

## Initiatives to Protect the Environment

With a view to realizing an environment-friendly society, the Company will further strive to promote the reduction of environmental burden, while providing more efficient products that contribute to energy conservation.

<b>Environmental Philosophy</b>	The Toyo Denki Group sets initiatives to protect the global environment as its priority task and contributes to the development of a sustainable society.
<b>Action Guidelines</b>	<p>We will continue to provide products and services that are considerate of the burden on the global environment by drawing on our “future-oriented technologies friendly to the Earth and mankind.”</p> <ol style="list-style-type: none"> <li>1. We will comply with all environmental requirements including those under the relevant laws and regulations.</li> <li>2. We will strive to minimize environmental burden through a reduction of energy consumption and other measures at all stages of product lifecycle, namely planning, development, design, production, sales, use and disposal.</li> <li>3. We will establish and execute a system to continuously promote activities to protect the global environment.</li> <li>4. We will raise environmental awareness among individuals through enlightenment activities within the Group</li> </ol>

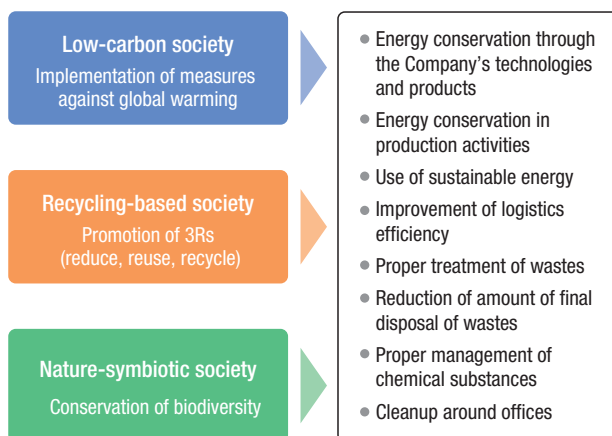
### Aiming for Realization of a Sustainable Society

A sustainable society as envisaged by the Company is the combination of a “low-carbon society,” a “recycling-based society” and a “nature-symbiotic society.”

The environment technologies of the Company have produced numerous products that contribute to energy conservation, including high efficiency motors and inverters that capitalize on the amalgamation of our outstanding motor drive technology and other state-of-the-art technologies. In the meantime, the Company has been striving to conserve resources through not only the efficient use of energy but also the reduction of the size and weight of its products.

In addition, the Company is working on the development of products with lower levels of noise involved in their use to make them friendlier to the surrounding environment.

The Company will make further contribution to make society more sustainable, fully utilizing on its environmental technologies on a global scale, while carrying out various environmental actions at each of its bases.



### Environmental Management System

In order to tackle environmental issues on an independent and continuous basis, the Company has developed and operates an environmental management system and thereby obtained ISO 14001 certification. This certification has been acquired for all offices and the production bases Yokohama Plant and Shiga Ryo Plant.

◆ **Years of ISO 14001 certification**

Yokohama Plant	Shiga Ryo Plant*	Extended to all offices
2004	2001	2010

\*The Shiga Ryo Plant was the Shiga Factory (Moriyama) when it obtained the certification.

### Our Website



Information on the Company’s environmental initiatives can be found at our website.

[https://www.toyodenki.co.jp/esg\\_csr/](https://www.toyodenki.co.jp/esg_csr/)

### Initiatives to Prevent Global Warming

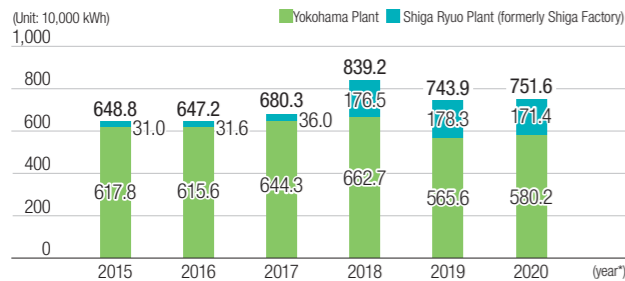
#### Initiatives to reduce greenhouse gas (CO<sub>2</sub>) emissions

The Company is promoting energy conservation at each of its production bases and offices to reduce its CO<sub>2</sub> emissions. At the production bases in particular, we are promoting power-saving and streamlining at production facilities. In addition, the Yokohama Plant uses solar power generation for peak shaving of power demands.

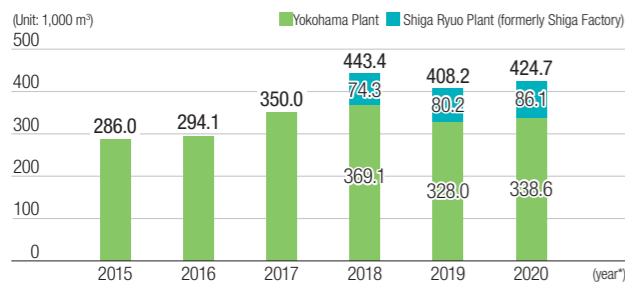
#### Targeted reduction of CO<sub>2</sub> emissions and progress status

Although the CO<sub>2</sub> reduction goal for the Company's production bases, the Yokohama Plant and Shiga Ryuo Plant, is to reduce CO<sub>2</sub> emissions per unit of production output by 1% year on year, CO<sub>2</sub> emissions on a per unit basis regrettably increased 8.4% at the Yokohama Plant and 27.9% at the Shiga Ryuo Plant in fiscal 2020, due to lower production output caused by COVID-19. The Company will make efforts to further reduce CO<sub>2</sub> emissions going forward.

