

# **CORPORATE GOVERNANCE GUIDELINES**

## **Chapter 1 General Provisions**

### **Article 1 Purpose**

These Guidelines set forth the Company's basic views and systems regarding corporate governance in order to achieve the sustainable growth and mid- to long-term increase of corporate value of the Company Group, thereby contributing to the interests of the Company's shareholders, investors, and all other stakeholders, such as employees, customers, business partners, creditors, and communities.

### **Article 2 Position and Priority of these Guidelines**

These Guidelines are subject to laws and regulations as well as the Articles of Incorporation but take precedence over other internal rules.

### **Article 3 Views on Corporate Governance**

The Company will strive to substantially enhance and strengthen its corporate governance on the following basis:

- (1) The Company places emphasis on the Board of Directors' function of supervising business execution and aims to largely delegate decisions on business execution to the executives; accordingly, the Company adopts Company with Nominating Committee, etc. as its form of organization. The mission of the Board of Directors of the Company will be "to monitor and supervise business execution" and "to determine the Company's basic strategies."
- (2) The Board of Directors will have an appropriate composition for determining the Company's basic strategies in order to achieve sustainable growth and increased corporate value over the mid- to long-term.
- (3) In order for the Board of Directors to be able to appropriately perform its monitoring and supervisory functions, a majority of the directors will be outside directors, and the composition of the Board will take into account the expertise of the directors.
- (4) The Board of Directors will, to the appropriate extent, delegate decision-making authority for business execution to the executive officers so that they are able, by their own responsibility and authority, to perform decision-making and business execution that respond to changes in the management environment, thereby allowing for prompt and decisive decision-making within the Company.
- (5) The Company will develop systems that enable the clarification of the qualifications of top management and the appropriate judgment of the qualifications of specific candidates, mainly through the efforts of the Nomination Committee.
- (6) The directors and executive officers of the Company will comply with all laws and regulations, rules of financial instruments exchanges, and the Toshiba Group Standards of Conduct, in addition to which they must fully understand their duties.

In particular, the directors and executive officers of the Company will each be fully aware of the importance of appropriate financial reporting and information disclosure for listed companies and will perform their day-to-day duties while maintaining a firm focus on compliance.

- (7) The Company will develop systems for an appropriate mid-term business plan and budget formulation process and for business performance management, in consideration of establishing reasonable budgets and plans that reflect operational realities without placing excessive emphasis on current-period profit.

## **Chapter 2 Basic Commitment and Management Policies**

### **Article 4 Basic Commitment**

The basic commitment of the Toshiba Group is as follows.

Committed to People, Committed to the Future.  
At Toshiba, we commit to raising the quality of life for people around the world, ensuring progress that is in harmony with our planet.

### **Article 5 Management Policies**

The Company will establish management policies and mid-term business plans for conducting its businesses and will hold a management policy briefing each year, in principle, to explain these policies and plans to the Company's stakeholders.

### **Article 6 Standards of Conduct**

The Board of Directors will be responsible for establishing and revising the "Toshiba Group Standards of Conduct" and will endeavor to ensure that these Standards are known and complied with broadly across the Company, including at the front lines of the Company's business activities both in Japan and overseas.

## **Chapter 3 Stakeholders**

### **Article 7 Stakeholders**

In order to achieve the sustainable growth and mid- to long-term increase of corporate value of the Company Group, the Company will endeavor to maintain and improve its long-term relationships of trust with its shareholders, investors, and all other various stakeholders in the Company Group, such as employees, customers, business partners, creditors, and communities.

### **Article 8 Protecting Shareholder Rights**

1. The Company will treat all shareholders equally in accordance with the amount of shares they hold.
2. In order to enable shareholders to appropriately exercise their voting rights, the Company will send out shareholder meeting convocation notices, shareholder meeting reference

materials, and other such materials at an early stage and will endeavor to disclose those materials through the Company website or other such methods prior to sending them.

