

May 10th, 2021

Tokyo Seimitsu Announces partial revision of Internal Control System Policy

Company name: TOKYO SEIMITSU CO., LTD.

(Stock code: 7729, Tokyo Stock Exchange 1st Section)

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The Board of Directors of TOKYO SEIMITSU CO., LTD. (the Company) resolved today a partial revision of the Company's "Internal Control System Policy" as set out below.

Revised sentences are underlined.

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, 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 establishes 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 through the Director in charge of compliance and those responsible for each Head of Companies.
5. The Company has established the Audit Dept. under the direct management of the President & CEO. 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.

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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 the employees including the President quickly and calmly respond to it.
2. The Company has established the 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 & CEO. 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 & CEO and tells employees to implement corrective or improvement actions.
4. If a risk arises, when necessary, the Emergency Headquarters headed by the President & CEO 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 Boards 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 puts 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 & CEO 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 & CEO 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.

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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 shall require the consent of the Audit and Supervisory Committee.
3. To evaluate the employees who assist the Audit and Supervisory Committee, opinions shall be 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 shall make report 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 forecast 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.

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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.

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