

# Corporate Governance Guidelines

## Chapter 1 General Rules

### Article 1 (Objective)

1. The objective of these Guidelines is for Ichikoh Industries, Ltd. ("Ichikoh") to realize optimal corporate governance in harmony with society in order to build trust relationships with our shareholders and all other stakeholders with the aim of improving sustainable corporate value based on its business principles.

2. The business principles of Ichikoh shall be as follows, and the executives and employees of Ichikoh shall implement these:

(1) Mission    Reflect and Shine: Create a driving environment that feels safer, offers more protection, and provides more comfort.

(2) Vision     As a deep-rooted Monozukuri company, we at Ichikoh continuously endeavor to become a corporation that satisfies both customers and society by pioneering the frontiers of technology and supplying optimal solutions while simultaneously being ecologically minded.

By valuing the individual, showing mutual respect for each other, and providing an open corporate culture where issues can be freely discussed, we will continue to make the company one of the best places to work.

(3) Values    <Customer>  
Provide solutions that satisfy both customers and society through collaborative efforts with our customers.

<Innovation>  
Strive to become a Monozukuri company with confidence and pride in our manufacturing excellence that is not afraid of challenging new technologies while remaining environmentally friendly.

<Challenge>  
Constantly challenge the status quo by maintaining industry-wide awareness and not making excuses for not trying.

<Integrity>  
Be considerate to and respectful of others, be fair and sincere and act in accordance with the generally accepted practices of the industry.

<Diversity>  
Be accepting of diversities in culture, customs, lifestyle, gender, age and race.

<One Team>

Heighten individual aptitude and compete using organizational strength.

Article 2 (Basic Views on Corporate Governance)

1. We will perform sound and transparent management by efficient and swift decision making based on our business principles aiming at improving sustainable corporate value and enhancing our corporate governance.

2. We will enhance our corporate governance based on the following policies:

(1) Ensuring shareholder rights and equal treatment of shareholders

Ichikoh will respect the rights of shareholders, and strive to develop an environment for exercising voting rights through such things as providing information necessary for exercising voting rights by shareholders accurately and in a timely fashion, thus furthering efforts to ensure equality of shareholders. In addition, Ichikoh will give consideration to shareholder rights other than exercising voting rights, such as the right to seek an injunction against illegal activities, or the right to file a shareholder lawsuit, and give due consideration so that those rights can be properly exercised.

(2) Proper cooperation with stakeholders other than shareholders

We will be aware of our social responsibility as an auto parts specialist manufacturer to provide safety and comfort, and to build trust relationships with all stakeholders.

(3) Appropriate information disclosure and ensuring transparency

Ichikoh will proactively disclose non-financial information as well. In addition, Ichikoh will strive to provide English language disclosure as well, to the extent possible, when making disclosure.

(4) Responsibilities of the Directors and the Board

Directors shall recognize their fiduciary responsibilities to shareholders, give strategic direction to Ichikoh, and execute their duties toward improvement of sustainable corporate value.

Moreover, the Board shall consist of internal directors and Corporate Auditors who are well informed about the management of the Ichikoh Group, the situation, strength and problems, etc. of the business premises, as well as outside directors and Corporate Auditors, who have a variety of business and other experience and knowledge, a high degree of expertise and insight, and neutral and objective viewpoints, and management, and each director will deliberate on matters proposed by management including risk assessment from individual multi-dimensional viewpoints.

(5) Dialogue with shareholders

Ichikoh will proactively provide non-financial information as well and thus provide adequate information including management strategies and Industry trend, and at the same time, strive to

have efficient bidirectional communication between Ichikoh and shareholders and investors through proactive participation of directors in charge, etc. in dialogue.

## **Chapter 2 Relationship with Shareholders**

### Article 3 (Fiduciary Responsibility)

Directors, Corporate Auditors and executive officers of Ichikoh will be aware of their fiduciary responsibilities toward shareholders, understand the following matters, and act in the interest of Ichikoh and the common interests of shareholders.

- (1) Directors, Corporate Auditors and executive officers of Ichikoh are expected to consider what is best for Ichikoh at all times independently, and act actively.
- (2) Directors, Corporate Auditors and executive officers of Ichikoh represent the interests of all shareholders, and do not represent only the interests of the divisions of which they are in charge or other specific divisions.
- (3) Directors, Corporate Auditors and executive officers of Ichikoh are expected to understand the rights and standpoints of stakeholders at all times, and strive to cooperate with stakeholders.

