

TOKAI Holdings Corporation

Basic Policy on Corporate Governance

This basic policy has been established to formulate the policy for the Company's basic concepts of corporate governance with the purpose to contribute to sustainable growth and increase of corporate value over the mid to long term of TOKAI group (the "Group").

Chapter 1. General Provisions

Article 1. Basic Concepts of Corporate Governance

1. The Company is committed to enhancing its corporate governance in accordance with the following basic concepts from the perspective of improving the Group's sustainable growth and increase of corporate value over the mid to long term in order to implement sound management based on a high level of self-discipline to establish strong credibility from society:
 - (i) the Company will create and maintain the environment that secures the substantive equality of all shareholders and enables shareholders to properly exercise their rights;
 - (ii) the Company is primarily engaged in the business of providing individual customers with basic infrastructure services for daily life including energy/telecommunication/CATV and recognizes that most of these businesses are supported by many stakeholders. In addition, in formulating and implementing/operating business policies, we will conduct business activities from the perspective of compliance as well as focused on the contribution to the local communities;
 - (iii) the Company will work to ensure the adequate disclosure of company information including non-financial information and transparency in business management in order to establish a foundation for constructive dialogue with stakeholders;
 - (iv) the Company will, as a holding company, seek to ensure the effectiveness of supervisory functions over the business execution of each group company by the board of directors, formulate mid to long term corporate strategies, and strive for sustainable growth and increase of corporate value; and
 - (v) the Company will proactively have dialogues with shareholders/investors with a constructive purpose as well as explain/disclose quantitative financial information and non-financial information in a timely and adequately manner, whereby we will achieve corporate accountability and strive to meet the expectations of stakeholders including shareholders/investors.

2. The Group has formulated "TOKAI-WAY," the common philosophy of the group, which is comprised of four layers that are "corporate philosophy," "mission," "vision" and "value" and shared with all employees of the group working to practice the same.

Chapter 2. Our Corporate Governance System

Article 2. Roles of Board of Directors

1. The board of directors serves supervisory functions over the overall management including execution of duties by a person executing business, and ensures fairness/transparency of management as well as makes a decision through decision of significant business execution and other such matters that are specified under laws and regulations as the matters required to be decided by the board of directors.
2. With respect to the execution and decision of business other than significant business execution as specified in the preceding paragraph, the board of directors delegates the authority to the chief officer of such business or other personnel and supervises the status of execution of duties by such officer or other personnel.
3. Outside directors control the business execution of the board of directors and business manager, and the conflicts of interest between the Company and the management personnel and other executives from the perspective of stakeholders in order to ensure the Group's sustainable growth and increase of corporate value over the medium to long term.

Article 3. Composition of Board of Directors

1. The number of the board of directors of the Company will be ten (10) or less as prescribed in the articles of incorporation, and determined by fully taking into account the aspect of securing diversity and expertise in the board of directors while being composed of such number as necessary and appropriate to ensure the effective management system and substantial discussion at the board of directors required to a holding company that serves business execution management function of the group.
2. In consideration of the importance of the function of outside directors in corporate governance, the Company operates the Board of Directors with at least one-third of the number of independent outside directors in principle.
3. Independent outside officers will be appointed in accordance with the independence criteria established by the Tokyo Stock Exchange.

4. In determining director candidates, the Company will secure balance of knowledge, experience, capabilities and diversity of the board of directors as a whole appropriate for the Company's expanded business fields by taking into consideration the balance of human resources who can demonstrate their strength in the management of each business area in the expanded business fields and human resources suitable for business management and other factors.

