

The corporate governance of Tokyo Seimitsu Co., Ltd (the Company) is described below.

## **I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes, and Other Key Information**

### **1. Basic Views** **UPDATED**

The Company's Purpose (why we exist) is 'Gaging the future with Metrology, Creating the future with Semiconductors'. Based on this Purpose, the Groups has we have a Vision of 'The Tokyo Seimitsu Group is always committed to building a "future full of dreams."' and a Missions 'Growing together with partners and customers by collaborating technology, knowledge, and information to create the world's No. 1 products' and 'WIN-WIN relationships create the world's No. 1 products'. Through the corporate brand ACCRETECH(\*), which expresses this Purpose, Vision and Missions in one word, and the Company's value 'We strive to create WIN-WIN relationships with all stakeholders, including customers, shareholders, suppliers, employees, local communities, and the international community, and to play an active role in realizing a sustainable society and enhancing corporate value', the Company aims to realize a future full of dreams. To realize this goal, the Group believes that strong corporate governance is essential to improving corporate value and conducting fair and transparent business activities as a global corporate citizen, and has established the following five (5) core policies for corporate governance.

(\*)ACCRETECH is a term coined by the Company, combining ACCRETE, meaning "to grow together," and technology.

<Core Policies>

1. The Board of Directors strives to properly perform its roles and responsibilities to make transparent, fair, timely and committed decisions.
2. The Group respects the rights of shareholders and ensures the equality of shareholders.
3. The Group strives to have constructive dialogue with shareholders on investment policy that considers mid to long-term returns for shareholders.
4. The Group strives to maintain appropriate collaboration with stakeholders other than shareholders.
5. The Group strives to ensure proper information disclosure and transparency.

### **[Reasons for Non-compliance with the Principles of the Corporate Governance Code]**

The Company implements all principles of the Corporate Governance Code as revised in June 2021 (including those for the prime market).

### **[Disclosure Based on each Principle of the Corporate Governance Code]** **UPDATED**

The information below is based on the Corporate Governance Code as revised in June 2021 (all principles, including those for the prime market).

### **[Principle 1.4 Cross-Shareholdings]** **UPDATED**

1. Policy regarding cross-shareholdings

The Board of Directors shall comprehensively examine whether shares held as cross-holdings are worthwhile based on risk and return from perspective of mid to long-term economic rationality, and qualitative considerations such as purpose of holding and credit status. Shares held as cross-holdings that

are not considered worthwhile to be retained, as a result of the examination, shall be reduced in principle. However, if it is determined that holding of such shares will contribute to the improvement of the mid to long-term corporate value, they shall be retained.

As a result, the Company has sold 19 brands of cross-shareholdings (including shares subject to deemed holding) for 8,415 million yen from April 2015 to March 2025.

2. Policy regarding the exercise of voting rights

The Company shall exercise voting rights associated with cross-shareholdings after sufficient consideration of each specific proposal based on concrete criteria.

**[Principle 1.7 Related Party Transactions]**

1. The Company shall not be engaged in any transactions with Directors and/or major shareholders that may damage the interests of the Company or the common interests of the shareholders.
2. When a Director is intending to enter into a transaction with the Company for him/herself or for any third parties, the Director shall obtain prior approval of the Board of Directors according to the rules of the Board of Directors, and report important facts in that transaction at the board meeting. Terms and conditions for the transaction may be determined in the same manner as a transaction with third parties.
3. To identify any transactions involving a conflict of interest by Directors, the Company checks existence of such transaction (excluding compensation) between the Company Group and Directors or their family members within the second degree of kinship.
4. When the Company is intending to enter transactions between the Company and major shareholders or other related parties, then it shall be approved in advance by personnel with authority commensurate with the importance and scale of the transaction in accordance with internal regulations determined by the Board of Directors.

**[Supplementary Principle 2.4.1 Policies and Goals for Ensuring Diversity in the Promotion to Core Human Resources] UPDATED**

1. Policies for ensuring diversity

The Company believes that diverse perspectives and ideas stimulate each other to create new value and achieve synergies that exceed the sum of individual abilities. To this end, we prevent all discriminatory acts on the basis of age, gender, race, religion, national origin, disability, etc., and strive to realize a workplace where diverse human resources can work in safety and health. The Company also strives to create a workplace where diverse human resources can work in a safe and healthy environment, where each employee's individuality is respected, where they can maximize their abilities, and where they can work with a sense of fulfillment.

2. Goals and progress on ensuring diversity

(1) Promotion of women to management positions

The Company believes that it is important to increase the number of full-time women employees who will play an active role as core human resources in the medium to long term. In order to achieve this, the Company has recognized that the first step is to increase the number of full-time women employees and have been working towards the following targets since FY2022/3.

- Percentage of women newly hired as full-time employees to >20% (21.8% in FY2025/3)
- Percentage of women to all full-time employees > 10% (11.6% in FY2025/35 years).

Following the achievement of these targets, from FY2026/3, the new target is to increase the number of women in management positions and in the ranks of section chiefs and assistant section chiefs by more than 1.5 times compared to March 2025, and to further promote the advancement of women. At the end of March 2025, the proportion of women in management positions in the company was 2.6%.

(2) Midcareer hires and Promotion of foreign nationals

The Company's midcareer hires have already become an indispensable asset to the Company, and the Company hires and promotes excellent human resources regardless of nationality. Both midcareer hires and foreign nationals have demonstrated their ability to bring diverse perspectives and ideas, and to work closely with overseas stakeholders. The ratio of midcareer hires as of March 2025 is 43.9%, and the ratio of foreign employees in managerial positions as of March, 2025 is 0.4%.

3. Policies for human resource development, internal environment development, and these progresses to ensure diversity

In order to create the world's No. 1 products through WIN-WIN work, the Company Group believes it is necessary for each and every employee, our group's greatest asset, to accept diverse values, draw out each other's strengths, and grow autonomously.

To support the growth of our employees, the Company Group provide educational and training programs and other opportunities for them to take on new challenges in the workplace, and we are working to create a workplace environment in which diverse human resources can feel fulfilled in their work.

<Educations, Trainings, and systems to ensure diversity >

To ensure diversity, the Company provides various systems including trainings to develop human resource skills, such as Woman's career design training, e-learning for promotion of diversity, Human resource development skills training for managers.

In addition, to support employees who are raising children or caring for family members, the Company has established a leave system that far exceeds the legal requirements, as well as a long vacation system to promote work-life balance.

Detail of the Human Resource Development Policy and the Company's actions for ensuring diversity is in the Company's website as linked below.

(Japanese)

<https://www.accrettech.com/jp/sustainability/esg/humanresources.html>

<https://www.accrettech.com/jp/sustainability/esg/diversity.html>

(English)

<https://www.accrettech.com/en/sustainability/esg/humanresources.html>

<https://www.accrettech.com/en/sustainability/esg/diversity.html>

#### **[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners] UPDATED**

1. The Company has established a defined benefit pension plan and a defined contribution pension plan.
2. For the defined benefit pension plan, asset management policy and policy asset mix shall be determined to maximize the benefit to employees.
3. Human resources with appropriate qualifications shall be assigned to the department responsible for the pension plans and their expertise shall be consistently improved through training such as periodic participation at external seminars.
4. With respect to the selection and evaluation of asset management contractors, objective monitoring shall be carried out in consideration of the response to the stewardship code and investment performance to avoid conflicts of interest with employees.
5. From February 2019, the Company has held Investment Performance Committee and has revised the expected rate of return for the defined benefit pension plan, revised the product lineup for the defined contribution pension plan. Also, the Company confirms the deviation of assets under management for the defined benefit pension plan from the policy asset mix and rebalances them.

#### **[Principle 3.1 Full Disclosure] UPDATED**

1. Company philosophy, business strategies and business plans

Starting as a precision measuring instrument business, the Tokyo Seimitsu Group has been providing precision measuring instruments equipped with advanced measurement technology to industries. Using such technology, the group also responded to advanced miniaturization, 3D designs, and higher efficiency in the semiconductor production equipment business. Being 'the only semiconductor manufacturing equipment manufacturer with a metrology business' makes the Group unique and serves as the source of our strength. The Group is working to enhance our corporate value under the corporate brand ACCRETECH, in addition to carrying on with the 'soil to cultivate technology and achieve innovation' inherited from the company's foundation and the Purpose "Gaging the future with Metrology, Creating the future with Semiconductors."