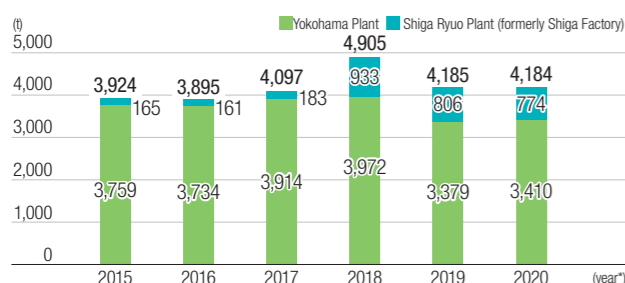
#### ◆ Total energy input (electricity)



#### ◆ Total energy input (gas)



#### ◆ Total CO<sub>2</sub> emissions

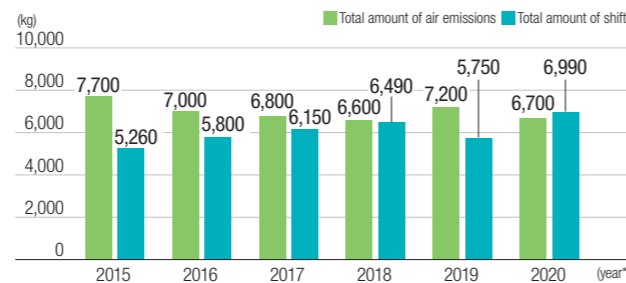


### Initiatives for Control over Chemical Substances

Volatile organic compounds (VOCs) emitted as a result of our business activities are adequately controlled and the amount of emission is monitored under the Pollutant Release and Transfer Register (PRTR).

We will further engage in the reduction of waste through such measures including using non-VOC materials and implementing recovery and reuse of solvents. PCB waste is also subject to adequate control, storage and disposal in accordance with Japan's Act on Special Measures concerning Promotion of Proper Treatment of PCB Wastes.

#### ◆ Notification volume for Pollutant Release and Transfer Register (PRTR) substances

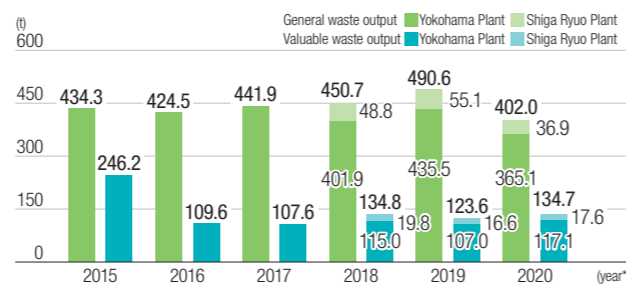


### Initiatives for Reducing Disposed Waste as Well as Recycling

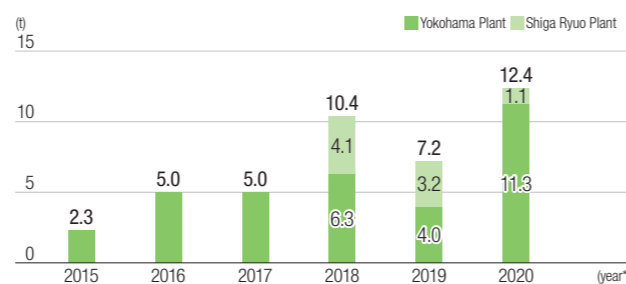
#### Main actions

The Company has been thoroughly implementing waste processing rules, sorting metal waste and recycling paper resources. As a result, its landfill waste rate was 2.3% in fiscal 2020. The increase in the volume of landfill waste at the Yokohama Plant is mainly due to sewage sludge generated from large-scale maintenance of water supply facilities.

#### ◆ Output of general and valuable waste



#### ◆ Volume of landfill waste



### With Our Customers

The Company makes it one of our business principles to “build trust by focusing on quality first.” As such, we strive to enhance customer satisfaction through our commitment to thorough-going quality control as we believe delivering safe and secure products and services to customers is the Company's most important mission.

### Quality Control – Providing Safe and High-Quality Products

#### Basic policy on quality control

The Company's electrical equipment for rail vehicles is installed in many rail vehicles. These extremely important products play a direct role in ensuring the safety of human life and property during rail transportation. In the Industrial Systems and Information Equipment Systems segments as well, the Company's products and services are used in customers' production facilities, development sites and in the field of social infrastructure, and they form the foundation supporting the sustainable development of a society that is safe and comfortable to live in.

In order to ensure the high quality of our products and services, the Company has established a quality policy, which is deployed at all production bases as we strive to maintain and improve our human resources education, compliance with rules, and our facilities.

#### Quality Policy

- ① Quality assurance to satisfy our customers.
- ② Challenge to achieve “zero” complaints.

#### Promotion framework

With regard to quality control, each fiscal year the Company develops policies and the promotion framework aimed at further maintaining and improving quality in each business unit, along with specific policies pertaining to the reduction of flaws and other issues. The Company's Corporate Quality Control Division works together with the quality control department or the quality assurance department in each business unit to put together a report on the status of quality control and results in each unit. The report is delivered to top management at the monthly Operating Officer Liaison Meeting where measures are debated and decided. Furthermore, in the event that a flaw is discovered after a product has been shipped, the necessary steps are swiftly taken, mainly by the quality assurance department in each business unit, while at the same time the causes that led to the flaw and its mechanism are investigated, and this information is put into a database so that the information can be shared in-house in an effort to prevent recurrence.

### Quality Management System

The Company has created and operates a quality management system at its production bases, the Yokohama Plant and the Shiga Ryuo Plant, and has obtained ISO 9001 certification.

#### ◆ Year ISO 9001 certification obtained

Yokohama Plant	Shiga Ryuo Plant*	Extended to all offices
1997	2000	2005

\*The Shiga Ryuo Plant was the Shiga Factory (Moriyama) when it obtained the certification.

### Responding to the Global Market

#### Proper export controls

The Export Control Department at Human Resources and General Affairs Division is responsible for export management as the export management control department. We have created a system for the proper management of exports in order to ensure compliance with the laws and regulations concerning export management in the countries and regions where we engage in business activities as well as to avoid involvement in transactions that could hinder the maintenance of international peace and safety.

The Export Control Department handles cargo and technology parameters used in determining whether or not export permits are required, as well as investigation of transactions. In addition, the Department carries out employee education and guidance and support for Group companies.