### Article 4 (Respect for Rights of Shareholders)

1. Exercise of voting rights at general shareholder meetings is the right of shareholders, and Ichikoh will make efforts so that shareholders may exercise their voting rights properly.
2. Ichikoh will strive to send convening notices that include proper information no later than three (3) weeks in advance so that shareholders may exercise their voting rights properly, and also strive to disclose English translations thereof before sending the convening notice.
3. Ichikoh will strive to develop an environment for exercising voting rights so that all shareholders and not only those attending general shareholder meetings may exercise their voting rights properly, and also so that institutional investors who hold shares in street name may properly exercise voting rights by themselves in place of a trust bank (shintaku ginko), etc.

### Article 5 (General Shareholder Meetings)

1. The general shareholder meetings is the highest decision-making organ composed of shareholders with voting rights, and the intent of shareholders must be reflected properly.
2. Ichikoh will determine the date and place for convening the meeting so as to ensure attendance by as many shareholders as possible.

### Article 6 (Capital Policy)

Considering that the capital policy may have a significant effect on shareholder returns, Ichikoh will realize sufficient investment yield for shareholders, strive to perform proper and sound shareholder returns, and perform management taking into account ROE (Return on Equity) in order to improve shareholder value.

(Cross-shareholding)

Article 7

The Board shall assess whether or not to have cross-shareholding from the perspective of reinforcement of relationships with business partners necessary for continued growth of business, and sequentially sell inappropriated shares and disclose the result of assessment in the Corporate Governance Report.

2. Ichikoh shall, as a basic principle for voting rights in cross-shareholdings, vote for the proposals which will raise the corporate value of the Ichikoh Group and the proposals to raise the corporate value of investees, and vote against other proposals.

3. Ichikoh shall not hinder the sale of the cross-held shares by, for instance, implying a possible reduction of business transactions when shareholders who hold the company's shares for the purpose of cross-shareholding (cross-shareholders) indicate their intention to sell their shares.

4. Ichikoh shall decide the conditions of transactions with cross-shareholders so that Ichikoh would not engage in transactions which may harm the interests of the companies or the common interests of their shareholders by examining the underlying economic rationale and taking the appropriate internal procedures.

Article 8 (Protection of Rights of Shareholders)

In the case of performing a capital increase that will result in change of control or significant dilution, or in the case where the stock of Ichikoh will be the target of a public offering, Ichikoh will ensure proper procedures so that the rights of shareholders will be properly exercised, such as obtaining injunctions of illegal acts by shareholders or initiating derivative suits, as well as making proper disclosure.

### **Chapter 3 Corporate Governance System**

Article 9 (Responsibilities of the Board)

1. The Board will make management level judgments and decisions on statutory matters and important matters equivalent thereto. For other operation of business, the President will administer the business of the company as the person with the ultimate responsibility for the operation of business, and important matters related to the operation of business will be deliberated at the Management Committee, as the advisory body for the President, and concrete execution of duties will be delegated to executive officers, in accordance with the internal regulations.

2. The Board shall be composed of a variety of directors, taking into account balance and diversity on knowledge, experience and capabilities necessary for sustainable improvement of Ichikoh's corporate value, such as the automobile industry sector, overseas business expansion, auto parts related technologies, production technologies, and finance, etc., in order to make swift decisions

considering Ichikoh's business scale.

3. On the Board, internal directors and Corporate Auditors, who are very well informed about the management of the Ichikoh Group, the situation, strengths and problems, etc. of its business premises, as well as outside directors and Corporate Auditors, who have a variety of business and other experience and knowledge, a high degree of expertise and insight, and neutral and objective viewpoints, will deliberate on drafts of such things as business plans, etc. proposed by management, including risk assessments from individual multi-dimensional viewpoints.

4. The Board will hold constructive discussions on management strategy and business plan and, upon the execution thereof, provide effective oversight of executive officers and evaluate their performance properly.

5. The Board will review the medium-term plan at the end of every year and analyze the reason underlying the failure to achieve the plan if there is any, reflect it in the medium-term plan for ensuing years, as well as provide explanations to shareholders at general shareholder meetings.

6. The Board shall, as needed, receive the reports on identification and assessment of risks and countermeasures to such risks conducted at the Management Committee in accordance with internal rules, and shall, as needed, oversee whether or not the system to ensure such countermeasures to risks are being properly operated.

7. When the Board recognizes that a considerable number of votes have been cast against a proposal by the company, it will analyze the reasons behind the opposing votes and consider other measures.

8. The Board will ensure that external auditors have access, such as via interviews, to senior management including the CEO and the CFO, and ensure a system for adequate and appropriate auditing through collaboration of the auditors, accounting auditor and internal audit departments.

