

## Reference

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## English translation of shareholder proposals to TOKYO RADIATOR MFG. Co. Ltd.

### No.1 Proposals

- (1) Appropriation of surplus
- (2) Amendment of the Articles of Incorporation (1)
- (3) Amendment of the Articles of Incorporation (2)
- (4) Introduction of the restricted stock-based compensation for directors (excluding outside directors)
- (5) Amendment of the Articles of Incorporation (3)

### No.2 Summary and reason for proposals

- (1) Appropriation of surplus
  - i. Summary of the proposal  
TOKYO RADIATOR MFG.CO.,LTD. (the “Company”) makes the appropriation of surplus as set out below.  
If the Company itself submits the agenda concerning the appropriation of surplus at the 118th Ordinary General Meeting of Shareholders of the Company which will be held in June 2022 (the “OGM”), this agenda is additionally submitted as an agenda independent from and separate to the agenda submitted by the Company.
    - A) Type of assets to be distributed  
Cash
    - B) Amount to be distributed per share  
JPY 284
    - C) Matters on the allocation of dividend assets and the total amount  
The total amount to be spent is JPY 4,086.17 million (the amount to be distributed per share is provided in B) above)
    - D) The day on which the appropriation of surplus becomes effective  
The date when the OGM is held
    - E) The day on which the appropriation of surplus should be commenced  
3 weeks after the date of the OGM
  - ii. Reason for the proposal  
The Company’s cash and cash equivalents amounted to JPY 9,506 million (as of 31 December 2021. Total of JPY 4,659 million in cash, JPY 4,086 million in deposits and JPY 762 million in after-tax investment securities. The tax rate is assumed to be 31%), which is 101.5% of the market capitalisation of JPY 9,367million (as of 14 April 2022).

Principle 1.3 of the Corporate Governance Code states that “Because capital policy may have a significant effect on shareholder returns, companies should explain their basic strategy with respect to their capital policy.” However, the Company has not disclosed a clear and quantitative capital policy to resolve this extraordinary excess cash in its medium-term management plan “TRS Vision-2025”. This has contributed to the low valuation of the Company’s shares. For

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example, the Company's P/B ratio is below 1x at 0.43x (as of 14 April 2022), indicating that the share price is below the Company's dissolution value.

Furthermore, 43.0% of the Company's cash and cash equivalents which amounts to JPY 4,086 million (as of 31 December 2021) are deposited to Marelli Corporation ("Marelli"), the parent company. As the Ministry of Economy, Trade and Industry's "Practical Guidelines on Group Governance Systems" made a point of introducing deposits as a specific situation where conflicts of interest may arise in listed subsidiaries, such large deposits should be abolished from the perspective of conflicts of interest. Despite the fact that the deposits should be returned fairly to the Company's shareholders, Marelli is abusing its privileges as a parent company at the expense of the Company's other shareholders.

In addition, Marelli is a long-term underperforming company that has recorded losses for four consecutive fiscal years, and the Company continued to deposit cash with Marelli while recognising that it may not be able to recover the cash on deposits in the event of Marelli's bankruptcy. Marelli filed for ADR on 1 March 2022, increasing the likelihood that deposits will not be collected. The Proposer, therefore, inquired the Company (on 13 April 2022) regarding the handling of the deposited cash, but the Company did not clarify where the deposit with Marelli were located. This shows that the Company's management had failed in its duty of care.

The Proposer also estimated the interest rate on the deposits to be approximately 0.3% (estimated based on the interest income and deposits stated in the transactions with Marelli in the financial report for FY3/2021) and that is well below the Company's cost of capital. It is clear that using the deposits as a source of funds to either invest in growth and generate returns in excess of the cost of capital, or to enhance shareholder returns would contribute to the Company's corporate value and the common interests of shareholders.

Looking at shareholder returns, the Company's dividend payout ratio has averaged around 7.8% over the past ten years (ten years from FY3/2012 to FY3/2021). However, the dividend payout ratios for FY3/2020 (238.1%) and FY3/2021 (101.4%) are not included in the calculations as they were outliers due to the small net profit). Furthermore, the year-end dividend for FY3/2022 was undecided. As noted above, the Company has not disclosed a clear and quantifiable capital policy and it is therefore important for the Company's corporate value and the common interests of its shareholders that the surplus funds generated by the abolition of this deposits are used to pay the deficient shareholder returns.