3. The Company will endeavor to accurately provide any information that it deems will contribute to shareholders making appropriate judgments, such as by providing English translations of shareholder meeting convocation notices and other such materials.
4. The Company will determine a date, time, and location for the general meeting of shareholders in consideration of ease of attendance by shareholders and other such factors.
5. The Company will analyze the results of voting rights exercised at the general meeting of shareholders and, taking the results of that analysis into account, will consider measures such as engaging in dialogue with shareholders.

#### **Article 9 Policy on Strategic Shareholdings<sup>1</sup>**

1. The Company has a basic policy of reducing the outstanding amount of its strategic shareholdings as much as possible. The Company will check and confirm the economic rationale of its strategic shareholdings in terms of their value based on their necessity in building, maintaining, and strengthening business alliances, other similar relationships, and relationships of trust with the issuer companies in which those shares are held, the status of business transactions with those companies, and other such matters as well as in terms of whether the benefits and risks from each strategic shareholding cover the Company's cost of capital, and the Company will engage in such shareholding only when it determines that doing so is necessary in consideration of factors such as the results of that confirmation, the market environment, and management and financial strategies.
2. Every year through the Board of Directors, the Company will check and confirm the value and economic rationale of its strategic shareholdings and will regularly determine whether to continue or dispose of such shareholdings in accordance with the above policy, taking into consideration factors such as the market environment and management and financial strategies.
3. The Company will exercise its voting rights accompanying its strategic shareholdings after taking into account the purpose of the strategic shareholdings and will determine how to exercise those voting rights in consideration of whether or not each proposal will contribute to the sustainable growth and mid- to long-term increase of corporate value of the issuer company in which those shares are held. For matters that will have a particularly significant influence on the corporate value of the issuer company in which those shares are held, the Company will consider engaging in dialogue with that company before determining how to exercise its voting rights.

#### **Article 10 Related Party Transactions**

1. Pursuant to the Board of Directors Regulations, the Company will require approval by the Board of Directors for competitive transactions and conflict of interest transactions by directors and executive officers and a report of material facts following each transaction and will provide timely and appropriate disclosure of such transactions in accordance with laws and regulations.
2. Each fiscal year, the Company will confirm whether there are any transactions by any of the directors or executive officers to be disclosed.

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<sup>1</sup> Note for English Translation: Strategic shareholdings means shareholdings by listed companies where they hold the shares of other listed companies for reasons other than pure investment purposes, such as to strengthen business relationships. Strategic shareholdings here include not only mutual shareholdings but also unilateral ones.

3. If the Company conducts a transaction (excluding immaterial or routine transactions) with a major shareholder or other such party, the Board of Directors will determine the necessity and suitability of the transaction and ensure that the common interests of the shareholders are not harmed.

#### **Article 11            Constructive Dialogue with Shareholders and Investors**

1. The Company will engage in constructive dialogue to contribute to the mid- to long-term increase of corporate value of the Company by regularly and continually disclosing information to shareholders and investors regarding the Company's business plans, strategies, business performance, and other such matters.
2. The Company hereby establishes the following policies in order to promote constructive dialogue with shareholders and investors:
  - (1) The chairman and CEO will lead dialogue with shareholders and investors, and the general manager of the Public Relations & Investor Relations Division will take the main role in carrying out such dialogue.
  - (2) Finance & Cash Management Division, Accounting Division, Legal Affairs Division, Strategic Planning Division, and other relevant divisions will cooperate to support the participants in shareholder and investor dialogue.
  - (3) In addition to individual meetings, the Company will expand and enhance explanations given at the general meeting of shareholders and will hold management policy briefings, briefings on earnings releases, briefings for each major business division, and other such meetings.
  - (4) The Company will endeavor to provide fair disclosure through proactively disclosing information (including voluntary disclosure), striving to enhance and expand all types of disclosed materials, publishing the content of those materials on the Company website, and regularly issuing shareholder newsletters.
  - (5) The views and opinions learned through dialogue with shareholders and investors will be shared with the chairman and CEO, the president and COO and other particularly relevant officers as weekly or monthly reports and will also be reported to the outside directors.
  - (6) Anyone that may come into contact with insider information will undergo training on insider information management and will appropriately manage that information in accordance with internal rules. Moreover, in order to prevent any leak of financial closing information and ensure fairness, the Company will observe a silent period of two weeks leading up to earnings releases, during which time the Company will not disclose any information in response to inquiries on earnings.