#### Acquisition of International Standards

High level of safety is essential for rail vehicles. UNIFE, the Association of European Rail Industry, established the International Railway Industry Standard (IRIS) in 2007 to ensure the quality of rail vehicles.

In 2013, we became the first company in Japan to obtain an IRIS certification for auxiliary power supply (SIV).

In 2014, we were also accredited to the China Railway Certification Center's (CRCC) certification for driving gear units. CRCC, a state-owned enterprise set up in April 2003 after obtaining approval of the Certification and Accreditation Administration of the People's Republic of China, is an organization that mainly manages the quality of railway products. It is necessary to obtain this certification to sell high-speed rail products in China.

We will continue to acquire international standards and further expand our business globally.



\*The fiscal year is from April to March of the following year \*Figures for the Shiga Ryuo Plant include those of TD Drive Co., Ltd. from fiscal 2018.

\*Prior to fiscal 2017, total energy input (gas) data is available only for the Yokohama Plant due to zero input of the Shiga Plant.

\*Prior to fiscal 2017, data on output of general and valuable waste and volume of landfill waste is presented only for the Yokohama Plant.

## With Our Shareholders and Investors

We strive to ensure transparency of management through the timely and proper disclosure of information and various modes of communication in order to receive an appropriate evaluation of the Company from our shareholders and investors.

### Towards Enhancement of Corporate Value

#### Basic philosophy

Through timely and appropriate disclosure of information to our shareholders and investors, the Company accurately conveys our management policy and business conditions while making use of IR tools such as our website to promote a full range of IR activities that contribute to the improvement of our corporate value.

#### Development of IR activities

##### 〈IR activities for institutional investors and securities analysts〉

The Toyo Denki management team holds a financial results briefing each quarterly period to provide opportunities for institutional investors and securities analysts to understand the summary of our financial results. The management team gives a report including the state of progress of the medium-term management plan and an overview and forecast for each segment as well as new orders received and other topics.

Briefing sessions, which are aimed to help institutional investors to deepen their understanding of the Company, were held online during fiscal 2020 to prevent COVID-19 infection.

##### 〈IR activities for individual shareholders and individual investors〉

The Company website includes a “For Individual Investors” page which offers a clear introduction to our business activities and our results, as well as making available a variety of IR materials.

#### URL “For Individual Investors”

<https://www.toyodenki.co.jp/ir/individual.php>

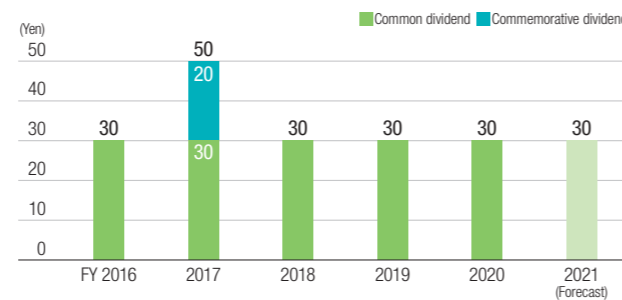


Plant tour for shareholders

#### Dividends

Based on a comprehensive consideration of factors such as maintaining a stable and continuous return of profits, and strengthening the corporate structure, the Company paid a year-end dividend of 30 yen per share for fiscal 2020. We will continue to aim to pay dividends with reference to the dividend payout ratio of 30%, a management target outlined in the medium-term management plan.

#### ◆ Dividend per share



Record of 160th Annual General Meeting of Shareholders  
Date held: Friday, August 27, 2021

The Company issues Business Reports for shareholders once every six months. They are also available on the website.



Interim Business Report for Fiscal 2020



Business Report for Fiscal 2020

## Contributions to Local Communities

We are committed to various social contribution activities, to contribute to society through our business while facilitating our own co-existence with communities and to foster young people who will represent the next generation.

### To Convey the Mission and Appeal of Electrical Industry as Well as of Toyo Denki

#### Receiving interns

We are committed to activities that raise awareness and appreciation of our manufacturing expertise by accepting interns from local technical high schools and providing them with hands-on experience at manufacturing sites. This internship system serves as an effective means of recruiting outstanding technical staff on a consistent basis as some students from these schools apply for positions at the Company.

#### Participation in university endowment courses and hands-on courses

We participated in endowment courses sponsored by the Yokohama Green Purchasing Network so that participants can deepen their knowledge on history of railway and the environment through our business activities. These courses were conducted online in fiscal 2020 to prevent COVID-19 infection.

We conduct lectures leveraging the know-how fostered through operations and our business activities in on-site training courses held by educational institutions including universities.



Material used for an endowment course

#### Installation of a solar power generation system at the Yokohama Plant

We installed a solar power generation system (500 kW) on the roof of the Yokohama Plant in 2012. In recent years, the system has generated 600,000 to 650,000 kWh of electricity annually, all of which is consumed internally. This contributes to reducing greenhouse gas emissions (equivalent to approximately 300 tons of CO<sub>2</sub> per year) and curbing global warming. The Company was awarded by Yokohama City in recognition of this accomplishment.



Solar power generation system at the Yokohama Plant

#### Cooperation with Yokohama Kyodo no Mori Fund

The Company cooperates in small woodlands conservation activities led mainly by the city of Yokohama by donating part of the proceeds from vending machines installed at the Engineering Center of the Yokohama Plant to the fund.

#### Factory tours

Although we had to cancel them in fiscal 2020 due to the impact of COVID-19, we normally conduct “factory tours” to provide opportunities for members of local communities to actually see our manufacturing facilities and products in order to develop deeper understanding about the business operations of the Company. During these tours, we inform the participants of our products as well as our actions for environmental protection and factory facilities, in an effort to build up relationships built on trust with local communities.



A factory tour

#### Cleaning activities around the plants

As part of our efforts to respect people and local communities, employees at the Shiga Ryuo Plant regularly participate in river cleanup operations hosted by the Ryuo Clean River Community.