Article 4. Qualification and Appointment Process of Directors

1. Internal director candidates of the Company will be determined from among a wide variety of human resources in accordance with the following appointment process:
 - (i) a person who has extensive knowledge, experience in business management and business operations of the Group; and
 - (ii) a person who fully understands the Group's social responsibility/mission and can perform business management and business operations in a fair and appropriate manner based on a high level of self-discipline.
2. Outside director candidates will be determined from among a wide variety of human resources in accordance with the following appointment process:
 - (i) a person who satisfies the criteria for assessing independence established by the Tokyo Stock Exchange and is believed to have no possibility to have conflicts of interest with general shareholders;
 - (ii) a person who understands the Company's management philosophy and has sufficient understanding of the Group's social responsibility and roles; and
 - (iii) a person who is fully aware of the roles as outside director and can supervise the Company's directors and management and provide precise and appropriate opinion/advise by making use of his/her knowledge and activities in business management, economic, legal, accounting, tax, audit and other similar areas.
3. In relation to the appointment process, appropriate involvement/advice should be obtained from independent outside directors prior to the approval of the board of directors.

Article 5. Qualification and Appointment Process of Corporate Auditor

1. Internal corporate auditor candidates of the Company will be determined with the consent of corporate auditors from among a wide variety of human resources in accordance with the following appointment process:
 - (i) a person who has extensive knowledge, experience in finance/accounting and business operations of the Group; and

- (ii) a person who can audit the status of execution of operation by directors from a fair and objective standpoint and contribute to promoting soundness and transparency of the management.
2. Outside corporate auditor candidates will be determined with the consent of the board of corporate auditors from among a wide variety of human resources in accordance with the following appointment process:
- (i) a person who satisfies the criteria for assessing independence established by the Tokyo Stock Exchange and is believed to have no possibility to have conflicts of interest with general shareholders;
 - (ii) a person who understands the Company's management philosophy and has sufficient understanding of the Group's social responsibility and roles; and
 - (iii) a person who is fully aware of the roles as outside corporate auditor and can audit the status of execution of operation by directors from a neutral/objective perspective and contribute to soundness and transparency of the management by making use of his/her knowledge and experience in business management, economic, legal, accounting, tax, audit and other similar areas.

Article 6. Succession plan for top management

Succession plans for the CEO are discussed and examined by the Nomination and Compensation Committee, and supervised by the Board of Directors. In addition, as a policy for selecting a successor, the person will be selected from those who are deemed appropriate in consideration of their personality, knowledge, and achievements.

Article 7. Policy and Process for Determining Remuneration for Directors and Audit & Supervisory Board Members

1. Remuneration for the Company's directors shall be within the limits of remuneration determined at the General Meeting of Shareholders, taking into account management content, economic conditions, the results of individual director evaluations, and the balance with employee salaries, etc. Our basic policy is to have a remuneration system that reflects
2. Director remuneration consists of fixed remuneration (monthly remuneration), bonuses, and non-monetary stock remuneration. However, outside directors are not paid non-monetary stock remuneration in light of their duties.
3. When deciding on the content of remuneration for individual directors, the Nomination and Compensation Committee conducts multifaceted examination of the original

proposal, including consistency with the decision-making policy. We have determined that it respects and follows the decision policy.

4. Compensation for Audit & Supervisory Board Members shall be determined through discussion among Audit & Supervisory Board Members, within the amount approved at the General Meeting of Shareholders, under a separate system from that for Directors.

Article 8. Voluntary Nomination and Compensation Committee

Prior to approval by the Board of Directors, the Company discusses and considers particularly important matters, such as the nomination and compensation of officers, at the Nomination and Compensation Committee, and explains the independence and objectivity of the functions of the Board of Directors. We are strengthening our responsibilities. The majority of the committee members are independent outside directors.

Article 9. Training Policy for Directors/Corporate Auditors

1. The Company will assist the performance of duties by directors and corporate auditors by providing information through utilizing or otherwise dealing with in-house training and outside experts to acquire knowledge pertaining to the company's business/finance/organization and other affairs necessary for directors and corporate auditors to fulfill their roles and functions.
In addition, in the Group's business development, we regularly hold an advisory council comprised of outside experts for the purpose of gaining professional insights of each area such as creation of new business and understanding of market needs.
2. The Company will work to formulate an adequate understanding by arranging an opportunity for outside directors and outside corporate auditors to receive an explanation on the Group's management strategies, business plans, status of various businesses, business environment and business challenges and other matters in a timely manner after their taking office and further by providing information through utilizing or otherwise dealing with in-house training and outside experts in order for them to fulfill their roles and functions.