#### **Article 12            CSR**

The Company will select a department in charge of CSR and promote CSR activities in order to meet the expectations of the Company's various stakeholders and to achieve CSR management in line with global standards.

### **Chapter 4            Information Disclosure**

#### **Article 13            Information Disclosure**

The Company will provide timely and appropriate disclosure pursuant to the Companies Act, the Financial Instruments and Exchange Act, other applicable laws and regulations, the rules of financial instruments exchanges, and the like. In addition to this, the Company will fully consider voluntary disclosure and endeavor to maintain and improve its long-term relationships of trust with its shareholders, investors, and other stakeholders.

## **Chapter 5 Board of Directors, Etc.**

### **Article 14 Board of Directors**

1. The main mission of the Board of Directors is as follows:
  - (1) to determine the basic strategies of the Company, such as basic management policies;
  - (2) to supervise the executive officers' execution of their duties; and
  - (3) to supervise the directors' execution of their duties.
2. The number of directors will be approximately 11 in order to enable substantive and productive deliberations by the Board of Directors. Moreover, the majority of those will be outside directors in order to secure the effectiveness of the Board's function of monitoring and supervising business execution.
3. In order to ensure a Board composition that takes into account the expertise of the directors, the Board of Directors will be diversified through the election of management executives, legal and accounting professionals, and other experts as outside directors.
4. In principle, the Chairman of the Board will be an outside director.
5. When discussing mid-term business plans or budgets, the Board of Directors will discuss the essential aspects thereof, such as the ideal business portfolio for the Company and the feasibility of budgets. Additionally, the Board will spend sufficient time to discuss the group strategies, the mid-term business plans, and the results of budget meetings, all of which will have been examined by the executive officers, and will monitor progress.
6. The Board of Directors will take the following measures concerning the operation of the Board in order to enable free, open, and constructive discussions and exchanges of views, including the raising of concerns by outside directors.
  - (1) Agendas, deliberation time, and meeting frequency will be set appropriately.
  - (2) Materials for Board meetings will be distributed sufficiently in advance of the meeting day, and in addition to these materials, sufficient information will be provided as necessary by the Company to the directors.
  - (3) The yearly schedule for Board meetings and expected agenda items will be decided in advance.
7. The Board of Directors will have the executive officers provide advance reports on the status of operations in order to develop systems for ensuring the appropriateness of business operations.
8. The Company will hold executive sessions composed only of the outside directors in order to facilitate the active exchange of information among outside directors and to further increase the outside directors' understanding of the Company's businesses and other such matters.

9. Administrative duties relating to the Board of Directors will be handled mainly by the Legal Affairs Division with support from the Strategic Planning Division.

#### **Article 15 Matters Delegated by the Board of Directors to Executive Officers**

In principle, the Company will delegate all authority for determining business execution to the executive officers, except for matters stipulated in laws and regulations, the Articles of Incorporation, and these Guidelines as matters to be resolved by the Board of Directors, material matters relating to corporate governance, matters relating to the authority of each committee, and other material matters determined by the Board of Directors.

#### **Article 16 Nomination Committee**

1. In addition to deciding the matters prescribed by laws and regulations, including the content of proposals to elect directors that are put before the general meeting of shareholders, the Nomination Committee will decide the following matters:
  - (1) director nomination criteria;
  - (2) outside director independence criteria;
  - (3) formulation of proposals for the selection and dismissal of the chairman and CEO and the president and COO;
  - (4) formulation of proposals for the selection and dismissal of Nomination Committee, Audit Committee, and Compensation Committee members;
  - (5) formulation of a succession plan for the chairman and CEO and the president and COO; and
  - (6) election criteria for executive officers and selection criteria for representative executive officers.
2. In principle, the Nomination Committee will be composed of approximately five independent outside directors.
3. The Nomination Committee will be represented by its chairperson, who may request executive officers to attend meetings of the Nomination Committee.
4. The Nomination Committee will have the authority to conduct periodic interviews with all executive officer and representative executive officer candidates, in addition to which it will implement evaluations of the chairman and CEO and the president and COO (investigation of confidence) by senior management.