For the mid-term business plan, please refer to the explanatory material released on May 9<sup>th</sup>, 2025, titled "Mid-term Business Plan (FY2026/3-FY2028/3)"

(Japanese)

[https://www.accrettech.com/jp/ir/library/presentation/main/06/teaserItems1/00/linkList/0/link/MTP\\_2025\\_J.pdf](https://www.accrettech.com/jp/ir/library/presentation/main/06/teaserItems1/00/linkList/0/link/MTP_2025_J.pdf)

(English)

[https://www.accrettech.com/en/ir/library/presentation/main/07/teaserItems1/01/linkList/0/link/MTP\\_2025\\_E.pdf](https://www.accrettech.com/en/ir/library/presentation/main/07/teaserItems1/01/linkList/0/link/MTP_2025_E.pdf)

2. Views and guidelines on corporate governance based on each of the principles of the Code  
Please refer to [1. Corporate Governance Philosophy] above.
3. Board policies and procedures in determining the compensation of management executives and directors
  - (1) Aims and structure of Remuneration Policy
    - (i) The compensation scheme to reward senior management is designed to ensure that it functions as an incentive system to make the corporate motto into reality.
    - (ii) Compensation shall be in accordance with the roles and responsibilities of each director as well as the results achieved by them.
    - (iii) Compensation shall be conducive to motivation for improvement of business results and medium to long-term corporate and shareholder value.
    - (iv) Compensation shall be revised in a timely and appropriate manner based on the economic situation, business results of the Parent Company, external survey results, etc.
    - (v) And the decision-making process shall be highly objective and transparent.
  - (2) Compensation structure
    - (i) The compensation of Directors not serving as an Audit and Supervisory Committee member nor external corporate director (hereinafter referred to as Directors in charge of business execution) shall consist of "base compensation", which is fixed, "performance-linked compensation" and "stock compensation" that are variable.
    - (ii) The compensation of Directors serving as an Audit and Supervisory Committee member and external corporate directors shall consist only of base compensation, in light of their responsibilities of supervising and auditing business execution.
    - (iii) Base compensation to the directors is paid regularly every month. The compensation of Directors, a total annual amount of base compensation and performance linked compensation shall be determined not to exceed the upper limit approved by the general meeting of shareholders. Base compensation amounts for each director is based on standard of compensation amount (\*1) per post.  
*(\*1: standard of compensation amount is the amount per each director's post planned by Compensation Planning Committee benchmarked on one for President & COO, and approved by Nomination and Compensation Council).*
    - (iv) Performance-linked compensation to the Directors in charge of business execution is defined as short-term compensation based on business performance and paid at a specific period in each Fiscal Year. Total amount of base compensation and performance linked compensation shall be determined not to exceed the upper limit approved by the general meeting of shareholders. The performance linked compensation amount per each Director in charge of business execution shall be calculated as follows.  
Performance-linked compensation amount per each Director =  
(Base bonus amount (\*2) ) x (Group Business performance coefficient (\*3)) x (Each Intercompany performance coefficient (\*4))  
*(\*2) :Base bonus amount = Consolidated net profit \* 1% \* Base compensation coefficient*  
*Base compensation coefficient = ratio of base compensation per each director, divided by total amount base compensation of Directors in charge of business execution*  
*(\*3) Group Business performance coefficient = Calculated from their Operating profit results against FY target*  
*Within +/- 10% from target: 1, +10% to +30%: 1.1, +30% to +50%: 1.2, over +50%: 1.3,*  
*-30% to -10%: 0.9, -50% to -30%: 0.8, -50% or less: 0.7 (when OP downs YoY, this coefficient will be less than 1)*  
*(\*4) Each Intercompany business performance coefficient: Comprehensively evaluate from 0.9 to 1.1 based on the Intercompany business results and other significant achievements.*
    - (v) Stock compensation paid to Directors responsible for business execution is provided as a medium- to long-term incentive that allows the Company to share profits with shareholders. Points shall be granted to Directors based on the Regulations Governing Share Benefits for Officers, and if certain requirements are met, each point shall be converted into one share of the Company's shares, etc. in accordance with the number of shares held. The total number of points granted to Directors of the Company shall be within the maximum approved at the General Meeting of Shareholders. Points granted to individual Directors responsible for business

execution shall be calculated as follows for each of Grant 1 and Grant 2.

A. Grant 1: Points determined by position (\*5)

B. Grant 2: Points determined by position (\*5) x capital efficiency coefficient (\*6) x ESG coefficient (\*7) x Medium-term performance coefficient (\*8)

(\*5) Points determined by position: Formulated by Compensation Committee based on compensation amount per post, and approved by Nomination and Compensation Council

(\*6) Capital efficiency coefficient: Most recent three (3) Fiscal years' average consolidated ROE – Above 15%: 1.2, 10-15%: 1, and below 10%: 0.8

(\*7) ESG coefficient: Evaluation of initiatives for ESG activities (0.9 to 1.1 by the Nomination and Compensation Council)

(\*8) RS performance coefficient: one based on the achievements of mid-term operating profit target  
Core coefficient: 1, When target has been achieved: 2

(3) Process to Determine Amount of Compensation

- (i) The Board of Directors delegates the task of determining the compensation structure and compensation standards for each post to the Compensation Planning Committee, consisting of the representative directors and some other directors.
- (ii) To ensure transparency and objectivity, the proposal of Directors' compensation amounts and related matters (such as compensation amount per post), and the amount for each directors' base compensation, performance-based compensation and stock compensation shall be deliberated by the Nomination and Compensation Council, consisting of directors serving as an Audit and Supervisory Committee member and external corporate directors.
- (iii) Compensation amounts for directors serving as Audit and Supervisory Committee members will be discussed and resolved among directors serving as Audit and Supervisory Committee members.

4. Board policies and assignment and dismissal of management executives and nomination of candidates for directorships

- (1) Candidates for management executives' roles such as CEO, COO and CFO as well as candidates for Director roles shall have high dignity, moral standards and deep insights regardless of individual attributes such as gender and nationality, and must be deeply versed in business management and the business of the Company or have abundant experience in their field of expertise.
- (2) In principle, assignment of management executives and nomination of candidates for directorships shall be first proposed by the CEO and brought to the Nomination and Compensation Council, then, the Board of Directors meeting will deliberate on this proposal with opinions of the Nomination and Compensation Council. If a candidate is to be serving as an Audit and Supervisory Committee member, approval from this Committee becomes a prerequisite. The Board of Directors resolves nominating and/or assigning appropriate candidates who are capable to respond to the mandate from shareholders.
- (3) If a management executive acts in violation of laws and regulations and the articles of incorporation, significantly damages the corporate value and integrity of the Company, and/or demonstrates his/her ability, motivation and/or performance is inappropriate, then the Board of Directors shall consider the dismissal or removal of such an executive upon advice from the Nomination and Compensation Council.
- (4) Candidates for external corporate directorships shall be able to oversee management from an independent viewpoint and provide guidance on the activities of the Company based on their broad experience and deep insights.
- (5) To ensure continuity and stability of the Board of Directors, a mass election of new director candidates at one time shall be carefully considered and/or avoided.

5. Explanations with respect to the individual appointments/dismissals and nominations

Director candidates (including management executives) name, background, and a reason for nomination are stated in the reference document of the shareholder meeting.

(Japanese)

<https://www.accretech.com/jp/ir/stock/meeting/main/08/teaserItems1/02/linkList/01/link/Notice%20of%20Convocation%20Annual%20General%20Meeting%202025%20JP.pdf>

(English)

<https://www.accretech.com/en/ir/stock/meeting/main/07/teaserItems1/01/linkList/00/link/Notice%20of%20Convocation%20Annual%20General%20Meeting%202025.pdf>

If a management executive is being dismissed, adequate explanation for the dismissal shall be given in the document, including reference documents for the shareholder meeting, which the law and/or regulation requires.