By carrying out river cleanup activities in cooperation with local governments and companies, we protect the local environment and contribute to nature conservation.



Cleanup activity

## With Our Suppliers

The Company responds to the needs of our customers through the strong network we have built with suppliers in line with our unique characteristics as a business based on an individual build-to-order/multi-product small lot manufacturing model.

### Towards Just and Fair Procurement

#### Communication with suppliers

The Company's products possess various distinctive characteristics such as being individually built-to-order, manufactured in multi-product small lots, and demanding high reliability. Therefore, the Company can be affected by the performance of our suppliers as a result of issues such as delays in supply due to fluctuations in production quantity or delays in processing due to the quality of products received.

In order to reduce these risks as much as possible, the Company carries out instruction and support related to quality, technology, and skills for our suppliers, as well as guidance for improvement of manufacturing sites, in order to ensure stable procurement of even better quality products. In addition, we actively promote information sharing through the "Toyo Denki Cooperation Association" to which our leading suppliers belong.

### Formulation of "Procurement Action Guidelines" (formulated in February 2016)

#### Procurement Action Guidelines

These guidelines indicate the codes of conduct that the Toyo Denki Group's executives and employees should observe in the procurement of purchased parts and outsourced parts as required for the manufacturing of products ordered by customers ("procurement transactions").

1. Procurement transactions shall be carried out in observance of the laws of the relevant countries.
2. Information concerning suppliers in procurement transactions shall only be obtained within the scope necessary for conducting procurement activities in accordance with contracts. Furthermore, efforts shall be made to carefully manage and observe the confidentiality of information gained through procurement transactions.
3. Personal interests with suppliers shall be prohibited in procurement transactions, including the lending and borrowing of money.
4. Receiving of support beyond the socially accepted practices or receiving of money or inappropriate gifts or any other forms of personal rewards from suppliers shall be prohibited in personal transactions. In addition, forceful requests for any of the above from suppliers shall be prohibited in procurement transactions.

\* Inquiries from outside are accepted via the following phone number and e-mail address:

Legal Compliance Department, Human Resources and General Affairs Division +81-3-5202-8121  
 email address for inquiries to Toyo Denki Seizo K.K.: contact@toyodenki.co.jp

## With Our Employees

To improve corporate value, we strive to be a company where each and every employee can unleash his or her capabilities in good health and in safe environments.

### Promotion of "health and productivity management"

Striving to be a company where employees can play active roles in good physical and mental health, the Company promotes "health and productivity management" together with the health insurance association and labor union. With the "Health and Productivity Management Declaration" in place, our efforts focus on the following six priority items.

#### Health and Productivity Management Declaration

The Toyo Denki Group expresses in its business principles its commitment to "ensure the growth of its business, earn the confidence and understanding of shareholders and stakeholders, and foster the development of its employees." Recognizing that the realization of the commitment involves each employee to be physically and mentally healthy and able to play an active role with enthusiasm, the Company will support its employees to achieve good health.

1. Disease prevention, prevention of illness aggravation  
 We will maintain a 100% participation rate for regular health checkups, improve the take up rate for specific health guidance aimed to prevent adult diseases, and support the attendance of follow-up examinations.

2. Work-life balance  
 We are expanding systems that support flexible working styles to achieve a balance between work and home. In addition to a flextime system and annual leave on an hourly basis, we have a rehiring system for employees who have to leave their jobs due to childbirth, childcare, family care, spouse's transfer, and other life events. In addition, efforts are underway to establish staggered commuting and remote work that are currently in place to prevent COVID-19 infection as part of a permanent system.

In 2014, we were certified as a "company that supports child-rearing" and received the "Kurumin" certification logo from the Tokyo Labor Bureau, in recognition of our efforts including an extensive childcare-related scheme, educational activities related to work-life balance support, the creation of an environment in which it is easy to obtain childcare leave, and the track record of male employees taking childcare leave. We will continue to improve the child-rearing support program.



3. Promotion of health and safety activities and realization of a comfortable working environment

To secure a safe working environment and achieve zero occupational accidents, we have in place the "Company-Wide Safety and Hygiene Management Policy," and the Safety and Hygiene Committee at each office addresses any issues at workplace. Information on the committees' actions is shared at the Company-Wide Safety and Hygiene Committee, which convenes quarterly, in order to raise the level of health and safety activities at each office.

4. Improvement of employee health, communication promotion and support

We support employees' voluntary health maintenance and improvement efforts, internal club activities, and social events at each workplace. We also hold health events together with the health insurance association and labor union to improve the health of employees and promote communication.

5. Prevention of mental health problems and support for returning to work

We annually carry out stress checks on our employees to prevent and detect mental health problems at an early stage. In addition, we provide line care training for managers so that they recognize the importance of communication and promptly coordinate with occupational health staff at each office.

6. Health management of employees at overseas posts

In addition to properly conducting health checkups before overseas postings, we aim to regularly check the health conditions of employees and follow up on the results of health checkups after their postings.

### Training and skill development of employees

We aim to grow the capabilities of our employees and be a company where each and every one works as a professional.

#### Education and training system

The Company's education and training system is divided into level-specific training, individual training according to job types and roles, a support program aimed at helping employees to obtain academic degrees and official qualifications, and division education conducted by each division. Furthermore, new employees in technical positions receive lectures and practical training at the Technical Training Center for one year. They are assigned to each workplace after receiving basic and specialized training for technical staff.

#### Skill transfer

Employees with exceptional manufacturing skills or expertise are recognized as "Technical My Star" and assigned to instruct and train younger employees. Three employees of the Company have accepted Contemporary Master Craftsman awards from the Minister of Health, Labour and Welfare, and two have been awarded to the Medal with Yellow Ribbon by the Japanese government. Moreover, a large number of employees have become certified as special-grade skilled workers.

#### Initiatives for employment of the disabled

Aiming to be a company where both the disabled and nondisabled work together lively, the Company makes improvements to the workplace environment and carries out workplace training. We also offer work experience in collaboration with local support organizations and special-needs schools. The percentage of employees with disabilities at the Company is 2.67% (as of June 2021).