#### **Article 17 Audit Committee**

1. In addition to performing individual matters prescribed by laws and regulations, the role of the Audit Committee will be to conduct audits of accounting, compliance inspections, and audits of appropriateness and to audit whether internal control systems are established and operated appropriately.
2. In principle, the Audit Committee will be composed of approximately five independent outside directors.
3. The Audit Committee members will include outside directors with a high degree of expertise in finance, law, or corporate management and directors with knowledge of financial and accounting auditing practices.
4. The Audit Committee Office and Internal Audit Division are established as organizations directly under the control of the Audit Committee, and it will appoint that the executive officers in charge of each or which serve as the heads thereof.

5. The Audit Committee will determine the appropriateness of the methods and results of the auditing by the accounting auditor.
6. The Audit Committee will have authority to collect information and conduct investigations.
7. The Audit Committee will have periodic meetings with the accounting auditor, request the accounting auditor's attendance at the Audit Committee meetings as necessary, and share with the accounting auditor any information or other such resources that would serve as reference for audits by the accounting auditor.
8. If a member of the Audit Committee receives a report from an executive officer or other such person of any fact that threatens to cause significant harm to the Company, that member will immediately report that fact to the Audit Committee. The Audit Committee will then confer and carry out any necessary investigations.
9. The Audit Committee will have the right to approve personnel matters and to demand or veto dismissal regarding the head of the Audit Committee Office, the employees belonging to the Audit Committee Office, the head of the Internal Audit Division, and the executive officers in charge of the Internal Audit Division, thereby ensuring the independence of the Audit Committee Office and Internal Audit Division.
10. Under the instructions of the Audit Committee, the Audit Committee Office will collect reports and conduct investigations regarding the overall business of the Company while utilizing independent outside experts (such as attorneys and certified public accountants).
11. The Company will establish an internal whistleblowing point of contact within the Audit Committee in addition to the point of contact on the business execution side.
12. Audit Committee members will have the authority to access all reports made to the internal whistleblowing point of contact on the business execution side.

#### **Article 18 Internal Audit Division**

1. As an organization under the direct control of the Audit Committee, the Internal Audit Division will conduct audits of accounting and operational audits (i.e. compliance inspections, internal control audits, and audits of appropriateness) under the management and supervision of the Audit Committee.
2. When conducting internal audits, the Internal Audit Division will have the authority to view all information, and any department being audited must cooperate to that end.
3. The Internal Audit Division will cooperate and share information with the Audit Committee and the accounting auditor.
4. When conducting internal audits, the Internal Audit Division will allocate sufficient personnel with thorough knowledge of auditing and will utilize outside experts as necessary.

#### **Article 19 Ensuring Appropriate Audits by the Accounting Auditor, etc.**

1. The accounting auditor will fully recognize the importance of its role in ensuring the reliability of disclosed information and will perform its duties, such as auditing accounting-related documents and financial statements, while ensuring and complying with the following matters in order to fulfill its responsibilities to the Company's shareholders, investors, and other stakeholders:
  - (1) The accounting auditor will cooperate with the Audit Committee, Audit

Committee Office, and Internal Audit Division to develop systems through which audits can be appropriately conducted.

- (2) The accounting auditor will ensure its own independence and expertise.
  - (3) The accounting auditor will comply with the standards for quality management necessary for appropriately conducting audits of accounting.
2. The Company will engage in the following measures to ensure appropriate audits by the accounting auditor:
- (1) The Company will ensure sufficient auditing time to allow for high-quality audits.
  - (2) In response to requests by the accounting auditor, the Company will arrange meetings, interviews, and the like with directors and executive officers.
  - (3) The Company will ensure cooperation between the accounting auditor and the Audit Committee, Audit Committee Office, and Internal Audit Division.
  - (4) If the accounting auditor discovers any misconduct and seeks appropriate measures from the Company, or if the accounting auditor identifies any weaknesses or concerns, the Audit Committee will take the lead role in implementing appropriate measures in response thereto.
3. The Audit Committee will engage in the following measures in addition to those provided for in the preceding paragraph in order to ensure appropriate audits by the accounting auditor:
- (1) The Audit Committee will formulate criteria for appropriately selecting accounting auditor candidates and appropriately evaluating the accounting auditor.
  - (2) The Audit Committee will confirm whether the accounting auditor possesses the independence and expertise required of it.
4. The Company will establish systems so that information from directors, executive officers, and other personnel necessary for auditing is appropriately shared with the Audit Committee and the accounting auditor.