#### **[Supplementary Principle 3.1.2 Disclosure Documents in English]**

In order to provide fair information to overseas stakeholders, the Company Group discloses information in English, including Timely disclosure materials, Financial Statements, Earnings conference materials, Annual Securities Report, Sustainability Report, and Integrated Report.

#### **[Supplementary Principle 3.1.3 Initiatives on Sustainability] UPDATED**

The Company aims to realize a sustainable society by promoting cooperation with all stakeholders based on its corporate philosophy. In the midst of a drastically changing corporate environment, the Company has established the Sustainability Policy and the Sustainability Committee and is working to resolve issues for the sustainable growth of our company and society.

##### **1. Investment in human capital**

The Company has established career paths for each of the following job categories: engineering, sales, manufacturing, service, and management.

- ◆ Provide an environment and opportunities (platform) for each employee to participate based on his or her own initiative
- ◆ Provide support for employees to acquire the necessary knowledge according to the timing of their growth

The Company is working on human resource development based on the above concepts.

Detail of the investment in human capital are stated in the Company's website as linked below.

(Japanese)

<https://www.accretech.com/jp/sustainability/esg/humanresources.html>

(English)

<https://www.accretech.com/en/sustainability/esg/humanresources.html>

##### **2. Investment in Intellectual Property**

- ◆ The Company formulates IP strategies appropriate to each business strategy and strive to contribute to the improvement of business competitiveness (pricing power), leading to higher profit margins.
- ◆ The Technology and Intellectual Property divisions regularly share market and intellectual property information to obtain IP landscape information to create new business areas and create cutting-edge technologies in existing business areas. The Company will also engage in generative AI-based creation activities.
- ◆ The Company applies patent maps to understand the status of patents held by our own and other companies in our business areas, and by acquiring rights in necessary and effective technological areas, the Company strives to improve our business competitiveness (pricing power) to increase profit margins and strengthen the continuity of our business activities.
- ◆ The Company is also working to increase the effectiveness of our investment in intellectual property by assessing the value of each of our patents and taking stock of our asset holdings according to the weight of our business.
- ◆ The Company is actively investing in the development of products that utilize leading-edge technologies and in the development of elemental technologies to cultivate the seeds of future technologies. A number of patent rights held in FY2025/3 have increased by more than 10% year-over-year.
- ◆ The Company reports its Intellectual Property strategy at semi-annual meetings attended by the president and all directors, and simultaneously, the Company reports progress monthly
- ◆ In the development of new products, the Company also conducts verification from the patent perspective by Intellectual Property division as part of our design review.
- ◆ As stipulated in the "ACCRETECH Group Code of Conduct", the Company respects, protects, and



- properly manages own intellectual property rights, and respects others' intellectual property rights, and take swift and decisive action against infringement or misuse of own intellectual property rights.
  - ♦ In order to stimulate intellectual creative activities and ensure the protection of intellectual property, the Company awards to departments with numerous applications and individuals who have made highly original inventions, rewards for employee inventions, and compensation for patents that make a significant contribution to the business. In addition, the Company provides opportunities for successful development cases to be presented to all engineers by those who have contributed to the success of the project, so that they can share the hardships and setbacks that led to their success and how they overcame them, thereby motivating development and bringing about new successful cases.
3. Initiatives on Climate Change
- ♦ The Company considers climate change not only as the cause of major risks for society such as temperature rises, extreme natural disasters, but also as a significant threat to our business. On the other hand, the Company believes that addressing climate change issues can make the Company stronger and products more competitive, offering opportunities to expand the Company's business. Information on business, strategic, and financial risks and opportunities, risk management status, and related indicators and targets, are being disclosed as linked below.
- (Japanese)  
<https://www.accretech.com/jp/sustainability/esg/tcfd.html>  
 (English)  
<https://www.accretech.com/en/sustainability/esg/tcfd.html>

**[Supplementary Principle 4.1.1 Specification of Its Own Decisions and the Scope and Content of the Matters Delegated to Management]**

In order to respond to the mandate from shareholders, the Board of Directors determines material matters required by laws, regulations and the articles of incorporation and those pertaining to management, including business plans, development and investment plans, as well as establishment and investment in subsidiaries, and monitors the director's business execution. For any matters which are not on the Board agenda, substantial authority shall be delegated to the heads of internal companies within the scope of duties and authority determined by internal regulations to accelerate decision making. The Company holds executive officer meetings to discuss/share information for effective Company-wide deliberation and establishes Company-wide committees such as the Risk Management, and Compliance Committees to examine and monitor important issues from multiple angles and make proper decisions.

**[Principle 4.9 Independence Standards and Qualifications for Independent External Corporate Directors]**

The Company has established an Independence Standard for independent external corporate directors. For details, please refer to II. 1. [Independent Directors] Other Information about Independent Directors.

**[Supplementary Principle 4.10.1 Approach, Authority, and Role Regarding the Independence of the Composition of the Nomination and Compensation Council]**

Please refer to II. 1. [ Voluntary Established Committees] below.

**[Supplementary Principle 4.11.1 Composition of the Board of Directors] UPDATED**

1. The Board of Directors shall consist of an appropriate number of members to allow substantial argument and examination as well as prompt decision making, and in order to ensure the effectiveness of the Board, appointment of Directors shall consider the balance of members in terms of proper risk control, supervision of business execution and functions/divisions to be covered and shall comprehensively examine such perspectives as diversity, knowledge, experience and competence.
2. The Board shall be inclusive at least one third (1/3) of external corporate directors in total, to reflect the opinions of external experts in business management and/or academic research in the management of the Company. External corporate directors shall be independent external corporate directors who shall satisfy the separately established criteria of independence.
3. The Audit and Supervisory Committee, as an independent organ, audits and supervises the state of the business execution of directors not served as an Audit and Supervisory Committee members.
  - (1) Constitution of the Audit and Supervisory Committee

Number of Audit and Supervisory Committee members shall be in appropriate, five (5) or less, and over a half shall be independent external corporate directors those who shall satisfy the separately established criteria of independencies. In addition, at least one (1) member shall be the one those who have considerable expertise of finance and accounting.

(2) Regular Meetings with the Representative Directors

To deepen mutual understanding between them, the Audit and Supervisory Committee shall have regular meetings with the Representative Directors and exchange opinions such as issues that the Company must address, auditing circumstances by the Committee, and other significant issues in auditing, and if necessary, request decisions.

4. The composition of the Board of Directors (Skills Matrix) is shown at the reference document of the shareholder meeting. The notices of the shareholder meeting are being disclosed as linked below.

(Japanese)

<https://www.accretech.com/jp/ir/stock/meeting/main/08/teaserItems1/02/linkList/01/link/Notice%20of%20Convocation%20Annual%20General%20Meeting%202025%20JP.pdf>

(English)

<https://www.accretech.com/en/ir/stock/meeting/main/07/teaserItems1/01/linkList/00/link/Notice%20of%20Convocation%20Annual%20General%20Meeting%202025.pdf>

**[Supplementary Principle 4.11.2 Status of Concurrent Directorship at Other Listed Companies]**

From the viewpoint of fiduciary duty, when the Company's directors concurrently assume directorship at any other listed company, it shall be limited to a reasonable scope to secure necessary time to perform duties as a Director of the Company. Significant concurrent positions held by Directors shall be disclosed annually, such as through the annual business report and/or the shareholder meeting reference material.

**[Supplementary Principle 4.11.3 Outline of Analysis for the Effectiveness of the Board of Directors]**  
**UPDATED**

An outline of effectiveness evaluation results are detailed in the news releases linked below.

(Japanese)

<https://www.accretech.com/jp/ir/news/news-512580114034821.html>

(English)

<https://www.accretech.com/en/ir/news/news-512580114034821.html>

**[Principle 4.14 Director Training]**

**Supplementary Principle 4.14.2 Plan for director training**

Newly appointed internal corporate directors shall be given external training opportunities to learn and understand the roles and responsibilities of managers including legal aspects.