9. The Board will review regularly whether or not the code of conduct of Ichikoh Group is being observed, and whether the company's corporate culture truly embraces the code of conduct.

10. The Board will confirm as needed whether or not proper training opportunities and information is provided to directors and Corporate Auditors, and work to provide such opportunities and information to each director and Corporate Auditors.

11. The Board shall endeavor to take the lead in fostering corporate culture, sense of values and philosophy, etc.

12. The Board shall proactively engage in the establishment and implementation of development plan for top executives in charge of management (Representative Directors, CEO, COO, etc.) such as selection of the mother group of senior management who can be successors for top management, trainings and selection method, and appropriately oversee the systematic development of succession candidates deploying the sufficient time and resources.

#### Article 10 (Operation of the Board Meetings)

1. The Board will endeavor to foster a climate where free, open and constructive discussions and

exchanges of views take place, including the raising of concerns by outside directors. In operation, the Board will formulate a schedule that includes the major items for discussion in April of each year, and the frequency of board meetings and time for holding meetings will target around once per month, two hours per meeting. In addition, materials will be sent by five (5) days in advance of the convening date in principle, and efforts will be made so that information other than the materials for Board Meetings as well will be distributed together with the materials, to the extent possible, in the form of Exhibits, etc.

2. The Board will create an environment where only independent outsiders may exchange information and opinions from an independent and objective standpoint.

#### Article 11 (Evaluation of the Board)

The Board will analyze and evaluate the effectiveness of the Board while referring to self-evaluations by directors, conducted yearly, and disclose a summary of the results thereof on the website, etc.

#### Article 12 (Directors)

1. Directors shall recognize their fiduciary responsibilities to shareholders, give strategic direction to Ichikoh, and execute their duties toward improvement of sustainable corporate value.
2. Directors shall collect sufficient information for the execution of duties when necessary through internal or external experts, and request explanations at Board meetings, express opinions to each other actively and discuss thoroughly, then exercise voting rights.
3. The status of directors serving as directors or Corporate Auditors at other companies will be disclosed in general shareholder meeting materials.

#### Article 13 (Independent Director)

1. Independent directors will be elected in accordance with the requirements under the Companies Act and TSE Regulations, as well as requirements unique to Ichikoh (Appendix).
2. Independent directors shall, from their independent status, fulfill the function of providing advice, overseeing management, monitoring conflicts of interest between the company and management with the aim of promoting sustainable corporate value, as well as striving to represent the views of stakeholders in the Board.
3. Independent directors will receive information on a continuous basis through the Management and Planning Office on the corporate philosophy, corporate culture and status of the management environment, etc. of Ichikoh.
4. Independent directors should endeavor to establish a framework for communicating and cooperating with management, Corporate Auditors or the Board of Corporate Auditors.

#### Article 14 (Board of Corporate Auditors)

1. Corporate Auditors Board will audit the execution of duties by directors and executive officers, determine the contents of proposals concerning selection and dismissal of accounting auditors, and

the non-reappointment of accounting auditors, for submission to general shareholder meetings, and accounting audits and other matters stipulated under the laws and regulations.

2. The Corporate Auditors Board will formulate criteria for selection and evaluation of candidates of external auditor, and confirm the independence and expertise thereof.

3. The Corporate Auditors Board will establish systems to ensure adequate time for high quality audits and move on efforts to ensure proper audit.

#### Article 15 (Corporate Auditors)

1. Corporate Auditors will bear in mind their fiduciary responsibilities to shareholders and make decisions from an independent and objective standpoint when executing their duties, properly provide opinions at Board meetings or to executive director or executive officers.

2. Corporate Auditors shall collect sufficient information for the execution of duties when necessary through internal or external experts.

3. The status of Corporate Auditors serving as directors or Corporate Auditors at other companies will be disclosed in general shareholder meeting materials.

#### Article 16 (Outside Corporate Auditors)

1. Outside Corporate Auditors will be elected in accordance with the requirements under the Companies Act and TSE Regulations, as well as requirements unique to Ichikoh (Appendix).

2. Based on the fact that appointment of outside Corporate Auditors is obligated under the laws and regulations in order to further improve independence and neutralness of audit system, and also based on the reasons of appointment, outside directors must recognize that they are especially expected to express audit opinions objectively from neutral standpoint, and give frank opinions.

3. Outside Corporate Auditors will receive information on a continuous basis through the Management and Planning Office on the corporate philosophy, corporate culture and status of the management environment, etc. of Ichikoh. Article 16 (Optional Committee)

Article 17 Ichikoh will establish a “Remuneration Advisory Committee” as an advisory organ for the Board in order to enhance the independence, objectivity and accountability of functions relating to remuneration of individual directors.