Therefore, the Proposer proposes that the Company should pay a special dividend of JPY 284 per share at the end of the financial year ending 31 March 2022, with the equivalent of JPY 4,086.17 million of the deposits as the total special dividend. (The total special dividend is equal to the special dividend of JPY 284 per share multiplied by 14,387,917 shares, the number of shares outstanding (excluding treasury shares) at the end of the third quarter of FY3/2022, as stated in the financial report for the third quarter of FY3/2022).

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### (2) Amendment of the Articles of Incorporation (1)

#### i. Summary of the proposal

The Article of Incorporation is amended as follows (revised parts are underlined). In the event that formal adjustments (including, but not limited to, the correction of misplaced article numbers) are required to the articles listed as this proposal due to the passage of other proposals (including those proposed by the Company) at this OGM, the article pertaining to this proposal shall be read as the articles after the necessary adjustments have been made.

#### Chapter 1 General Rules

#### Article 1 to 3 [Unchanged]

##### (Structure)

Article 4 The Company has the following organizations in addition to the general meeting of shareholders and directors.

1. the Board of Directors
2. the Audit and Supervisory Committee
3. Accounting Auditors

#### Article 5 to 18 [Unchanged]

#### Chapter 4 The directors and the Board of Directors, and the Audit and Supervisory Committee

##### (Number of Members)

Article 19 The number of directors who are not members of the Audit and Supervisory Committee shall be less than ten (including ten) and the number of directors who are members of the Audit and Supervisory Committee shall be less than five (including five).

(2) At least two of the directors who are not members of the Audit and Supervisory Committee shall be outside directors and a majority of the directors who are members of the Audit and Supervisory Committee shall be outside directors.

##### (Method of Appointment)

Article 20 Directors who are or are not members of the Audit and Supervisory Committee shall be separately appointed at the General Meeting of Shareholders. Resolutions for the election of directors shall be adopted by a majority of the votes of shareholders present at a meeting where shareholders holding at least one-third of the voting rights of shareholders entitled to exercise their voting rights are present.

(2) [Unchanged]

##### (Tenure)

Article 21 The tenure of a director who is not a member of the Audit and Supervisory Committee shall be expired at the end of the latest Ordinary General Meeting of Shareholders in relation to a fiscal year which is expired within one year after the appointment.

(2) The tenure of a director who is a member of the Audit and Supervisory

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Committee shall be expired at the end of the latest Ordinary General Meeting of Shareholders in relation to a fiscal year which is expired within two years after the appointment.

(3) The tenure of a director who is appointed as a supplemented director who is a member of the Audit and Supervisory Committee shall be the same as the tenure of a resigned director who is a member of the Audit and Supervisory Committee.

Article 22 to 23 [Unchanged]

(Compensation etc.)

Article 24 A proprietary benefit such as compensation, bonus or other consideration for the service which a director would receive from the Company shall be approved at the General Meeting of Shareholders by segregating the ones for directors who are members of the Audit and Supervisory Committee and who are not.

(Convocation of the Board of Directors)

Article 25 In order to convene the Board of Directors, the notice shall be sent to each director by three days prior to the date of the meeting, provided, however, that such period can be shortened in emergency situation.

(Convocation of the Audit and Supervisory Committee)

Article 26 In order to convene the meeting of the Audit and Supervisory Committee, the notice shall be sent to each director who is a member of the Audit and Supervisory Committee by three days prior to the date of the meeting, provided, however, that such period can be shortened in emergency situation.

(2) The procedure to convene the meeting of the Audit and Supervisory Committee can be omitted if it is approved by all directors who are members of the Audit and Supervisory Committee.

Article 27 [Same as current Article 26]

(Delegation to directors)

Article 28 The Company may, by the resolution of the Board of Directors, delegate the determination of the execution of important business (excluding the matters provided in each items of Article 399-13, Paragraph 5 of the Companies Act) to directors pursuant to Paragraph 6 of the said article of the Companies Act.

Article 29 [Same as current Article 27]

(Regulation of the Audit and Supervisory Committee)

Article 30 Other matters related to the Audit and Supervisory Committee shall be provided in the regulation concerning the Audit and Supervisory Committee established by the Audit and Supervisory Committee as well as laws and the Articles of Incorporation.