#### ◆ Data concerning personnel and labor (at Toyo Denki Seizo K.K.)

Item	Unit	Fiscal 2016	Fiscal 2017	Fiscal 2018	Fiscal 2019	Fiscal 2020
Number of employees	Total	832 *	843 *	831 *	841 *	847 *
	Men	768	771	762	773	766
	Women	64	72	69	68	81
Ratio of female employees	%	7.7	8.5	8.3	8.1	9.6
Number of administrative professionals	Total	150	140	143	136	139
	Men	146	136	139	133	136
	Women	4	4	4	3	3
Ratio of female administrative professionals	%	2.7	2.9	2.8	2.2	2.2
Average age	Overall	40.4	40.2	40.8	41.0	41.7
	Men	40.4	40.3	40.8	40.9	41.6
	Women	40.1	39.5	40.9	41.7	42.8
Average years of employment	Overall	15.2	14.9	15.4	15.4	16.0
	Men	15.2	15.1	15.5	15.5	16.2
	Women	14.8	12.7	14.1	14.1	13.9
Average annual salary	Yen	5,990,250	6,049,512	5,756,046	5,634,571	5,518,761
Turnover rate (within 3 years of joining the Company)	%	2.0	2.7	6.5	4.7	2.4
Number of employees taking childcare leave	Persons	9	4	6	2	8
Number of employees taking family care leave	Persons	0	0	0	0	0
Number of temporary staff (including part-timers)	Persons	152	130	119	106	86
Notes		*Number of regular employees including Operating Officers, and number of special employees, temporary employees, contract employees and staff on loan from other companies, etc.				

In an effort to continuously enhance its corporate value, the Company is striving to ensure transparency of management and compliance, along with the maintenance and operation of an adequate governance framework while reinforcing its risk management framework.

## Corporate Governance

### Our philosophy of corporate governance

The Group's business activities are based on the business principles that "prioritize ethics and contribute to the prosperity of customers and society as a whole." We therefore strive to attain sound corporate management through strengthening and reinforcing corporate governance, fully appreciating the significance of compliance based on corporate ethics. At the same time, we review as appropriate our management monitoring system to ensure its conformity to the changes in the business environment including social environment and relevant legislation.

### Corporate governance

We have corporate bodies established in accordance with laws and regulations as well as the Articles of Incorporation, including the General Meeting of Shareholders, Directors and the Board of Directors, Statutory Auditors and the Board of Statutory Auditors, and Accounting Auditors. To strengthen corporate governance, the supervision and execution functions of the Board of Directors are separated, through the adoption of a structure where the Board of Directors is mainly in charge of governance, and Operating Officers are primarily in charge of business execution.

The Company strives to ensure that both the supervision function of the Board of Directors and the audit function of (the Board of) Statutory Auditors work effectively and believes that the current system is sufficiently running.

Specifically, each of the following bodies and meeting bodies is in place to function effectively.

#### 1 Directors and the Board of Directors

At its regular monthly meetings as well as extraordinary meetings held when appropriate, the Board of Directors, which is composed of seven Directors including three Outside Directors, discusses and decides on important management matters such as reports on Operating Officers' business execution and matters to be decided solely at the discretion of the Board of Directors, while supervising the execution of duties by Operating Officers.

#### 2 Management Strategy Meeting and Operating Officer Report Meeting, etc.

The Company has meeting bodies including the Management Strategy Meeting and Operating Officer Report Meeting. Through these bodies, specific matters related to their execution of duties and critical management matters including those subject to the deliberation of the Board of Directors are reported to the President by Operating Officers and the general managers of business execution departments, deliberated and discussed

preliminarily. In addition, Outside Directors and Statutory Auditors attend these meeting bodies, as necessary. As for the matters discussed at meetings, matters subject to the deliberation of the Board of Directors are decided by the Board of Directors and other matters are decided by employees with business execution authority through means such as circulars based on the Management Authority Rules.

#### 3 Statutory Auditors and the Board of Statutory Auditors

The Board of Statutory Auditors is made up of four members including three External Statutory Auditors. Statutory Auditors oversee management by attending the Board of Directors' meetings, etc. and expressing appropriate opinions in the process of deliberating business execution reports from Operating Officers and matters to be decided solely at the discretion of the Board of Directors. In addition, Statutory Auditors audit the business activities and assets of the Company and Group companies in accordance with audit policies and division of duties set by the Board of Statutory Auditors.

#### 4 Voluntary committees

##### a. Nomination and Compensation Advisory Committee

Under the Board of Directors, the Company has in place the Nomination and Compensation Advisory Committee, whose members include Outside Directors. Its purpose is to list candidates for Directors and Statutory Auditors and nominate Operating Officers, and to ensure transparency and objectivity regarding decisions on compensation for Directors and Operating Officers.

##### b. Internal Control Committee

The Internal Control Committee is in place under the Board of Directors to develop a system stipulated in the basic policy of internal control systems, check the operation status, and conduct constant reviews. The Committee meets quarterly, and the contents of deliberation are reported to the Board of Directors each time.

### Internal audit and Statutory Auditor's audit

#### Internal audit

Internal audits of the Company are carried out by the Audit Division based on internal audit plans decided by the Board of Directors. The Audit Division has staff with qualifications such as the Certified Information Systems Auditor (CISA). It reports its action plans and internal audit results to the Board of Directors and the Board of Statutory Auditors.

#### Statutory Auditors' audit

Statutory Auditors work with the Audit Division and Accounting Auditors and exchange information on audit plans and contents of accounting audits to perform appropriate auditing tasks. Statutory Auditors receive the results of quarterly reviews from Accounting

Auditors both verbally and in writing, and confirm their action plans to be taken at a fiscal year-end audit. Statutory Auditors also receive the results of fiscal year-end audits from Accounting Auditors in statutory documents along with verbal reviews. Furthermore, Statutory Auditors are in principle required to be present at inventory taking or on-site inspection at subsidiaries by Accounting Auditors.