External corporate directors shall be given briefing of business outlines and/or functions prior of his/her assignments to allow he/she to play their expected roles. In addition, when necessary, an opportunity to visit plants, offices, and subsidiaries of the Company shall be provided.

Incumbent Directors shall be given the opportunity to attend external training programs and be able to attend relevant additional programs as they request.

The expenses of any training programs described above shall be borne by the Company.

**[Principle 5.1 Policy for Constructive Dialogue with Shareholders]** **UPDATED**

The Company shall establish a framework and take measures to promote constructive dialogue with investors including shareholders, which are considered beneficial to sustainable growth and mid to long term improvement of its corporate value, based on the following policies:

1. Dialogue with shareholders shall be overseen by the Director in charge of IR, who shall pursue constructive dialogue through such means as holding Earnings Conferences and/or IR meetings.
2. Management Support Dept. IR Team, shall support the Director in charge of IR in collaboration with related divisions and share IR information to determine IR directions and create documents for disclosure.
3. In order to provide fair information to overseas investors, disclosure information (including timely disclosures, financial statements, earnings conference materials, Q&A summary materials, securities



reports) is in principle translated into English and posted on the English website at the same time as or as soon as possible after the Japanese disclosure information is available.

(Japanese)

<https://www.accrettech.com/jp/ir/index.html>

(English)

<https://www.accrettech.com/en/ir/index.html>

4. In addition to holding Earnings Conference for investors and analysts, the Company expands opportunities for dialogue by holding 1 on 1 meeting, participating in domestic/overseas conference and/or group meeting moderated by securities firms, and holding overseas roadshow. In FY2025/3, the Company held Earnings Conferences, 1 on 1 meetings, participating in domestic/overseas conferences (Japan, United States and Singapore) and group meetings moderated by securities firms, and an overseas roadshow(United states), where it interacted with a total of about 1,000 investors, and participated in a web seminar for individual investors to exchange views.
5. Information and opinions obtained through constructive dialogues with shareholders are collected as appropriate and reported regularly at meetings such as the Board meeting and Executive Officers and other meetings and shared to relevant divisions as appropriate. In addition, the Company is striving to promote shareholders' understanding by reflecting matters of common interest in dialogue, such as the assumptions underlying earnings forecasts, in our financial results presentation materials.
6. The Company shall appropriately control insider information in accordance with the Company's regulations. Additionally, the Company sets specific periods before earnings release as "silent period" and withholds such dialogues.

[Action to Implement Management That Is Conscious of Cost of Capital and Stock Price) ] (Disclosed in English)] **UPDATED**

1. The Company's business consists of two business segments, Semiconductor Production Equipment segment and Metrology Instruments segment, and the Company believes that " Gaging the future with Metrology, Creating the future with Semiconductors" is the significance of the Company's existence and contribution to society. The Company aims expand its business and increase its corporate value by further refining our respective technologies and products, providing new solutions through the fusion and combination of the technologies of the two businesses individually, and increasing the added value of its products.
2. The Company has set a target of ROE: 15% in its mid-term business plan through the fiscal year ending March 31<sup>st</sup>, 2028 (FY2028/3) and has applied ROIC as an internal evaluation criterion. The Company established a system to calculate ROIC by business segment in FY2023/3, and commenced evaluating actual results in FY2024/3 and FY2025/3. The Company implements growth and precise financial strategies with the aim of achieving ROIC that exceeds the cost of capital on an ongoing basis so that we will be able to obtain the evaluation expected by the stock market for the stability of earnings and growth potential over the medium to long term.

## 2. Capital Structure

Foreign Shareholding Ratio	Over 30%
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[Status of Major Shareholders ] **UPDATED**

Name or Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. Trust account	7,256,400	17.84
Custody Bank of Japan, Ltd. (Trust account)	4,946,200	12.16
State Street Bank and Trust Company 505001	1,733,102	4.26
JPMorgan Securities Japan Co., Ltd.	1,174,511	2.89
The Precise Measurement Technique Promotion Foundation	1,058,700	2.60
Shintaro Yano	686,750	1.69
Mizuho Bank, Ltd.	672,204	1.65
JP MORGAN CHASE BANK 385781	527,739	1.30
State Street Bank West Client – Treaty 505234	516,200	1.27
Northern Trust Co (AVFC) RE Fidelity Funds	469,896	1.16

Name of Controlling Shareholder, if applicable (excluding Parent Companies)	-
Name of Parent Company, if applicable	No

#### Supplementary Explanation

The principal shareholders above is based on shareholders' register as at March 31<sup>st</sup>, 2025.

\*The percentage of shares held is in relation to the total number of shares issued excluding treasury shares held by the Company (1,505 thousand shares). The aforementioned number of treasury shares does not include 200 thousand shares held by Custody Bank of Japan, Ltd., (Trust Account E) as trust assets related to the stock benefit trust (BBT).

### 3. Corporate Attributes

Listed Stock Market and Market Segment	Tokyo Stock Exchange, Prime Segment
Fiscal Year End	March
Business Sector	Precision Equipment
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	Over 1,000 employees
Net Sales (Consolidated) for the Previous Fiscal Year	From 100.0 billion to 1,000.0 billion Japanese Yen
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to 50 subsidiaries

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

Not applicable.

### 5. Other Special Circumstances which may have Material Impact on Corporate Governance

Not applicable.

## II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight

### 1. Organizational Composition and Operation **UPDATED**

Corporate Governance System	Company with Audit and Supervisory Committee
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#### [Directors]

Number of Directors Stipulated in Articles of Incorporation	20
Directors' Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	Chairman (except in the case of a person who also serves as President)
Number of Directors	10
Election of External Directors	Elected
Number of External Directors	5
Number of Independent Directors	5

## External Director's Relationship with the Company (1) **UPDATED**

Name	Attributes	Relationship with the Company (*)										
		a	b	c	d	e	f	g	h	i	j	k
Yuriko Sagara	Lawyer											
Kiyoshi Takamasu	Academic											
Kazuya Mori	From another company								△			
Motoko Kawasaki	From another company								△			
Sumiko Takayama	CPA											

### Legend of Relationship with Company

“○” when the director presently falls or has recently fallen under the category

“△” when the director fell under the category in the past

“●” when a close relative of the director presently falls or has recently fallen under the category, and

“▲” when a close relative of the director fell under the category in the past

- Executive of the Company and/or its subsidiaries
- Executive and/or Non-executive director of a parent company of the Company
- Executive of a company under common control with the Company
- Person and/or a party whose major client/supplier is the Company or executives of such company
- The Company's major client/supplier or executives of such company
- A Consultant, Accounting expert, and/or Legal expert who received large amount of money and/or assets other than the Director's compensation
- Principal shareholder of the Company (if it is a public company, an executive of such company)
- An executive of the Company's client/supplier (except d., e., nor f. above) (limited to himself/herself)
- Executive of a company that the Company has mutual directorships (limited to himself/herself)
- Executive of a party to which the Company donates
- Others

## External Director's Relationship with the Company (2) **UPDATED**

Name	Membership of Audit and Supervisory Committee member	Designation as Independence Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Yuriko Sagara	O	O	-	The person, including his/her close relatives, has no conflict of interest such as entering legal/tax consulting services with the Company, nor with other shareholders. He/she passes the company criteria for independence; therefore, the Company appoints him/her as an independent director.
Kiyoshi Takamasu		O	-	The person, including his/her close relatives, is not an executive party with conflicts of interest, such as the Company's major client/supplier, principal shareholder, nor principal shareholding company. He/she passes the company criteria for independence; therefore, the Company appoints him/her as an independent director.
Kazuya Mori		O	While the Company has business transaction with Japan Semiconductor Corporation where he was once an executive, exposure is less than 2% of consolidated sales amount. He left his executive position 4 years ago. As of today, he is not an executive of that company.	The person, including his/her close relatives, is not an executive party with conflicts of interest, such as the Company's major client/supplier, principal shareholder, nor principal shareholding company. He/she passes the company criteria for independence; therefore, the Company appoints him/her as an independent director.
Motoko Kawasaki	O	O	While the Company has business transactions with FUJIFILM Holdings Corporation and FUJIFILM	The person, including his/her close relatives, is not an executive party with conflicts of interest, such as the Company's major client/supplier, principal shareholder, nor principal shareholding

			Corporation, where she was once these executives, exposure is less than 2% of consolidated sales amount. She left her executive position 4 years ago. As of today, she is not executives of these companies.	company. He/she passes the company criteria for independence; therefore, the Company appoints him/her as an independent director.
Sumiko Takayama	O	O		The person, including his/her close relatives, has no conflict of interest such as entering legal/tax consulting services with the Company, nor with other shareholders. He/she passes the company criteria for independence; therefore, the Company appoints him/her as an independent director.

