively operate the environmental management system in order to contribute to the construction of a sustainable society through our business activities. As a response to global environmental issues such as climate change, we are working from a medium- to long-term perspective under the three pillars of a “Carbon-neutral Society,” a “Recycling-based Society,” and a “Society in Harmony with Nature.”



Changes in the number of external directors and external Audit & Supervisory Board Members

		June 2019	June 2020	June 2021	June 2022
Director	Internal/External	11/ 2	4/2	4/2	3/3
	Total	13	6	6	6
Composition of external directors	Kei Fujioka	Kei Fujioka	Kei Fujioka	Kei Fujioka	Kei Fujioka
	Yasushi Yamanaka	Yasushi Yamanaka	Shoji Tsuzuki	Shoji Tsuzuki	Shoji Tsuzuki
	—	—	—	Minako Miyama	Minako Miyama
	—	—	—	—	—
Audit & Supervisory Board Member	Internal/External	2/3	2/3	2/3	2/3
	Total	5	5	5	5
Composition of external Audit & Supervisory Board Members	Takeshi Uchiyama	Tadashi Yamashina	Tadashi Yamashina	Tadashi Yamashina	Tadashi Yamashina
	Tadashi Yamashina	Minoru Chida	Minoru Chida	Minoru Chida	Minoru Chida
	Yoshinori Yamada	Yoshinori Yamada	Yoshinori Yamada	Yoshinori Yamada	Yoshinori Yamada
	—	—	—	—	—
Ratio of external directors	15%	33% *The number of internal directors decreased due to system changes *Redefining the roles of director, corporate officer	33%	50% *First female director	

Members (attendance rate)

	Status	Position	Board of directors	Nominating Committee	Compensation Committee	Audit & Supervisory Board
Hiro Yoshi Ninoyu	President	President	12 times/12 times (100%) ◎	2 times/2 times (100%)	2 times/2 times (100%)	—
Koki Sato	CEO	Executive Vice President	12 times/12 times (100%)	2 times/2 times (100%)	—	—
Hiroshi Nishida	Director	Corporate Officer	12 times/12 times (100%)	—	—	—
Kei Fujioka	External	Director	12 times/12 times (100%)	2 times/2 times (100%) ◎	2 times/2 times (100%) ◎	—
Shoji Tsuzuki	External	Director	12 times/12 times (100%)	2 times/2 times (100%)	2 times/2 times (100%)	—
Minako Miyama	External	Director	Attended from June 2022	Attended from June 2022	—	—
Isaki Sugiura	Full-time Audit & Supervisory Board Member	Full-time Audit & Supervisory Board Member	12 times/12 times (100%)	—	—	12 times/12 times (100%) ◎
Masato Hotta	Full-time Audit & Supervisory Board Member	Full-time Audit & Supervisory Board Member	12 times/12 times (100%)	—	—	12 times/12 times (100%)
Tadashi Yamashina	External	Audit & Supervisory Board Member	12 times/12 times (100%)	—	—	12 times/12 times (100%)
Minoru Chida	External	Audit & Supervisory Board Member	12 times/12 times (100%)	—	—	12 times/12 times (100%)
Yoshinori Yamada	External	Audit & Supervisory Board Member	12 times/12 times (100%)	2 times/2 times (100%)	—	12 times/12 times (100%)

*◎ indicates the chairman or committee chairperson.

Board of directors

Efforts to revitalize the deliberation of the board of directors

We will post the agenda and related materials for the board of directors (including the extraordinary board of directors) to the meeting system of the board of directors three days before the date of the board of directors meeting according to the “three-day-before rule,” so that external directors and external Audit & Supervisory Board Members can view them in advance. In order to facilitate constructive discussions and exchanges of opinions at board of directors meetings, we provide external officers with advance explanations of materials two days before the meetings, and also share materials and minutes of management meetings. Proposals for meetings of

the board of directors and other conference bodies are explained using simple and clear materials, and we also try to secure the deliberation time. Regarding participation in online conferences and paper deliberations, we always operate them in a timely and accurate manner that satisfies both immediacy and interactivity.