2. Ichikoh will make use of the optional committee scheme upon necessity and promote further enhancement of its governance mechanisms in addition to those as provided in the preceding paragraph.

#### Article 18 (Nomination of Candidates for Director and Candidates for Executive Officer)

1. The Board shall establish standards for appointment/dismissal of Directors, and make nominations of Directors based on such standards and through deliberations at Board meetings considering an appropriate balance on knowledge, experience and skills, and also diversity including gender and internationality, and make dismissal proposals based on such standard and through deliberations at the Board meetings.

2. The Board shall establish standards for appointment/dismissal of Executive Officer, including CEO/COO, and make nominations of Executives Officers based on such standard and through deliberations at Board meetings considering comprehensively knowledge, experience, skills and contribution level to Ichikoh performance, etc., and decide dismissal based on such standard and through deliberation at the Board meetings.

3. In making the appointments under the preceding two paragraphs, the opinions of independent directors must be respected.

4. When Ichikoh selects and nominates candidates for director, Ichikoh will disclose an explanation on individual selection and nomination in the materials for general shareholder meetings.

5. The Board shall appoint candidates as Corporate Auditors (Kansayaku) with appropriate experience and skills as well as necessary knowledge on finance, accounting, and the law.

#### Article 19 (Compensation of Directors and Executive Officers, etc.)

1. The Board shall make decisions appropriately on the design of remuneration system and actual amount of Directors and Executive Officers of Ichikoh, as well as of Directors and Executive Officers of material subsidiaries of Ichikoh based on the fair, objective and transparent procedures and based on the recommendation by the Compensation Advisory Committee.

2 The basic concept of decisions on remuneration, etc. of directors and executive officers of Ichikoh and of Ichikoh's material subsidiaries shall be a remuneration system that can draw upon a variety of excellent personnel, a remuneration system in which continued improvement of corporate value will be possible, and an objective and highly transparent remuneration decision process.

3. Ichikoh will examine the notion that for remuneration, etc. of directors and executive officers of Ichikoh and of Ichikoh's material subsidiaries, remuneration linked not only to short-term performance but also that which is linked to mid-to long-term results will be included.

#### Article 20 (Internal Governance)

Ichikoh will establish a system for responding to cases where an external auditor discovers some misconduct and requests a proper response, or points out any inadequacies or concerns.

#### Article 21 (Whistleblowing)

The Board will oversee whether or not concealment of whistleblowers and prohibition of disadvantageous treatment of whistleblowers is being ensured, and whether or not the Ichikoh Group Hot Line System is properly operating, through regular reporting, etc. by the Compliance and CSR Committee.

#### Article 22 (Control System for Related Party Transactions)

Directors must make related party transactions subject to approval of or reporting to the Board, etc., depending on the importance thereof, so as not to harm the interests of Ichikoh or its shareholders. In addition, the Board must respect the advice of independent directors with respect to matters to be resolved or reported regarding related party transactions.



(Roles of Corporate Pension Funds as Parent Organization)

Article 23 Ichikoh shall take measures to improve human resources and operational practices in order to increase the investment management expertise of corporate pension funds thus making sure that corporate pension funds perform their roles as asset owners, and disclose such measures in the Corporate Governance Report.

#### **Chapter 4 Efforts for Improvement of Corporate Value**

Article 24 (Code of Conduct)

1. Ichikoh shall perform measures necessary for all employees and executives of the Ichikoh Group to act in accordance with the Group Code of Conduct, and the Board shall revise the Code as needed so that it will reflect the codes that should be observed at all times at Ichikoh, and indicate proper measures that are to be observed in the business activities of the Ichikoh Group.
2. Ichikoh will deal with sustainability issues properly, and the Board will perform examination so that the company will work toward sustainability issues positively and actively.

Article 25 (Fostering Management Personnel)

Ichikoh will provide to its directors and Corporate Auditors training opportunities and information required to fulfilling their roles and responsibilities including the following matters:

- (1) The Companies Act, corporate governance at the time of assumption of office, and overall business of Ichikoh Group and trends of the automobile industry sector for outside directors and Corporate Auditors.
- (2) Technological trends relating to lamps and mirrors for automobiles.
- (3) Revision of laws

Article 26 (Diversity of Personnel)

Ichikoh will position diversity as one of Ichikoh's values, and examine and promote recruitment, personnel training and promotion in consideration of all types of diversity including sex, culture, nationality and experience.

Article 27 (Review of Management Plan)

Ichikoh will review the medium-term management plan each year, prepare and disclose the plan on its website, etc., as well as making explanations at briefings for investors, etc.