#### **Article 20 Compensation Committee**

1. In addition to the matters stipulated in laws and regulations, including the details of compensation for each individual director and executive officer, the Compensation Committee will determine the following matters:
  - (1) Director compensation standards
  - (2) Executive officer compensation standards
2. Performance-based compensation will be set at an appropriate ratio of overall compensation in order to provide incentives for reasonable and feasible mid- to long-term business performance improvements and corporate value increases.
3. In principle, the Compensation Committee will be composed of approximately five independent outside directors.

#### **Article 21 Board of Directors Evaluation**

The Board of Directors will evaluate the effectiveness of the Board as a whole once each year, disclose a summary of the results of the evaluation, and as necessary review the operation of the Board and other such matters.

#### **Article 22 Support Systems for Outside Directors**

1. The Audit Committee Office will support the outside directors' execution of their duties through such means as providing information to the outside directors from the perspective of enhancing the outside directors' functions of collecting reports and conducting investigations.
2. The Audit Committee Office may utilize independent outside experts (such as attorneys and certified public accountants) in providing the support set forth in the preceding paragraph as necessary.

### **Article 23 Training Policy for Directors and Executive Officers**

1. The Company will endeavor to train its personnel through providing explanations to directors (excluding outside directors) and executive officers upon their taking office regarding their obligations, responsibilities, and the like as well as through continually conducting seminars and providing guidance and supervision in order to foster and increase compliance awareness, awareness of the importance of accurate financial reporting in listed companies, and awareness for appropriate financial treatment.
2. In order to provide outside directors with the information and knowledge of the Company Group's businesses necessary in supervising management, the Company will provide outside directors, both upon taking office and on a continuing basis thereafter, with such opportunities as receiving explanations from each division on the details of its business and inspecting major business sites, in addition to which the Company will provide outside directors with opportunities to acquire the knowledge in law, accounting, and other such fields that is necessary in performing their duties as directors.

### **Article 24 Executive Officers**

1. The executive officers will conduct decision-making and business execution that respond to changes in the management environment at their own responsibility based on the division of duties and the authorities determined by the Board of Directors.
2. Proposals regarding the election, dismissal, and special titles of executive officers (excluding the chairman and CEO and the president and COO) will be formulated by the Corporate Personnel Committee (chaired by the chairman and CEO) and decided by the Board of Directors.
3. The special titles of executive officers will be "chairman and CEO," "president and COO," "corporate senior executive vice president," "corporate executive vice president," "corporate senior vice president," and "corporate vice president."
4. The chairman and CEO, the president and COO and the corporate senior executive vice presidents will serve as representative executive officers, but other representative executive officer positions may be created as necessary.
5. The chairman and CEO or the president and COO will conduct decision-making and business execution as the top of the execution department.

### **Article 25 Whistle-blowing**

1. In order to enable employees and other personnel to communicate any information or sincere concerns regarding illegal or inappropriate behavior or information disclosure without fear of incurring disadvantageous treatment, the Company will establish whistle-blowing points of contact both inside and outside of the Company, thoroughly ensure the anonymity and explicitly prohibit the disadvantageous treatment of whistle-blowers in the operating regulations of the whistle-blowing points of contact, and endeavor to make

these facts known throughout the Company.

2. Internal whistle-blowing points of contact will be established both on the business execution side as well as within the Audit Committee.
3. The Board of Directors and the Audit Committee will regularly request reports on and thereby supervise the operating status of the whistle-blowing points of contact.