Skill matrix

In order to continue to contribute to society and achieve sustainable growth in the midst of major changes in the times and environment surrounding our company, we need to take on the challenge of solving social issues while strengthening our business foundation. Positioning the above as our future growth strategy, we have selected items for the skill matrix.

Skill matrix

Position	President	Executive Vice President	Director, Corporate Officer	Director	Director	Director
External				Independent External	Independent External	Independent External
Name	Hiroyoshi Ninoyu	Koki Sato	Hiroshi Nishida	Kei Fujioka	Shoji Tsuzuki	Minako Miyama
Corporate management governance	○	○	○	○	○	○
Technology development		○				○
SDGs	Diversity	○	○	○	○	○
	Carbon neutrality	○	○		○	
IT-DX	○	○			○	○
Compliance	○		○	○		
Foreign operation	○	○	○	○	○	
Manufacturing	○	○				
Sales		○		○	○	
Finance	○		○	○		

Effectiveness of the board of directors

In order to improve the effectiveness of the board of directors, in July 2021 the board of directors conducted an evaluation of how to ensure its effectiveness and how to operate it.

We continue to make improvements in areas such as the degree of advance explanations given by the board of directors, the timing of disclosure of materials, the volume of materials, and the ease of reading, etc., and we evaluate that a certain level of effectiveness has been secured. Going forward, we will further improve our operational methods and increase the effectiveness of the board of directors by setting individual mid-term themes as items for discussion by the board of directors and comprehensively deliberating investment projects that were previously resolved individually.

Improvements

- By revising the regulations of the board of directors, review of the criteria for submitting proposals, such as agenda for discussing the direction of the company.
- Participation of external directors in important internal meetings
- Further enhancement of the preparation of materials for officer conference bodies
- Setting of the appropriate deliberation time for each proposal

Items that need further improvement

- Expansion of discussions on important management issues such as progress confirmation of the mid-term management plan

External Director/External Audit & Supervisory Board Member

Reason for appointment

Position	Name	Reason for appointment
External Director	Kei Fujioka	Mr. Kei Fujioka has abundant knowledge in a variety of fields such as corporate management, and abundant experience in the logistics field through having worked for Mitsui-Soko Holdings Co., Ltd. We have appointed him as an independent officer in the hope that we can receive supervision, advice etc. on business execution from a professional perspective, regarding overall management centered on the logistics field, making use of his abundant experience, perception, and wisdom.
	Shoji Tsuzuki	Mr. Shoji Tsuzuki has a wealth of perception in a variety of fields such as sales, human resources, procurement, and IT through his experience at DENSO Corporation. We have appointed him as an independent officer in the hope that we can receive supervision and advice on overall management from a professional perspective, making use of his abundant experience, perception, and wisdom.
	Minako Miyama	Ms. Minako Miyama has a proven track record at Dai Nippon Printing Co., Ltd. as a leader in ensuring diversity in addition to her experience in the research, planning and development, and human resource development fields. We have appointed her as an independent officer in the expectation that she will utilize her extensive experience, perception, and wisdom to provide advice on management reforms from her objective and scientific perspective.
External Audit & Supervisory Board Member	Tadashi Yamashina	We have appointed Mr. Tadashi Yamashina as an independent officer to have his high level of management perception contribute to our management. Although he was the business executor of our business partner, as the transaction amount is small there is no risk of a conflict of interest with general shareholders. In addition, he met the independence standards set by the stock exchange. Also, regarding the fact that he was a business executor of our major business partner and a major shareholder, it has been eight years since he retired, so there is no problem in appointing him as an independent officer of our company.
	Minoru Chida	Mr. Minoru Chida has no experience of being directly involved in the management of a company, but he has been involved in the field of development and design related to automobile interiors for many years at Toyota Motor Corporation, and has specialized experience, perception, and wisdom in that field. We have appointed him as an external Audit & Supervisory Board Member so that he can contribute his abundant experience, perception, and wisdom to the auditing of our company.
	Yoshinori Yamada	We have appointed Mr. Yoshinori Yamada as an independent officer to have his specialized knowledge, perception, etc. as a certified public accountant contribute to our auditing. Also, he met the independence standards set by the stock exchange and there is no risk of a conflict of interest with general shareholders.

