

Messages from Independent Officers

We are continuing discussions for further governance reform.

Hiroshi Kurimoto

Outside Director, Chairman of the Nomination and Compensation Advisory Committee



◆ **New Management and Governance System from 2019**

Firstly, I would like to talk about the decision-making process for appointing President Noriaki Taneichi after the previous president, Ikuo Akutsu. Taneichi was selected under the old system before the establishment of the Nomination and Compensation Advisory Committee in December 2018. Like the process in the new system, former president Akutsu discussed his recommendations for the next president with myself and Outside Director Sekiguchi.

We heard many reasons for recommending Taneichi, the current president, for the position, such as “he has new ideas that go beyond existing businesses, extensive hands-on experience in both semiconductor-related businesses and new businesses, and the background in numerous businesses to support the Company’s future,” “he has an excellent personality, no prejudices, and views matters from an open and fair standpoint,” and “he has the ability to make judgments necessary for a business executive, thanks to his management experience at subsidiaries in the U.S.” I had many opportunities to talk with Director Taneichi when he was responsible for new business development. I approved Director Taneichi as a candidate for president because I was impressed with his fearless and aggressive approach to challenges, indicating he would be able to boldly guide the Company forward amid various changes. Moreover, I thought he is well-suited for the top position at TOK, a company with business primarily in cutting-edge fields, given his earnest and open personality, as well as his relatively young age. Akutsu, the previous president, also impressed upon me the strong decisiveness that he displayed in reinforcing the Company’s corporate governance, in addition to making the recommendation for the next president.

Approximately seven months have passed since the new governance system began with a Chairman of the Board of Directors separated from business execution. I believe TOK’s governance system has steadily taken its proper shape. As issues to address in the future, I think it will be important for

the Company to continue discussing new reforms, in addition to the current situation with directors also serving concurrently as officers, and the status of outside directors.

◆ **As the Chairman of the Nomination and Compensation Advisory Committee**

My responsibilities have increased substantially since being appointed the Chairman of the Nomination and Compensation Advisory Committee, and I keenly feel the weight of this responsibility. Soon after being appointed, Outside Director Sekiguchi and I began to hold interviews with officers to get to know the other directors and officers. In these discussions, I gave my opinions about the state of remuneration for directors and officers. Such remuneration should adequately reflect the degree of responsibility for each position, and I also thought there needs to be some variation in remuneration. Since the committee was established in December 2018, its main activity has been to discuss candidates for directors and auditors in the fiscal year ending December 31, 2019, and more recently to draft proposals for the new remuneration system for directors and auditors to be implemented from the fiscal year ending December 31, 2020.

◆ **Enhancing Corporate Value and Social Value over the Medium to Long Term**

It is often said that the top managers of companies decide their fate, and having experienced working as the representative director and president of a global niche top company with strengths in ESG products, I believe management must be oriented toward both corporate value and social value as a foundation, going beyond business operations and profit accumulation.

In this context, however, I do not have a clear and simple answer ready for the question of what qualifications are required for top management. As top management members are also people, this means there is a diverse range of qualifications. As the Chairman of the Nomination and Compensation Advisory Committee, I believe a part of my mission is to have a lively and thorough debate about the qualifications of future top managers.

Without reservation, I will give my opinions about advancing governance and diversity.

Noriko Sekiguchi

Outside Director, Member of the Nomination and Compensation Advisory Committee



◆ **As a Member of the Nomination and Compensation Advisory Committee**

As an outsider looking in, I am aware of my duty to supervise management from an independent standpoint to fulfill accountability to stakeholders, while enhancing the transparency and objectivity of the decision-making process for nominating and remunerating managers. More specifically, based on the standards and policies outlined in the TOK Corporate Governance Guidelines, I am prepared to give advice on designs and frameworks, by asking whether the nomination of candidates follows a logical process that takes into account the requirements and abilities of the candidates, as well as business plans and external environment, and if remuneration provides incentives for taking appropriate risks.

Regarding creation of a selection process for successors, I intend to operate the committee by getting more involved in supervision, such as having us outside directors have enough opportunities to talk more frequently with candidates, while ensuring more objectivity and fairness in procedures.

◆ **Advancing the Group Management System**

Through the Group Management System (GMS), the core system for managing risks at TOK, management aims to strengthen corporate governance by further instilling the Company's policies at group companies in line with certain rules. To continue responding appropriately to sudden changes in the business environment, the most effective way forward is to repeat the basic work of performing annual checks for any omissions or defects in management items and operational rules. To ensure these activities are meaningful, our monitoring will emphasize constant change in the direction of effectiveness, efficiency, and uniformity, while encouraging every employee of the Group to deeply understand the significance of GMS.

◆ **Aiming to Promote Female and Non-Japanese Personnel**

In recent years, the ratio of women among new hires has risen to around 40% at TOK. Personnel exchanges between overseas subsidiaries and the headquarters or plants in Japan have picked up in line with the Company's commitment to leveraging diversity in the organization, regardless of gender or nationality. To further promote diversity, it will be helpful for us to set up a special department for creating networks mainly to exchange information and hold events several times a year to spread awareness within the Group. I believe TOK would benefit from a stronger push on initiatives like this. The numbers of female and non-Japanese employees have steadily increased within the Group, and as this trend continues, I think their understanding as a Group will naturally deepen. Minorities such as female employees and non-Japanese employees are human "capital" for the Company because they bring perspective to diversity management, respecting and taking diversity into account based on their own experiences.

As an issue to address, the Company aims to increase the ratio of women in management positions (2.4% as of December 31, 2018) by creating an environment that supports women in management positions, such as by having superiors give female employees who would like to become managers more work responsibilities, while providing criticism and positive feedback when appropriate. Female managers in charge of numerous subordinates will stand out, and may have to fight a lonely battle while getting used to their new roles. With peers and mentors supporting their advancement, however, managers will be able to dive into their work, in my opinion. The saying where the job title makes the person is also true for women. I hope female employees will take on the challenge of management and view this as a once-in-a-lifetime opportunity in their careers.