**Article 26      Conducting Awareness Improvement Seminars and Accounting Compliance Training**

The Company will conduct awareness improvement seminars for executive officers and each in-house company's top management and will continually conduct training for employees by rank and function according to posts held and work areas in order to increase the effectiveness of accounting compliance.

## **Chapter 6      Other Provisions**

**Article 27      Amendment, etc.**

1. The establishment, amendment, and abolition of these Guidelines will be subject to a resolution of the Board of Directors; provided, however, that the amendment which is not the substantive change of contents of these Guidelines may be made by the determination of the chairman and CEO.
2. The Board of Directors will consider reviewing these Guidelines at least once each year.
3. Director nomination criteria, executive officer election criteria, and independence criteria for outside directors are attached to these Guidelines.

End

## **Exhibit**

### Director Nomination Criteria

When determining the content of proposals regarding the election of directors, the Company will select candidates who fulfill the following criteria and who are able to appropriately fulfill the duties of monitoring and supervising business execution and determining the direction of management strategies:

- (1) Being a respected, dignified, and highly ethical person;
- (2) Being responsive to compliance with laws and regulations;
- (3) Being in good health to conduct the required duties;
- (4) Having the ability to make objective judgments on management issues as well as excellent foresight and vision;
- (5) Having no interest in or transaction with the Company's main business fields that might affect management decisions; and
- (6) For outside directors, having expertise, insight, and a good track record in a field such as law, accounting, or corporate management.

### Executive Officer Election Criteria

The criteria for electing executive officers are as follows:

- (1) Being a respected, dignified, and highly ethical person with excellent leadership ability;
- (2) Being responsive to compliance with laws and regulations;
- (3) Being in good health to conduct the required duties;
- (4) Having the ability to make objective judgments on management issues as well as excellent foresight and vision;
- (5) Being highly skilled at business execution and having a track record of consistently delivering high performance and results;
- (6) Having rich work experience and expert knowledge in the Company's business areas and the ability to contribute to management; and
- (7) Having no interest in or transaction with the Company's main business fields that might affect management decisions.

### Independence Criteria for Outside Directors

In addition to the independence criteria established by the Tokyo Stock Exchange, Inc. and other financial instruments exchanges in Japan, the Nomination Committee will judge any outside director falling under any of the following items to lack independence:

- (1) The outside director currently belongs or at any point in the past three years has belonged as an executive director, executive officer, or employee to a company in which the Company currently holds 10% or more of the voting rights.
- (2) The outside director currently belongs or at any point in the past three years has belonged as an executive director, executive officer, or employee to a company that currently holds 10% or more of the voting rights of the Company.
- (3) The outside director currently belongs or at any point in the past three years has

belonged as an executive director, executive officer, or employee to a company whose transactions with the Company in any of the past three fiscal years totaled a monetary amount exceeding 2% of the consolidated net sales of that company or the Company.

- (4) The outside director currently is or at any point in the past three years has been an executive director, executive officer, or employee of a financial institution from which the Company currently borrows funds equal to 2% or more of its total assets.
- (5) The outside director has in any of the past three fiscal years received compensation other than officer compensation exceeding ten million yen from the Company as a law, accounting, or tax expert or consultant; or an organization to which the outside director belongs has in any of the past three fiscal years received from the Company compensation as a law, accounting, or tax expert or consultant exceeding 2% of the annual revenue of that organization.
- (6) In any of the past three fiscal years, the Company has made contributions exceeding ten million yen to the outside director or to a corporation to which the outside director currently belongs or at any point in the past three years has belonged as an officer that executes business or as an employee, provided that the outside director is or has been directly involved in the research, education or some other activities relevant to such contributions.
- (7) The outside director currently belongs or at any point in the past three years has belonged as an executive director, executive officer, or employee to a company whose outside officers currently include any officer with experience as an officer of the Company that executed business.
- (8) The outside director currently is or at any point in the past three years has been a representative officer, officer, or employee of the current accounting auditor or an accounting auditor in the past five fiscal years of the Company.

End