Support system for external directors and Audit & Supervisory Board Members

When an external director or external Audit & Supervisory Board Member is appointed, in addition to briefing the outline of the company’s business, finance, organization, products, etc., we do disclosure of management meeting materials and minutes, inspection of manufacturing and improvement status of production sites at a monthly production division meeting. We also ask them to participate in our in-house mid-term management plan formulation meeting, and strive to gain an understanding of our future business initiatives.

Appointment and dismissal of management executives and nomination of candidates for directors

The nomination of candidates for directors and corporate officers is drafted by the President, and deliberated by the Nominating Committee chaired by an external director, which was established to enhance the independence and transparency of the process of selecting and dismissing officers. The board of directors will make a resolution based on the report from the Nominating Committee. In addition, the nomination of candidates for Audit & Supervisory Board Members is comprehensively examined from the perspectives of knowledge of finance and accounting and whether they have various perspectives on corporate management.

Internal control

We adopt group management through common policies, such as the business philosophy 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. By doing so, we have established a system to confirm the appropriateness and legality of the operations of our subsidiaries.

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

Policy for determining officers' compensation

Basic policy

As a basic compensation policy to meet the mandates of shareholders, the compensation system is designed to increase the motivation of officers to improve their business performance and contribute to the long-term increase in corporate value. The compensation level has been established according to the officer's position, taking into consideration the degree of each type of responsibility. It consists of basic compensation (monthly compensation), short-term incentive (bonus), and medium- to long-term incentive (stock compensation).

Compensation composition and its beneficiaries

Classification	Monthly compensation	Bonus	Stock compensation
Internal directors/ corporate officers	○	○	○
External director	○	—	—
Audit & Supervisory Board Members/External Audit & Supervisory Board Members	○	—	—

*The compensation ratio for internal directors and corporate officers is set at approximately 60% monthly compensation: 30% bonus: 10% stock compensation.

Monthly compensation

The monthly compensation for each director and corporate officer is drafted after analyzing their responsibilities, salary levels of employees, and the levels of other companies, decided by the board of directors after deliberation and reports by the Compensation Committee chaired by an external director, which was established as an advisory body to the board of

directors to enhance the independence and transparency of the decisions of the board of directors. Also, the compensation for Audit & Supervisory Board Members is determined through discussions among the Audit & Supervisory Board Members. Monthly compensation is determined within the maximum amount of total compensation set by a resolution of the shareholders meeting.

Bonus

Bonuses for each director (excluding external directors) and corporate officers are drafted based on consolidated operating income that reflects the results of the company's primary operating activities, taking into consideration the business environment and bonus payments to employees, and evaluations of the activities of each individual. The draft is deliberated and reported by the Compensation Committee, which was established as an advisory body to the board of directors to enhance the independence and transparency of decisions made by the board of directors and is chaired by an external director; the total bonus payment is approved at the shareholders meeting, after which the board of directors decides the bonus amount.

Stock compensation

The purpose of the stock compensation of each director (excluding external directors) and corporate officers (restricted stock) is to encourage them to make efforts to improve the corporate value of the company over the medium to long term, to take a high degree of responsibility as a manager, and to manage the company from the same perspective as shareholders. Its draft is prepared in consideration of the business environment and the standards of other companies. As with monthly compensation and bonuses, the draft is deliberated and reported by the Compensation Committee, which was established as an advisory body to the board of directors and is chaired by an external director, after which the board of directors decides the amount.

Outline of restricted stock

Target persons	Directors (excluding external directors) and corporate officers
Stock compensation allowance	Within 40 million yen per year
Maximum number of shares	Within 40,000 shares per year
Transfer restriction period	Period until the date of retirement from the role of directors, Audit & Supervisory Board Members, and corporate officers