

# Corporate Governance

## Corporate governance system

In line with the spirit of innovation “Do what others won’t do,” Tokai Rika is working to achieve sustainable growth and improve 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 female external director in June 2022, we are working 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. Additionally, in April 2023, we reorganized our Business Center, our Business Planning Group, and Business Administration Group with the aim of establishing a more rapid new product development system and implementing specific strategies in our mid-term plan. Through this, 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 two 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.

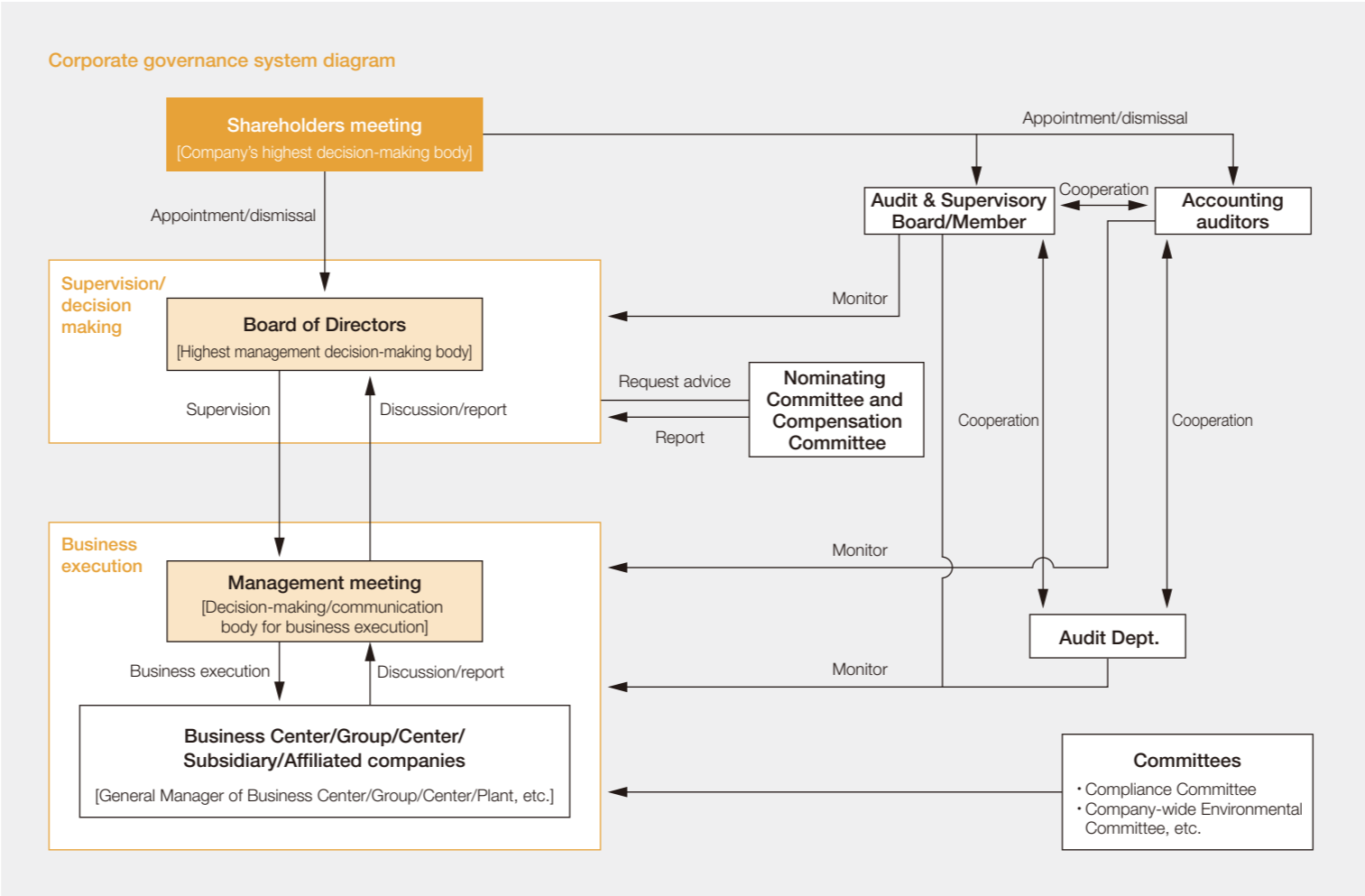
### Audit & Supervisory Board

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

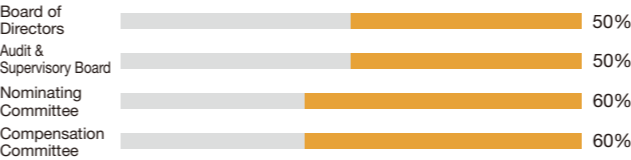
Audit & Supervisory Board Member performs audits in accordance with the Audit & Supervisory Board Member Auditing Standards and the Regulations of the Audit & Supervisory Board. Specifically, they attend important meetings such as those of the Board of Directors and management meetings, audit the proceedings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

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

		June 2021	June 2022	June 2023	June 2024
Director	Internal/External	4/2	3/3	3/3	3/3
	Total	6	6	6	6
Composition of external directors		Kei Fujioka	Kei Fujioka	Kei Fujioka	Kei Fujioka
		Shoji Tsuzuki	Shoji Tsuzuki	Minako Miyama	Minako Miyama
			Minako Miyama	Motomi Niwa	Kazushi Ambe
Audit & Supervisory Board Member	Internal/External	2/3	2/3	2/2	2/2
	Total	5	5	4	4
Composition of external Audit & Supervisory Board Members		Tadashi Yamashina	Tadashi Yamashina	Yoshinori Yamada	Yoshinori Yamada
		Minoru Chida	Minoru Chida	Minoru Chida	Minoru Chida
		Yoshinori Yamada	Yoshinori Yamada		
Ratio of external directors		33%	50% •First female director	50%	50%



Ratio of external officers



Members (attendance rate)

Name	Position	Board of Directors	Nominating Committee	Compensation Committee	Audit & Supervisory Board