### [Audit and Supervisory Committee]

#### Composition of the Audit and Supervisory Committee and Attributes of the Chairperson

Name	All Committee Members	Full-time Members	Internal Directors	External Directors	Committee Chair
Audit and Supervisory Committee	4	1	1	3	Internal corporate director

Appointment of Directors and/or Staff to Support the Audit and Supervisory Committee	Appointed
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#### Matters Concerning Independence of Said Directors and/or Staff from Executive Officers/Reasons for Adopting Current System

The Company assigns employees belonging to the Management Support Dept. or Audit Dept. to assist the Audit and Supervisory Committee when necessary.

The employees who assist the Audit and Supervisory Committee do not receive any instructions from superiors of the division they belong to for matters for which they receive instructions from the Audit and Supervisory Committee. The appointment and transfer of the employees who assist the Audit and Supervisory Committee shall require the consent of the Audit and Supervisory Committee. To evaluate the employees who assist the Audit and Supervisory Committee, opinions shall be obtained from the Audit and Supervisory Committee.

#### Cooperation among the Audit and Supervisory Committee, Financial Auditor and Internal Auditing Division

The Audit and Supervisory Committee shares opinions about auditing structure and auditing issues as necessary among the Audit Dept. and Financial auditors to make Audit effective. In addition, the Audit and Supervisory Committee periodically obtains briefing about the results of internal audits (based on annual schedule) and related matters.

### [Voluntary Established Committees]

Voluntary Establishment of Committee(s) equivalent to Nomination Committee or Remuneration Committee	Established
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#### Status of Voluntary Committee, Composition of the Committee and Attribution of a Chairman

Name	Name of committee	All Members	Full-time Members	Internal Directors	External Directors	External Experts	Others	Chairperson
Voluntarily Established Committee Equivalent to Nomination Committee	Nomination and Compensation Council	5	0	0	5	0	0	External corporate director
Voluntarily Established Committee Equivalent to Compensation Committee	Nomination and Compensation Council	5	0	0	5	0	0	External corporate director

#### Supplementary Explanation

The Company has established a Nomination and Compensation Council as a voluntary committee for the purpose of clarifying the independence, objectivity and accountability of the Board of Director's functions especially in nomination of and compensation to the directors. The Council consists of members of the Audit and Supervisory Committee and external corporate directors not serving as an Audit and Supervisory Committee member. Independent external corporate directors are in the majority (Now all 5 members are external corporate directors) in the Council to realize deliberations fully independent from management.

For a nomination of director(s), the Council deliberates/reports on matters related to nomination of director(s) including appointments and dismissals.

For compensation to the directors, the Council deliberates on/resolves classification of compensation per post, and deliberates/reports on matters related to compensation policies.

[Matters concerning nominations]

(Matters to be reported): (1) Policies and procedures for the election and dismissal of directors, (2) proposals to be submitted to the General Meeting of Shareholders for the election and dismissal of directors, (3) Selection, dismissal, and division of duties of representative directors (CEO) and executive directors, (4) Succession plan, and (5) Other matters deemed necessary by the council in relation to (1) through (4) above.

[Matters concerning compensations]

(Matters to be determined): (1) Standard of compensation amount per post, (2) Group Business performance coefficient in the calculation of Performance-linked compensation amount, (3) Points, etc. per each position in the calculation formula for performance-linked stock compensation.

(Matters to be reported): (4) Policy, composition, and decision-making procedures for remuneration for Directors, (5) Agenda items for the General Meeting of Shareholders regarding remuneration for directors and corporate auditors, and (6) Other matters deemed necessary by the Council in relation to (1) through (5) above.

#### [Matters Concerning Independent Directors]

Number of Independent Directors	5
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#### Other Matters Concerning Independent Directors

[Independence Standards for External Corporate Directors]

An external corporate director or external auditor must fulfill all the independence criteria below:

- Not an executive (\*1) of Tokyo Seimitsu Group (Accretech Group) within 10 years
- Not the principal shareholder (\*2) or its executive
- Not an executive of the following company or party within 3 years
  - A company or party that Accretech Group is principal client/supplier for (\*3)
  - A company or party that is Accretech Group's principal client/supplier (\*3)

- (3) A company or party that is Accretech Group's principal lender (\*4)
4. Not a certified public accountant belongs to Accretech Group's financial accountant
5. Not an expert such as public accountant, tax accountant, attorney, judicial scrivener, nor patent attorney that obtains significant amount of cash (\*5) or assets from the Accretech Group
6. Nor others as shown below
  - (1) Not a person from the company with which the Company has mutual directorship(\*6)
  - (2) A person's spouse, relative within the second degree of kinship, relative living together or those who share a living are all applicable from 1. to 5. above
  - (3) Not having other significant conflicts of interest with the Company

(\*1) Executive: Directors in charge of business execution, Executive officer and/or equivalent responsibilities

(\*2) Principal shareholder: shareholder who directly or indirectly owns over 10% of total voting rights

(\*3) Principal client/supplier: Client/supplier whose sales amount at previous fiscal year is over 2% of consolidated sales amount

(\*4) Principal lender: Lender that Accretech Group's outstanding loans payable at previous fiscal year is over 10% of total assets

(\*5) Significant amount of cash: over 10 million yen per year (in 3 years average) excluding directorship compensation

(\*6) Mutual directorship: A person from a Company that an Accretech Group employee (or ex-employee) is being appointed to as an external director

### [Incentives]

Implementation Status of Measures related to Incentives Granted to Directors	Performance-linked Remuneration system, and others
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#### Supplementary Explanation

Please refer to I.1. [Principle 3.1 Full Disclosure], 3.Board policies and procedures in determining the compensation of senior management and directors.

### [Director Remuneration] **UPDATED**

Status of Disclosure of Individual Director's Remuneration	Disclosure for Selected Directors
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#### Supplementary Explanation for Applicable Items

Total amount of compensation paid to corporate directors (excluding directors serving as Audit and Supervisory Committee members and external corporate directors), directors serving as Audit and Supervisory Committee members (excluding external corporate directors) and external corporate directors are disclosed in annual securities report and business reports. Also, in annual securities report, consolidated compensation paid to individual directors who are paid over 100 million Yen per year by the Group are individually disclosed.

Policy on Determining Remuneration Amounts and Calculation Methods	Established
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#### Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Please refer to I.1. [Principle 3.1 Full Disclosure], 3.Board policies and procedures in determining the compensation of senior management and directors.

Total amount of compensation paid to directors in FY2025/3:

Directors (excluding directors serving as an Audit and Supervisory Committee member and external corporate directors): 686 million Yen

Directors serving as an Audit and Supervisory Committee member (excluding external corporate directors): 22 million Yen

External corporate directors: 42 million Yen



### [Support System for External Corporate Directors]

To assist and enhance effective corporate governance, the Company assigns a secretary of the General Affairs Dept. as a contact window to provide information or explanatory details as necessary to external corporate directors. Also, to maximize effective attendance at Board meetings, the Company notifies dates and agenda items well prior to meetings.

The Company also assigns about 2 staffs for assisting the Audit and Supervisory Committee. This staff also support smooth information sharing with external corporate directors.