### Outside Directors and External Statutory Auditors

The Company's Outside Executives currently include three Outside Directors and three External Statutory Auditors as shown below. Each Outside Executive has excellent insight in each expertise and satisfies the independence guidelines for Outside Executives defined by the Company.

#### Mr. Hirokazu Chinone, Director (Outside Executive)

Mr. Hirokazu Chinone is qualified as a lawyer and provides useful advice regarding management in general, drawing on his specialized knowledge regarding corporate law and his wealth of experience developed throughout his career.

#### Mr. Koji Mizumoto, Director (Outside Executive)

Mr. Koji Mizumoto is expected to provide useful advice, drawing on his wealth of corporate management experience at a predecessor firm to NIPPON STEEL CORPORATION and his knowledge of financial accounting as CFO.

#### Mr. Taizo Makari, Director (Outside Executive)

Mr. Taizo Makari was newly appointed as Director at the 160th Annual General Meeting of Shareholders on August 27, 2021. He is expected to provide advice to ensure the legality and appropriateness of the Board of Directors of the Company, drawing on his extensive insight and global perspectives developed throughout his career.

#### Mr. Toshiaki Akechi, Statutory Auditor

Mr. Toshiaki Akechi is engaged in auditing activities, drawing on his wealth of corporate management experience at a predecessor firm to JR East Foods Co., Ltd. and other places.

#### Mr. Yoshinori Kawamura, Statutory Auditor (Outside Executive)

Mr. Yoshinori Kawamura serves as Professor of Faculty of Commerce, Waseda University, and is engaged in auditing activities, drawing on his expertise regarding corporate finance and accounting developed thus far. He also has experiences as Secretary and Special Member of the Business Accounting Council of the Financial Services Agency, and an examiner of the Certified Public Accountant Examination, etc.

#### Mr. Yasushi Miki, Statutory Auditor

Mr. Yasushi Miki is engaged in auditing activities, drawing on his wealth of experience developed at a predecessor bank to MUFG Bank, Ltd. and other places and his global perspective.

### Executive Remuneration

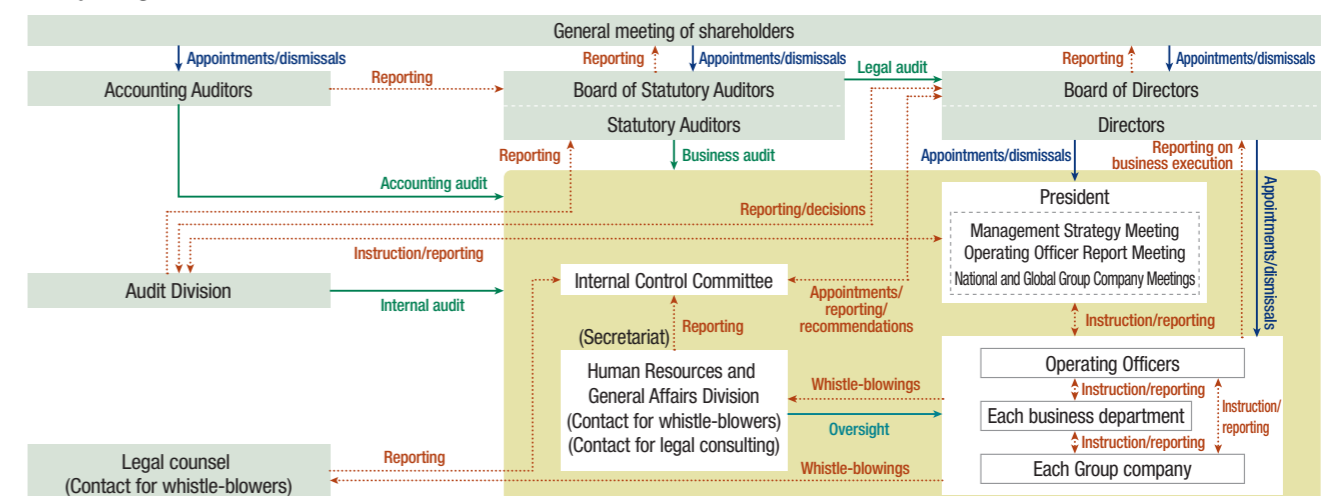
#### Directors

Remuneration for the Company's Directors is determined within the maximum remuneration amount resolved at the Annual General Meeting of Shareholders held in August 2006, with reference to the policy for determining remuneration for Directors resolved by the Board of Directors. To ensure the independence of Outside Directors, the Company provides no bonuses to them. Decisions on remuneration for Directors are made at the Nomination and Compensation Advisory Committee set up under the Board of Directors, with the participation of Outside Directors, in order to enhance objectivity and transparency of the decision process for executive remuneration.

#### Statutory Auditors

Remuneration for the Company's Statutory Auditors is determined through discussion among Statutory Auditors within the maximum total remuneration, which was fixed at the Ordinary General Meeting of Shareholders held in August 2006. It takes form of fixed remuneration for each standing and part-time position. There are no bonuses for Statutory Auditors.