#### **Chapter 5 Dialogue with Shareholders**

Article 28 (Disclosure and Transparency)

1. In order to build a long-term trust relationship with all stakeholders, including shareholders and investors inside and outside Japan, Ichikoh will disclose not only financial information but also

non-financial information including financial standing, business strategy, risks, and governance and social/environmental issues (ESG factors), and set as its policy on disclosure that information required for investment judgment will be conveyed swiftly, accurately, fairly and equally.

2. Ichikoh will strive for disclosure in English, to the extent possible.

Article 29 (Dialogue with Shareholders)

1. The activities on dialogue with shareholders shall be performed by appointing the most appropriate management and/or Directors.

2. Shareholder opinions, etc. shall be shared by departments on corporate planning, general administration, finance and accounting and legal, and report shall be made to the Board as needed, and necessary actions shall be taken to properly respond to such opinions.

4. Ichikoh will strive to identify its shareholder ownership structure by shareholder identification survey, etc.

5. In dialogue with shareholders or investors, inside information will not be disclosed. Insider information will be strictly managed in accordance with the internal rules.

## **Chapter 6 Miscellaneous Rules**

### Article 28 (Revision)

These Guidelines shall be revised by resolution of the Board.

### Supplementary Provisions

Article 1 These Guidelines shall come into effect on December 13, 2018.

Effective, December 10, 2015

Revised, December 13, 2018

## Appendix

### Standards for Judgment of Independence

Ichikoh will judge the requirements for independence to have been satisfied when all of the following items are applicable to the outside director or outside Corporate Auditor (collectively, the "outside officers").

1. The person is not a party for which Ichikoh or an Ichikoh subsidiary (collectively, "Ichikoh Group") is a major business partner<sup>1</sup>, or its executive director<sup>2</sup>.
2. The person is not a major business partner of the Ichikoh Group<sup>3</sup>, or its executive director.
3. The person is not a major shareholder<sup>4</sup> of Ichikoh, or an executive director thereof.
4. The person has not received a large amount of contributions<sup>5</sup> from the Ichikoh Group.

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<sup>1</sup> "Party for which the Ichikoh Group is a major business partner" means a party that falls under any of the following:

- (1) Business partners that provide items or services to Ichikoh Group (including its parent company and material subsidiary; collectively the "business partner group"), and its transaction amount with the Ichikoh Group in the most recent fiscal year exceeds 2% of the consolidated sales or total income of the relevant business partner group;
- (2) Business partners to which the Ichikoh Group owes debt, and the total amount of the relevant debt in the most recent fiscal year exceeds 2% of the consolidated total assets of the Ichikoh Group or the consolidated total assets of the relevant business partner group;

<sup>2</sup> "Executive Director" means (i) a representative director (ii) a director other than a representative director and who is appointed as a director who executes the business of the Company by resolution of the Board, and (iii) an executive officer or (vi) other employee. Corporate Auditor shall not be included.

<sup>3</sup> "Major business partner of the Ichikoh Group" means a business partner group to which the Ichikoh Group provides items or services, and whose business amount with the Ichikoh Group in the most recent fiscal year exceeds 2% of the consolidated sales of the Ichikoh Group.

<sup>4</sup> "Major shareholder" means a shareholder who holds 10% or more shares of the total voting rights directly or indirectly.

<sup>5</sup> "Large amount of contribution" means a contribution exceeding either of which is greater: 10

5. The person is not a consultant, accounting or legal expert who receives a large amount of moneys or property other than remuneration for executives from the Ichikoh Group.
6. The person is not an accounting auditor or representative member, member, partner or employee of the relevant accounting auditor, and has not been engaged in audit services for the Ichikoh Group companies in any of the past five fiscal years.
7. The person has not fallen under any of 1 to 5 above recently<sup>6</sup>.
8. The person is not a close relative<sup>7</sup> of a person indicated in (1) to (4) below:
  - (1) the persons indicated in 1 to 5 above.
  - (2) an executive director of a subsidiary of Ichikoh
  - (3) a director other than an executive director of a subsidiary of Ichikoh
  - (4) a person who used to fall under executive director or a director other than an executive director of (2) or (3) above, or of Ichikoh recently.
9. In any case, where there is no doubt about the person's independence for execution of duties as an Independent Outside Director or Independent Outside Corporate Auditor.

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million yen, or 2% of sales or total income of the recipient of the contribution.

<sup>6</sup> "Recently" means within one year.

<sup>7</sup> "Close relative" means a relative within the second degree of consanguinity. It shall be noted that in the case where a relative relationship is extinguished due to divorce or dissolution, etc., treatment shall not be as a close relative in this case.