### [Status of Persons who have Retired as Representative Director and President, etc.]

Name of Corporate Advisers who used be Company President etc.
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Name	Job title / Position	Responsibilities	Terms and Conditions of Employment (Full/Part-time, with/without remuneration, etc.)	Date when former role as president/CEO ended	Term
-	-	-	-	-	-

Number of Persons Holding Advisory Positions ( <i>Sodanyaku, Komon</i> , etc.) After Retiring as Representative Director and President, etc.	0
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Other Related Matters
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While the Company has the capacity to assign former Presidents etc. as Senior Adviser (part-time, 2 years in principle) or Corporate Adviser (part-time, 1 year in principle), as of the date of disclosure of this document, there is no such former Chairman and/or President serving as a Senior Adviser nor Corporate Adviser.

## 2. Matters Concerning Functions of Business Execution, Auditing and Supervision, Nomination, and Remuneration Decisions (Overview of Current Corporate Governance System) **UPDATED**

### 1. Outline of business executions

- (1) The Board of Directors holds regular monthly Board Meetings. At meetings, important matters stipulated by the law, articles of incorporation and regulations related to Boards of Directors are deliberated on and reviewed. The Company provides supplementary documents necessary for deliberation to all directors, in addition, secures deliberation time to make it sufficient.
- (2) In deliberations at the Board of Directors, directors with broad experience in management, technology, sales, etc. and abundant experience in corporate management, technology, intellectual property, legal affairs, and accounting/tax affairs and knowledgeable external corporate directors are able to examine management issues from multiple perspectives.
- (3) To accelerate decision making, the Company delegates substantial authority to internal companies within the scope of duties and authority determined by internal regulations to accelerate decision making. Also, the Company holds executive officers meetings to discuss/share information for effective Company-wide deliberation, and establishes Company-wide committees such as the Risk Management, and Compliance Committees to examine and monitor important issues from multiple angles and make proper decisions.
- (4) In addition, reports on the progress and results of matters resolved by the Board Meeting are submitted, and the execution of duties by directors is supervised. Regarding the overall effectiveness of the Board of Directors, the Company conducts opinion surveys of all directors, including external directors, and based on the analysis and evaluation of the results, the Company will strive to make further improvements.

### 2. Outline of audit and supervision

- (1) The Company has established the Nomination and Compensation Council as an advisory

organization for the President and the Board of Directors. The Nomination and Compensation Council is composed of Audit and Supervisory Committee members and external corporate directors (All 5 members are independent directors), and deliberates on such matters as nomination of directors and directors compensation.

- (2) The Company has established an Audit Dept. under the direct management of the President. The Department manager, upon direct assignment by the President & COO, carries out appropriate investigations.
  - (3) Based on internal audit regulations, the Audit Dept. conducts periodic internal audits. In addition, the Audit Dept. periodically evaluates subjects to be audited, auditing methods, and revises practices when necessary.
  - (4) If the Audit Dept. finds any violation of laws, regulations, the articles of corporation or internal rules, or any performance of duties that may cause a loss due to some other reasons at the Company or its subsidiaries, the General Manager of the Audit Dept. immediately notifies the President & COO and tells employees to implement corrective or improvement actions.
  - (5) To ensure effective auditing, the Audit Dept. requires each department to maintain related internal regulations, guidelines and manuals and thoroughly inform all employees of the significance of the Audit Dept. In addition, the Audit Dept. provides guidance to each department for immediate reporting to Audit Dept. if any risk of loss as per these documents has arisen.
  - (6) The Management Support Dept. which is the primary support department of affiliates collects information on important issues and serious risks at the subsidiaries to share information between the Parent Company and the subsidiaries and properly perform duties in the interest of both the Parent Company and subsidiaries.
  - (7) If the Management Support Dept. finds risks of material loss at a subsidiary, it immediately notifies further information including details of the risk, estimated material loss, to the Board of Directors and related departments.
  - (8) The Audit and Supervisory Committee and Audit Dept. exchange sufficient level information among Auditor, Audit department, or equivalent department to notify and/or prevent any kind of irregular function and/or accounting matter related to the Company or subsidiary.
3. Outline of methods of resolving nomination and/or compensation  
Please refer to I.1. [Principle 3.1 Full Disclosure], 3. Board policies and procedures in determining the compensation of management executives and directors and 4. Board policies and procedures in the appointment/dismissal of management executives and nomination of candidates for directorships.

### 3. Reasons for Adoption of Current Corporate Governance System

The Company applies a structure called the Audit and Supervisory Committee, because the Company Group believes such a governing body is the most appropriate one to realize a suitable balance between strengthening auditing/monitoring of director's business executions and timeliness, streamlining and optimizing of decision making.

The Company ensures effective governance through constructive discussions at the Board of Directors and the utilization of external corporate directors, and realizes the sustainable growth of the Group in the medium to long-term.

## III. Implementation of Measures for Shareholders and Other Stakeholders

### 1. Measures to Vitalize General Meeting of Shareholders and Facilitate Exercise of Voting Rights **UPDATED**

	Supplementary Explanation
Early Posting of Notice of General Shareholder Meeting	The Notice of Annual General Meeting of Shareholders for 2025 was mailed to shareholders on June 3 <sup>rd</sup> , 2025 (20 days prior of the meeting). In addition, the Notice (Japanese), Other Matters Provided Electronically (Matters Excluded from Paper-Based Documents Delivered to Shareholders)(Japanese), and a summary of the Notice (English) were also posted to the Tokyo Stock Exchange and the Company website 7 days prior to mailing.

Scheduling of the General Shareholders Meeting on a Non-Peak Day	Where possible the Company sets the day of the Meeting not to conflict with other similar meetings. (Annual General Meeting of Shareholders for 2025 was held on June 23 <sup>rd</sup> , 2025).
Electronic Exercise of Voting Rights	The Company has utilized an online electronic voting system since the Meeting held on June 2016.
Participation in a Platform for the Electronic Exercise of Voting Rights and Other Initiatives to Enhance Environment for Institutional Investors to Exercise Voting Rights	The Company has participated in a voting rights online platform since June 2016 to improve the voting environment.
Provision of Notice (or Summary of Notice) of the General Shareholders Meeting in English	The Company provides a summary of the Notice in English, including proposals and reference documents, via the Stock Exchange and the Company website. <a href="https://www.accretech.com/en/ir/stock/meeting.html">https://www.accretech.com/en/ir/stock/meeting.html</a>
Others	-

## 2. Status of IR-related Activities **UPDATED**

	Supplementary Explanation	Explanation by a representative director or a representative executive officer
Formulation and Publication of Disclosure Policies	The Disclosure policy is being disclosed as linked below. (Japanese) <a href="https://www.accretech.com/jp/ir/irpolicy.html">https://www.accretech.com/jp/ir/irpolicy.html</a> (English) <a href="https://www.accretech.com/en/ir/irpolicy.html">https://www.accretech.com/en/ir/irpolicy.html</a>	
Regular Investor Briefings held for Individual Investors	The Company periodically participates in a Conference for individual investors.	Held
Regular Investor Briefings held for Analysts and Institutional Investors	The Company holds Earnings Conferences in person and/or virtually for Full Year (in May) and each quarter (August, November, and February) hosted by representative executive officer in charge of IR.. Also, The Company holds 1 on 1 meeting when necessary.	Held
Regular Investor Briefings held for Overseas Investors	The Company participates in conferences mainly for overseas investors, with briefings by the representative director and/or representative executive officer in charge of IR. The Company also holds meetings hosted by the representative director, representative executive officer in charge of IR, and/or Investor relations team. In addition, the Company holds 1 on 1 meeting when necessary.	Held
Online Disclosure of IR Information	Information such as Timely disclosure materials, Financial Statements, Earnings conference presentation, its Q&A summary, Annual Securities Report, Investor notes, performance highlights, share price, archive	

	of Seminar for individual investors, and other documents are regularly posted. (Japanese) <a href="https://www.accretech.com/jp/ir/index.html">https://www.accretech.com/jp/ir/index.html</a> (English) <a href="https://www.accretech.com/en/ir/index.html">https://www.accretech.com/en/ir/index.html</a>
Establishment of Department and/or Placement of a Manager in Charge of IR	The Management Support Dept. IR Team, which reports directly to the President, has been established as the department in charge.
Other	In order to provide fair information to overseas investors, the Company translates disclosed information (including Timely disclosure materials, financial statements, earnings conference presentations, its Q&A summaries, Annual security reports) into English in principle, and post them on its English website at the same time as or as soon as possible after the Japanese information is disclosed. <a href="https://www.accretech.com/en/ir/index.html">https://www.accretech.com/en/ir/index.html</a>