### Corporate governance framework



**Executive Profiles** (as of October 1, 2021)



Chairman, Representative Director: **Kenzo Terashima**  
 President, Representative Director: **Akira Watanabe**  
 Director: **Akihiko Ishii**  
 Director: **Yoshifumi Otsubo**  
 Director (Outside): **Hirokazu Chinone**  
 Director (Outside): **Koji Mizumoto**  
 Director (Outside): **Taizo Makari**

◆ **Director Skill Matrix**

Name	Outside Directors	Areas of expertise and experience						
		Corporate management	Sales/Marketing	Research and development/Technology	Manufacturing/Quality control	Global business	Accounting/Finance	Legal affairs
Kenzo Terashima		●	●	●	●	●		
Akira Watanabe		●	●	●	●	●		
Akihiko Ishii		●	●				●	●
Yoshifumi Otsubo		●	●			●	●	
Hirokazu Chinone	●	●						●
Koji Mizumoto	●	●	●			●	●	
Taizo Makari	●	●		●	●	●		

Standing Statutory Auditors  
**Toshiaki Akechi Kenji Ueda**  
 Statutory Auditors  
**Yoshinori Kawamura Yasushi Miki**  
 Senior Executive Officers  
**Akihiko Ishii Yoshifumi Otsubo**  
 Executive Officers  
**Shuji Horie Kenji Tanimoto**  
 Operating Officers  
**Naoki Okuyama Toshihito Nakanishi Shini Furutsuki**  
**Takuya Hatakeyama Toshiharu Takagi Chiaki Nakano**  
**Yuji Nagano Hiroyuki Imaizumi Jun Nukina**

**Messages from Outside Directors**

**Hirokazu Chinone**

**Role of Outside Director**

The Companies Act stipulates that the authority of a board of directors is to make decisions on important business execution matters and oversee the execution of duties, and this also applies to directors who make up the board of directors.

Furthermore, the main role of outside directors is to oversee the execution of duties in particular. The reason for this is that it is thought to be beneficial to have independent outside directors who have no ties of obligation to internal directors and few stakes, in order to prevent illegal and unfair decisions with compliance issues.

I am a lawyer by profession. I don't have any experience in running a company, making it difficult to give useful and appropriate advice to improve the Company's business performance, but I believe monitoring business execution is my area of expertise to prevent the Company's scandals and various risks.

**Points of discussion and advice at the Board of Directors**

Since my appointment as Director, fortunately no agenda item or proposal that would become a compliance issue has been presented to the Board of Directors.

However, it is generally understood that even when a compliance issue emerges, that information rarely reaches the Board of Directors, and in many cases, it is too late when the problem is discovered. In order to avoid this, it is necessary to have mechanisms in place that allow negative information to be raised to executives. Such mechanisms include an internal audit department that is independent of business divisions and whistleblowing systems. I believe that it is important to ensure that such bodies function successfully and do not end up just being a formality.

**Koji Mizumoto**

**Role of Outside Director**

The Ministry of Economy, Trade and Industry published practical guidelines on outside directors to strengthen corporate governance, raising expectation that the independent officer system will play more serious role.

I worked for a material manufacturer for more than 40 years, during which I experienced many good and bad things that happened in varying degrees to corporations. I recognize that it is my main mission entrusted by shareholders to supervise management effectively and positively with the eyes of an outsider while making the best use of my experience.

Specifically, I hope to give advice to the current executive team and management for the Company's future development based on my experience including past reflections and new studies. In particular, I would like to fulfill my role in the Company's efforts to survive and become highly profitable and future-oriented with everyone's participation through mechanisms (systems).

**Points of discussion and advice at the Board of Directors**

I think what is often lacking in the resolutions made by boards of directors is the viewpoints of outsiders and perspectives in terms of whether they meet the mandates given by various stakeholders. Below is a checklist that should be reviewed by members of boards of directors in my opinion. I will participate in discussions and give advice based on these points.

- Clarity of top management's instructions and responsibility for business earnings
- Level of targets, achievements, and internal dissemination of medium- and long-term management plans
- Measures to increase our stock price, awareness and actions for SDGs
- Information-gathering function and concrete actions for takeover defense
- Product pricing power, sales capabilities, material procurement capabilities, financial position
- Health and safety track records and measures at plants
- BCP and risk management
- Human resource development measures (development of staff and next management team) and management of personnel systems
- Future orientation of the company, new products and R&D status
- General management issues such as the operation status of computer systems

**Taizo Makari**

**Role of Outside Director**

The enforcement of the revised Companies Act has tightened the criteria for independence, and the application of the Corporate Governance Code has made it practically mandatory for listed companies to have a certain number of outside directors. My understanding is that outside directors are expected to fulfill the following three roles, from their external and objective viewpoints, without conflict of interest: monitoring and supervision of corporate governance; advice for and screening and approval of corporate strategies and plans; and appropriate incorporation of stakeholder opinions into business execution. There are strong calls for the appropriate involvement of outside directors in response to a number of scandals, including quality frauds in the manufacturing industry that still continue to occur. I will perform my job with a strong awareness of these three expected roles.

I am keenly aware that, to effectively fulfill these roles, it is necessary to not only harness various knowledge and insight gained from the experience of company management, but also make efforts to understand well the Company's business operations, history, culture, and feelings, and to continuously grasp the changes in social needs from the present to the future.

**Points of discussion and advice at the Board of Directors**

My experiences in business execution include roles for both business implementation and company-wide functions, such as capital investment for domestic and overseas production facilities and engineering in general for my company, engineering business for other companies, governance of overseas group companies as the president of an overseas supervisory company, director of an IT company, disaster prevention and safety management of important facilities, energy strategies as part of measures for SDGs, and utilization of ICT for production. In these roles, I experienced various failures, difficulties, and recoveries, and I think that I reasonably understand the main points and risks of each issue.

At the Board of Directors, I intend to discuss and advise on strategic direction in line with future needs and demands of society, particularly in terms of production technology, technology and product development, quality control, capital investment, safety management, measures for SDGs, development of technical human capital, and overseas expansion, which are important aspects for the manufacturing industry. By doing so, I would like to contribute to the sound development of the Company's business and the improvement of corporate value.

## Internal Control and Compliance

### Internal Control

The Company views the development and operation of an internal control system to be an important management issue, and it has developed an efficient, legal and appropriate business execution system pursuant to Article 362 of the Companies Act and Article 100 of the Ordinance for Enforcement of the Companies Act. The Internal Control Committee established under the Board of Directors reviews the operational status of the internal control system and will revise it as necessary.

### Principles of compliance

The Company has set “1. adherence to rules,” “2. observance of confidentiality,” “3. distinction between private and public matters,” “4. strictness with money,” “5. prohibition of side jobs,” and “6. prohibition of discriminatory and sexually suggestive statements or behavior” as principles of compliance.