Chapter 3. Measure to Protect Interests of Stakeholders

Article 10. Management system for related party transactions

When the Company enters into transactions with its officers or main shareholders or other investors, unless it is obvious that terms and conditions are the same as general transactions, we will submit in advance such transaction to the board of directors for its approval so that such transaction will not harm the common interests and the like of the Company and shareholders.

Article 11. Policy on cross-shareholdings

1. The Group believes that it is vital to build a cooperative relationship with various kinds of corporations for the expansion/sustainable development of its business. From a long term perspective for increase of the Group's corporate value, the Group holds shares required in terms of its strategy comprehensively taking into consideration the importance for the purpose of business strategies and relationship with business partners and other factors.
2. With respect to the listed shares and other equity that are held pursuant to the preceding paragraph (the "Cross-Shareholding"), the board of directors examines individually and specifically on an annual basis whether the purpose of holding them is appropriate and whether the benefits and risks associated with holding them justify capital cost to verify the appropriateness of holding them. If the verification has found that the holding of any shares is no longer recognized as reasonable, they will be sold to reduce them.
3. In exercising voting rights on the Cross-Shareholding, the Group will examine the details of the agenda thereof and properly exercise the voting rights after determining whether not it contributed to increase of corporate value of the Group and invested companies. We will not make affirmative determination on any agenda that would impair corporate value irrespective of either company proposal/shareholders proposal.

Article 12. Whistle-Blowing System

The Company will establish a "whistle-blowing system" independent of the management personnel that enables all officers and employees to blow the whistle directly to an outside business operator on an anonymous basis in addition to a report system based on the office organization in order to forthwith and appropriately respond when a breach of law or any other unlawful act occurs.

Article 13. Efforts to Address Sustainability Issues

The Board of Directors of the Company shall consider global environmental issues such as climate change, respect human rights, consider the health and working environment of employees and treat them fairly and appropriately, conduct fair and appropriate transactions with business partners, and deal with natural disasters, etc. We recognize that addressing sustainability issues, such as crisis management, is an important management issue that not only reduces risks but also leads to profit opportunities. We are actively working on issues.

In particular, as an energy company, we have set CO2 emissions reduction targets and are working to achieve carbon neutrality by 2050.

Article 14. Commitment to diversity

The Group advocates diversity management and aims to be a company where diverse human resources can play an active role regardless of gender, nationality, age, hiring form, etc.

Chapter 4. Dialogue with Shareholders and Other Investors

Article 15. Policy for Constructive Dialogue with Shareholders and Other Investors

1. The Company will emphasize the constructive dialogue with shareholders and other investors and make efforts to gain understanding for the Company's management policies through dialogue, as well as listen to the voices of shareholders and other investors, whereby we will absorb and reflect business analysis and views through the eyes of capital providers and other stakeholders and be committed to the Group's sustainable growth and increase of corporate value over mid to long term.
2. Investor Relations department is in charge of dialogue with shareholders and others.
 - (i) Investor Relations department will respond in cooperation with internal divisions to realize a constructive dialogue.
 - (ii) We implement activities so that shareholders and other investors can develop their understanding of management strategies and business environment of the Company by providing financial results briefings, roundtable discussions with shareholders after general meeting of shareholders, TD-net, information disclosure on the website of the Company and other means.
 - (iii) Views and other opinions of shareholders and other investors grasped by the Investor Relations department through dialogues have been fed back to directors and other

officers and we have shared the recognition of issues.

- (iv) The Investor Relations department fully ensures the information control pursuant to the regulations concerning internal information control in order to prevent undisclosed material inside information from being leaked to the outside in connection with the dialogue.

Supplementary provision

This basic policy will be enforced from November 1, 2015, and will be revised and abolished as necessary.

Revised December 19, 2018

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End of text.