### 3. Status of Measures to Ensure Due Respect for Stakeholders **UPDATED**

	Supplementary Explanation
Establishment of Internal Rules Stipulating Respect for the Position of Stakeholders	Rules to Respect the positions of Stakeholders are set forth in the internal regulations represented by “ACCRETECH Code of Conduct” and “Internal Control Policy”.
Implementation of Environmental Preservation Activities and CSR Activities, etc.	The Company’s governance, environmental activities and actions for social responsibility are publicly available the Company’s website. In addition, the Company has established a Sustainability Dept. and Sustainability Committee chaired by heads of each business division and subsidiaries to maintain and monitor these activities. (Japanese) <a href="https://www.accretech.com/jp/sustainability/index.html">https://www.accretech.com/jp/sustainability/index.html</a> (English) <a href="https://www.accretech.com/en/sustainability/index.html">https://www.accretech.com/en/sustainability/index.html</a>
Formulation of Policies, etc. on Provision of Information to Stakeholders	In the "Sustainability Report", the Company proposes engagement and information to all stakeholders including customers, shareholders/investors, suppliers, employees, industries and regions in line with its motto "Disclose corporate activities to all stakeholders no matter actual or potential". Also the Company discloses its activities through notices to public organizations, Integrated report and IR information and its website.
Other	

## IV Matters Concerning the Internal Control System **UPDATED**

### 1. Basic Views on Internal Control System and Status of Development

The Board of Directors has ratified its Internal Control Policy as shown below.

#### 1. Core Management Policy

Our corporate philosophy is "to create the world's No.1 products and grow with our partners and customers by integrating excellent technical knowledge, wisdom and information available in the world." The corporate motto of Tokyo Seimitsu (the "Company") is "win-win relationships create the world's No. 1 products." The Company will reinforce its corporate governance and compliance, and ensure the sound and transparent management of the Group to build win-win relationships with all stakeholders such as customers, suppliers, shareholders, and employees for long-term sustainable growth.

**2. A framework to ensure that performance of duties of Directors and employees of the Company and its subsidiaries is in compliance with relevant laws and regulations as well as the articles of incorporation**

- (1) To appropriately and soundly perform duties as a whole, from a viewpoint to further strengthen corporate governance, the Boards of Directors of the Company and its subsidiaries seek to establish an effective internal control system and a structure to comply with relevant laws, regulations and the articles of corporation.
- (2) The Company and its subsidiaries have established the ACCRETECH Group Code of Conduct which defines the standards of behavior to ensure socially responsible conduct by Directors and employees of the Company and its subsidiaries, based on a high level of morality, pursuant to relevant laws and regulations as well as the articles of corporation and internal regulations. Through the ACCRETECH Group Code of Conduct, the Company aims to permeate and establish awareness of corporate ethics among the Directors and employees of the Company and its subsidiaries.
- (3) The Company has established the Compliance Committee headed by the Head of Administration Companies, upon an assignment of Compliance officer(s) and Compliance manager(s) at the Company and each subsidiary, to improve the compliance system and understand and address important issues in all business activities by the Directors and employees of the Company and its subsidiaries.
- (4) The Company has established a system under which, if any problem concerning compliance arises, the nature and possible measures of the problem will be reported from Compliance officer(s) through the Compliance Committee without delay to the Boards of Directors and Audit and Supervisory Committee.
- (5) The Company has established the Audit Dept. under the direct management of the President & COO. This Department conducts internal audits to examine whether operations of the Company and its subsidiaries are conducted in compliance with relevant laws and regulations as well as internal rules, and assess the validity of control.
- (6) The Company has established an internal whistleblower system to accept reports or provide consultation on incorrect behaviors that are against social norms or corporate ethics. Appropriate measures are taken to protect whistleblowers and maintain transparency.
- (7) The Audit and Supervisory Committee audits the effectiveness and functions of the internal control system.

**3. A framework aimed at preservation and control of information relating to the performance of duties by Directors of the Company**

- (1) The Directors of the Company appropriately preserve and control information and documents pertaining to performance of duties as provided in the Core Information Security Policy.
- (2) The information control system is designed to allow access upon request of Directors.

**4. A framework including rules concerning the control of risk of loss of the Company and its subsidiaries**

- (1) The Company seeks to prevent potential risk. When risk becomes apparent, all employees including the President quickly and calmly respond to it.
- (2) The Company has established Risk Control Rules to identify and control risks related to the performance of duties at the Company and its subsidiaries, and has created the Risk Control Committee head by the President & COO. This Committee puts in place a risk management system that prevents and gets prepared for potential risks pursuant to the Risk Control Rules.
- (3) If the Audit Dept. finds any violation of laws, regulations, the articles of corporation or internal rules, or any performance of duties that may cause a loss due to some other reasons at the Company or its subsidiaries, the General Manager of the Audit Dept. immediately notifies the President &

COO and tells employees to implement corrective or improvement actions.

- (4) If a risk arises, when necessary, the Emergency Headquarters headed by the President & COO is established and measures are immediately taken to remedy the situation.

**5. A framework to ensure the efficient performance of duties by Directors of the Company and its subsidiaries**

- (1) The Board of Directors of the Company and its subsidiaries determine material issues pertaining to management policy and other items and oversees the performance of duties by the Directors, in accordance with the internal rules including those of the Boards of Directors. They have a framework to ensure the distribution of sufficient materials related to the agenda to all the Directors.
- (2) The Company has in place an executive officers system to make speedy decisions on product development planning and quick and flexible response to market trends. The Executive Officers oversee the progress and implementation of business plans at regular Executive Management and Executive Officers' Meetings.
- (3) The Company and its subsidiaries delegate authority and responsibility clearly defined by the rules on job authority and functions, and other rules in performing duties.

**6. A framework to ensure the proper performance of other duties at the Company and its subsidiaries**

- (1) The Company has established the Rules on Matters to be Declared or Reported to Tokyo Seimitsu from Subsidiaries, based on which important issues are reported to the Company, and some require the approval of the President & COO of the Company or the Board of Directors.
- (2) To facilitate this framework, the Company provides support and advice to its subsidiaries, and if necessary, dispatches Directors and/or Auditors to monitor and/or audit its business operations.
- (3) The Management Support Dept. under the direct control of the President & COO collects information on important issues and serious risks at the subsidiaries to share information between the Company and the subsidiaries and properly perform duties in the interest of both the Company and subsidiaries.
- (4) If the Management Support Dept. identifies a risk of loss at a subsidiary, it immediately reports to the Board of Directors and divisions concerned the nature, degree and impact of the loss.
- (5) The Company's Audit and Supervisory Committee and the Company's Audit dept. actively share information with the Auditor and Audit Dept. and other relevant divisions of the Company or subsidiaries in order to earlier detect and prevent improper transaction or accounting related to the Company and subsidiaries.

**7. A framework to ensure the credibility of financial statements**

- (1) The Company has established the Core Policy on Internal Control over Financial Reporting to sufficiently reduce risks against the credibility of financial reporting by the Company and its subsidiaries.
- (2) The Company and its subsidiaries strive to ensure the validity of financial reporting by segregating responsibilities and conducting daily monitoring in the performance of their daily duties.
- (3) The Internal Control Committee and the Audit Dept. evaluate and check the validity of internal control systems related to financial reporting at the Company and its subsidiaries.
- (4) For matters which are highly likely to have material impact on the financial situation, the Directors (excluding the Audit and Supervisory Committee members), Audit and Supervisory Committee members, and Accounting Auditors properly share information among themselves.

**8. Matters on the Assignment of Employees to Assist the Audit and Supervisory Committee**

The Company assigns around two employees belonging to the Management Support Dept. or Audit Dept. to assist the Audit and Supervisory Committee when necessary.