Hiroyoshi Ninoyu	Representative Director President	◎ 13 times/13 times (100%)	2 times/2 times (100%)	2 times/2 times (100%)	-
Masahiko Sato	Representative Director Executive Vice President	13 times/13 times (100%)	2 times/2 times (100%)	2 times/2 times (100%)	-
Katsuyuki Imaeda	Director Operating Officer	Attended from June 2024	-	-	-
Kei Fujioka <span>External</span>	Director	13 times/13 times (100%)	◎ 2 times/2 times (100%)	◎ 2 times/2 times (100%)	-
Minako Miyama <span>External</span>	Director	13 times/13 times (100%)	2 times/2 times (100%)	2 times/2 times (100%)	-
Kazushi Ambe <span>External</span>	Director	Attended from June 2024	Attended from June 2024	Attended from June 2024	-
Toshiaki Tsuchiya	Full-time Audit & Supervisory Board Member	13 times/13 times (100%)	-	-	◎ 13 times/13 times (100%)
Toshiki Akita	Full-time Audit & Supervisory Board Member	Attended from June 2024	-	-	Attended from June 2024
Yoshinori Yamada <span>External</span>	Audit & Supervisory Board Member	13 times/13 times (100%)	-	-	13 times/13 times (100%)
Minoru Chida <span>External</span>	Audit & Supervisory Board Member	12 times/13 times (92%)	-	-	13 times/13 times (100%)

\*◎ indicates the chairperson or committee chairperson.

### Nominating Committee

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

Members	Hiroyoshi Ninoyu, Representative Director and President
	Masahiko Sato, Representative Director
	Kei Fujioka, Director (external and chair)
	Minako Miyama, Director (external)
	Kazushi Ambe, 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	Hiroyoshi Ninoyu, Representative Director and President
	Masahiko Sato, Representative Director
	Kei Fujioka, Director (external and chair)
	Minako Miyama, Director (external)
	Kazushi Ambe, Director (external)

### Committee (Company-wide Environmental Committee)

The Company-wide Environmental Committee is organized for the purpose of continuous and effective operation of the environmental management system, in order to contribute to the construction of a sustainable society through our business activities.