### Compliance promotion framework

To focus on business principles and fulfill its social responsibility, the Company has provided all officers and employees with a copy of the Compliance Manual (Toyo Denki Seizo Ethical Standards) that stipulates its code of conduct. The move is part of an effort to have the code and the basic rules of work fully known.

The Company has also introduced a whistle-blowing system that allows employees to provide information directly to the management. The system is aimed at ensuring that any illegal or inappropriate conduct within the Company is detected at the earliest possible stage and that adequate measures are taken promptly and as needed so that such conduct is rectified.

### Compliance education

We conduct compliance training every year for all employees of the Group in order to enhance knowledge of compliance and foster awareness to respect corporate ethics.

## Risk Management

### Basic policy

The Company is engaged in developing rules and a framework for risk management according to the Basic Rules for Risk Management established in August 2006.

### Promotion framework

The Company has established the Internal Control Committee under the Board of Directors, chaired by the President. It analyzes and assesses all the risks that exist in the Group and develops an effective risk management framework capable of dealing precisely with the risks of the types and degrees that the Group is exposed to. The committee specifically reviews risk verifications and countermeasures, and periodically reports details of its deliberations to the Board of Directors.

## Risk Factors

From the perspective of proactive information disclosure, the Group intends to disclose a wide range of recognizable risks. Major risks that may affect its earnings and financial position are set out below. The Group aims for thorough understanding of these risks in order to establish a necessary risk management framework designed to prevent the risks from materializing or minimize the impact of risks if they do materialize.

Forward-looking statements below are based on the judgment of the Group as of the end of the fiscal year ended May 2020.

- (1) Changes in domestic and international economic trends  
The Group's sales heavily rely on the Transportation Systems and Industrial Systems segments. Its customers conduct business operations at home and overseas. As such, business climates and individual spending conditions in different countries may affect the Group's business performance.
- (2) Large-scale disasters and outbreak of infectious diseases  
The great majority of the Group's production bases for the Transportation Systems segment are located in the Kanto area and those for the Industrial Systems segment are in the Kansai area. Production capacity may be severely affected by large-scale disasters and the outbreak of infectious diseases in either of these areas. Furthermore, large-scale disasters and the outbreak of infectious diseases may hinder the entire supply chain and impact order trends, thus affecting the Company's production and earnings.  
Since January 2020, COVID-19 has been spreading in Japan and overseas. The Group is taking actions to help prevent the spread of infections, while prioritizing the safety and health of employees through measures such as staggered commuting and working from home and minimizing hindrance to production. Although the impact on our business operations has been limited as a whole, orders and sales have been somewhat affected due to restrictions on movement and overseas travel.  
The Company's earnings forecast announced already takes these effects into account. However, if infections spread more

than expected in the future, the Company's business may be further affected.

- (3) Intensifying competition  
The Japanese market for the Transportation Systems segment has matured and thus faces intensifying competition. The Industrial Systems segment is also under pressure from intensifying competition for product development. The Group's business performance may be affected by such intensifying competition.
- (4) Occurrence of large-scale damages  
If large-scale damages are incurred due to product defects and other causes and cannot be covered by insurance, it may affect the Group's business performance.
- (5) Delays in product development  
With a view to providing attractive products to customers, the Group applies itself to gathering information about customer needs and leverages it in the development of new products to support its future growth. However, delays in the development of new products to respond to rapid technological or environmental changes may affect the Group's performance.
- (6) Delays and other problems in the supply of materials  
Owing to the fact that the Group's business has various distinctive characteristics, some of the materials it procures are not easily available due to factors such as a limited number of suppliers. Delays in supply or discontinuation in production of such materials may affect the Group's production. Moreover, the Group's business performance may be affected by the fluctuation in prices of raw materials, notably steel products and copper.
- (7) Changes in overseas situations  
The Group proactively pursues the expansion of overseas operations including the Chinese market. Its business performance may be affected by major changes in situations overseas.
- (8) Litigations and other legal proceedings  
If the Group becomes the subject of any litigation or other legal proceeding, its business operations and performance may be affected. Although the Group particularly attends to the protection of intellectual property rights, amid drastically advancing technical innovations and accelerating globalization of business, the Group is inevitably exposed to potential disputes with third parties over intellectual property rights.
- (9) Relationships with business alliance partners  
With the aim of business expansion and enhancing competitiveness, the Group proactively pursues various alliances with third parties. However, if these alliances do not deliver expected results due to a failure in forging favorable relationships with partners, the Group may face an impact on its performance.

- (10) Exchange rate fluctuations  
As the Group is aggressively expanding into overseas markets, an increase in foreign currency denominated transactions will heighten the impact of exchange rate fluctuations on the Group's performance.
- (11) Fluctuations in the value of holding assets  
Fluctuations in the fair value of assets held by the Group may affect its performance.
- (12) Changes in financial conditions  
The Group's financing programs may be affected by unexpected changes in financial conditions.
- (13) Breach of confidential information  
The Group retains customer information related to its business executions. Also, it possesses various types of confidential information concerning the Group's proprietary technologies and operations. If these information assets leak outside the Group for unforeseeable reasons, it may impact its business operations and performance.
- (14) Domestic and foreign laws and regulations  
The Group proactively pursues expansion in overseas operations, particularly the Chinese market, and as such, its operations are subject to not only Japanese laws but also the laws and regulations of each country. Although the Group has established and operates a robust compliance system, its business operations and performance are still at risk from the effects of unforeseeable events.

## Information Security

### Basic policy

The Company holds a vast amount of information assets including information presented by customers related to its business execution and confidential information concerning the Group's proprietary technologies and its trade. Each Group company is taking various measures in this respect based on an awareness of shared security under the Group's Information Security Guidelines, which have been established to adequately manage and use these information assets.

### Information security training

The Company is conducting educational activities to develop information security awareness among all employees including various training sessions, some involving the use of educational DVDs.