**9. Matters on Ensuring the Independence of Employees who Assist the Audit and Supervisory Committee from the Directors (excluding the Audit and Supervisory Committee members), and those on the Effectiveness of Instructions of the Audit and Supervisory Committee to such Employees**



- (1) The employees who assist the Audit and Supervisory Committee described in the preceding paragraph do not receive any instructions from superiors of the division they belong to for matters for which they receive instructions from the Audit and Supervisory Committee.
- (2) The appointment and transfer of the employees who assist the Audit and Supervisory Committee requires the consent of the Audit and Supervisory Committee.
- (3) To evaluate the employees who assist the Audit and Supervisory Committee, opinions are obtained from the Audit and Supervisory Committee.

#### **10. Frameworks including those concerning reporting to the Audit and Supervisory Committee of the Company by the Directors and employees of the Company and its subsidiaries, or the Auditors of the Subsidiaries**

- (1) The Directors and employees of the Company and its subsidiaries, and the Auditors of subsidiaries make reports or provide information as necessary, as determined by the Audit and Supervisory Committee of the Company, on request of the Audit and Supervisory Committee.
- (2) The matters that may require reporting or information sharing as described in the preceding paragraph are as follows:
  - ◆ Internal Control System activities of the Audit Dept. and Management Support Dept.
  - ◆ Activities of the Auditors and internal audit divisions of subsidiaries
  - ◆ Major accounting policy and standards of the Company, and changes to them
  - ◆ Business results and forecasts to be announced, and contents of important documents to be disclosed
  - ◆ Management of the internal whistleblower system and reported contents
  - ◆ Distribution of internal *Ringi* and minutes of meetings requested by the Audit and Supervisory Committee
- (3) The Company and its subsidiaries ensure that their Directors and employees and the Auditors of subsidiaries are not treated unreasonably because of such reporting or information provision to the Audit and Supervisory Committee.

#### **11. Other frameworks to ensure effective auditing by the Audit and Supervisory Committee**

- (1) The Representative Directors of the Company hold regular meetings with the Audit and Supervisory Committee members as appropriate to exchange opinions on the management of the Company and communicate each other, separately from the reporting of the performance of duties.
- (2) The Board of Directors of the Company ensures that the Audit and Supervisory Committee members participate in important meetings such as Executive Management Meetings to ensure proper performance of their duties.
- (3) The Company shall bear all the necessary expenses or debts for the Audit and Supervisory Committee members to perform their duties. Upon claim of advance payment of such expenses pursuant to the Companies Act., it shall immediately pay after confirming with the relevant divisions.

#### **12. Basic Views and Activities to Severe Relationships with Anti-social Groups**

- (1) The Company and its subsidiaries will not have any relationships with anti-social groups. When contacted by such groups, the Company and its subsidiaries provide information to related organizations such as police, and work with attorneys to take steadfast action against unreasonable or violent demand as an organization.
- (2) The ACCRETECH Group Code of Conduct prohibits any relationships with anti-social groups. The Company and its subsidiaries work to collect updated information from the police and shareholder registry administrators and other enforcement bodies. The Company has identified a section in charge of responding to these issues and collaborates with external organizations when necessary.

## **2. Basic Views on Measures for Eliminating Anti-Social Forces and Status of Development**

Please refer to above internal control policy, 1-12. Basic Views and Activities to Severe Relationships with Anti-social Groups.

## **V. Others**

### **1. Adoption of Anti-Takeover Measures**

Adoption of Anti-Takeover Measures	No
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Supplementary Explanation for Applicable Items
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Not applicable.

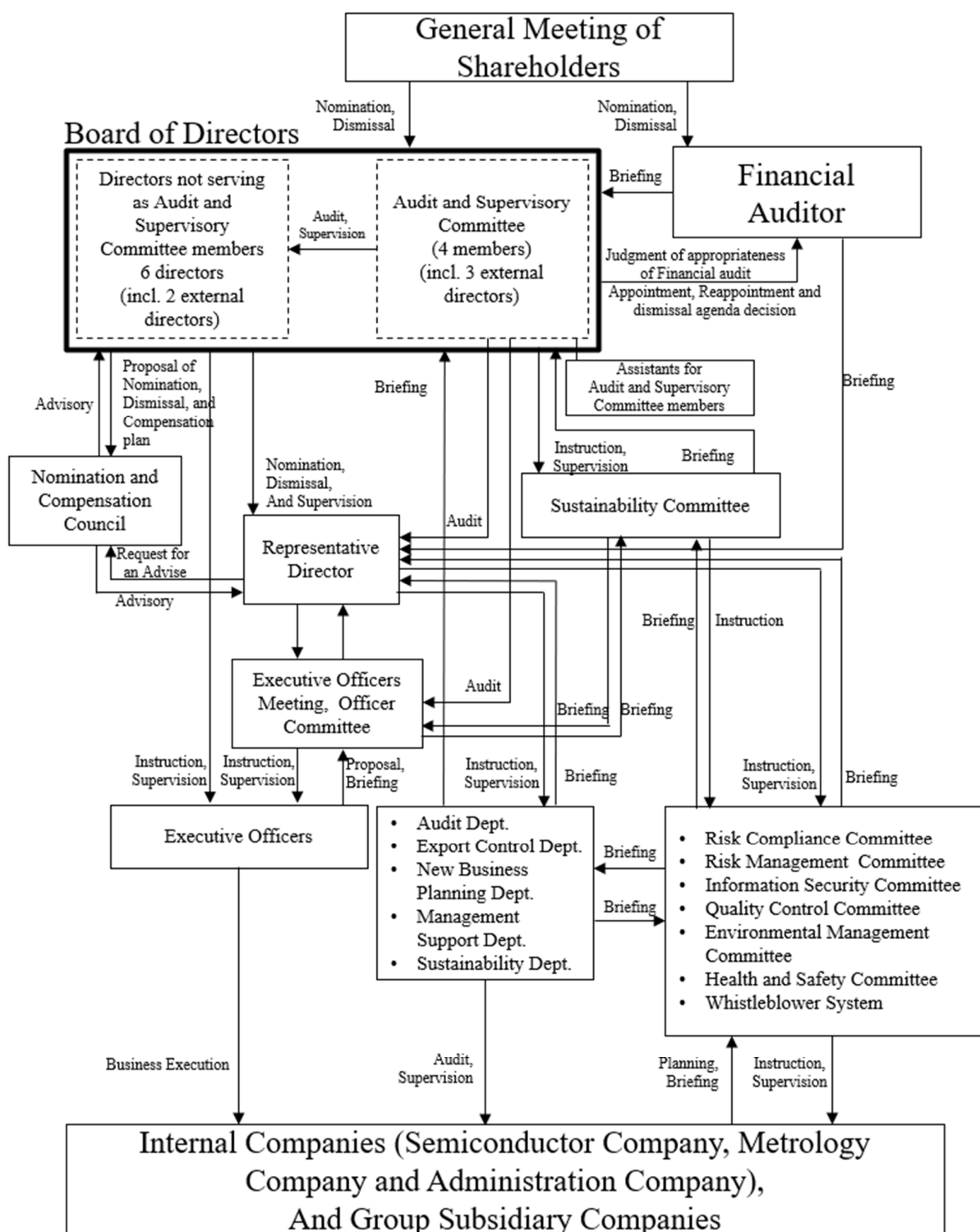
### **2. Other Matters Concerning the Corporate Governance System**

Overview of timely disclosure

In terms of timely disclosure, the Company maintains internal information controls and processes in its “Information Security Policy” and “Regulation for Insider Trading” and works for timely and appropriate disclosure of the Company’s information such as significant resolutions, events, and/or earnings information that may influence investor’s judgements.

The Timing and method of disclosure will be mutually decided by the Board of Directors and related organizations, and will be handled by the General Affairs Dept., upon direction of the Information management supervisor (Director in charge of information disclosure).

The Company utilizes disclosure methods widely so that our stakeholders enable to obtain the Company’s information, including posting on the Timely Disclosure Network(TDnet) provided by the Tokyo Stock Exchange, on the Company’s website and provision of news releases.



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