We are working to address global environmental issues such as climate change from a medium- to long-term perspective under the three pillars of our activities: “Establishment of a Carbon-neutral Society,” “Establishment of a Recycling-based Society,” and “Establishment of a Society in Harmony with Nature.”

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 society and the 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 the following items for the skill matrix.

Skill matrix

Position	Name	Gender	Corporate management governance	Technology development	SDGs			Compliance	Foreign operation	Manufacturing	Sales	Finance
					Diversity	Carbon neutrality	IT・DX					
Representative Director President	Hiroyoshi Ninoyu	Male	●		●	●	●	●	●	●		●
Representative Director Executive Vice President	Masahiko Sato	Male	●		●	●	●		●		●	
Director Operating Officer	Katsuyuki Imaeda	Male	●	●		●				●		
Director External	Kei Fujioka	Male	●		●			●	●		●	●
Director External	Minako Miyama	Female	●	●	●		●					
Director External	Kazushi Ambe	Male	●		●			●	●			
Full-time Audit & Supervisory Board Member	Toshiaki Tsuchiya	Male	●		●	●			●		●	
Full-time Audit & Supervisory Board Member	Toshiki Akita	Male	●	●			●			●		
Audit & Supervisory Board Member External	Yoshinori Yamada	Male	●					●				●
Audit & Supervisory Board Member External	Minoru Chida	Male	●	●		●	●			●		

Effectiveness of the Board of Directors

We have set an ideal for what the Board of Directors should be like through a resolution at a meeting of the Board of Directors (in July 2021), and we will evaluate the effectiveness of the Board of Directors each year and work to improve it to realize the ideal.

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, the ease of reading, and the creation of an atmosphere conducive to speaking up at the meetings of the Board of Directors, etc., and we evaluate that a certain level of effectiveness has been secured.

Going forward, we will work to further improve our operational methods and increase the effectiveness of the Board of Directors through discussion of the important themes set for each year by the board based on a schedule with policy- and decision-making followed by management of progress as necessary.

Improvements

- By revising the regulations of the Board of Directors, review of the criteria for submitting proposals for discussing the direction of the company
- Discussion of human capital management and compliance
- 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

- Deepening discussions through off-site meetings of board members
- Controlling the agenda to enable further discussion of the direction and strategy of the company
- Providing support to enable external directors to easily understand abbreviations and terminology unique to the company

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 extensive 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.
	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.
	Kazushi Ambe	Mr. Kazushi Ambe has experience working in the Human Resources and General Affairs Department of Sony Group Corporation in addition to management experience at an overseas subsidiary of that company. We have appointed him as an independent officer in the expectation that we can receive supervision, advice, etc. on management overall centered on human resources strategy and organizational reform, making use of his wide-ranging and abundant experience, perception, and wisdom.
External Audit & Supervisory Board Member	Yoshinori Yamada	We have appointed Mr. Yoshinori Yamada as an Audit & Supervisory Board Member to obtain his highly specialized knowledge as a certified public accountant, his wide range of wisdom cultivated through many years of corporate auditing, and his experience as an external auditor and director of other companies to 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.
	Minoru Chida	Mr. Minoru Chida 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.

Support system for external directors and External 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 him or her 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	●	—	—

### Compensation composition for internal directors/ corporate officers

Compensation composition	Fixed compensation		Variable compensation	
			Short term	Long term
Compensation composition	Monthly compensation 60%		Bonus 30%	Stock compensation 10%
Payment	Cash		Stock	

The compensation for internal directors and corporate officers is set at approximately 60% monthly compensation: 10% stock compensation: 30% bonus. As external directors are responsible for monitoring and supervising management from an independent standpoint, they are not paid cash bonuses or 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 profit 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 to directors
Maximum number of shares	Within 40,000 shares per year to directors
Transfer restriction period	Period until the date of retirement from the role of directors, Audit & Supervisory Board Members, and corporate officers