Article 31 [Same as current Article 28]

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Article 29 to 36 [Deleted]

Chapter 5 Accounting

Article 32 to 35 [Same as current Article 37 to 40]

Supplementary clause

(Transitional provision of the exemption of liability of Statutory Auditors)

The Company may, by the resolution of the Board of Directors, exempt the liability for damage claim due to breach of duty of a statutory auditor (including a person who was a statutory auditor) before the transition to a company with the Audit and Supervisory Committee to the extent provided by law.

ii. Reason for the proposal

Although the Company has the Board of Auditors, it should transfer to the Company with the Audit and Supervisory Committee to strengthen corporate governance and speed up decision-making. Of all companies listed on the Tokyo Stock Exchange, the number of companies with the Audit and Supervisory Committee has increased from 798 in 2017 to 1,237 in 2021, and the Company with the Audit and Supervisory Committee is becoming increasingly popular (Source: Tokyo Stock Exchange, Inc, “Appointment of Independent Outside Directors and Committees in TSE Listed Companies” (2017) and “Appointment of Independent Outside Directors and Establishment of Nomination and Compensation Committees in TSE Listed Companies” (2021)).

The establishment of the Company with the Audit and Supervisory Committee ensures the effectiveness of the supervisory function of the Board of Directors and strengthens the corporate governance system, as audit committee members become members of the Board of Directors and exercise voting rights. In particular, as the Company is a listed subsidiary, it is in a position to consider fairness between Marelli, the parent company, and other shareholders, but as Mr Hisao Ochiai, the President and Representative Director, is from Marelli, the Company needs to pay attention to any resolutions that may attach greater importance to the relationship with Marelli and may damage other shareholders’ interests.

In the “Notice of Receipt of Letter on Shareholder Proposal and the Company’s Response” released on 25 May 2021, the Company asserted the effectiveness of the current governance system of the Company with the Board of Auditors. The Proposer requested several interviews with the Company’s directors to investigate the effectiveness of the governance system and other issues, but all of these requests were refused by the Company and therefore the effectiveness of the governance system could not be determined. Thus, the Proposer believes that the supervisory function of the Board of Directors should be stronger than it is at present, as the Company’s reluctance to engage in dialogue with shareholders in itself raises doubts about the effectiveness of the governance system.

(3) Amendment of the Articles of Incorporation (2)

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i. Summary of the proposal

The establishment of new Chapter 6 and current “Chapter 6 Accounting” should be amended to “Chapter 7 Accounting” and the number of articles following Article 37 shall be amended by putting off by five.

In the event that formal adjustments (including, but not limited to, the correction of misplaced article numbers) are required to the articles listed as this proposal due to the passage of other proposals (including those proposed by the Company) at this OGM, the article pertaining to this proposal shall be read as the articles after the necessary adjustments have been made.

### Chapter 6 Nomination Committee and Compensation Committee

(Establishment of the Nomination Committee and the Compensation Committee)

Article 37 The Company shall have the Nomination Committee and the Compensation Committee as advisory bodies to the Board of Directors.

(Composition of the members of the Nomination Committee and the Compensation Committee)

Article 38 The majority of members of the Nomination Committee and the Compensation Committee shall, respectively, be composed of outside directors. In addition, the chairpersons of the Nomination Committee and the Compensation Committee must be outside directors.

(Tenure and appointment of members of the Nomination Committee and the Compensation Committee)

Article 39 The tenure of members of the Nomination Committee and the Compensation Committee shall be expired at the end of the latest Ordinary General Meeting of Shareholders in relation to a fiscal year which is expired within one year after the appointment.

(2) Members of the Nomination Committee and the Compensation Committee shall be appointed by the resolution of the Board of Directors after the Ordinary General Meeting of Shareholders, provided that, if the appointment of such member is necessary due to the resignation of an existing member, etc., a new member can be appointed by the resolution of the extraordinary Board of Directors.

(Matters to be advised by the Nomination Committee and the Compensation Committee)

Article 40 The Nomination Committee shall deliberate the following matters upon the request for advice of the Board of Directors, and the Board of Directors shall decide these matters having high regard to the opinion of the Nomination Committee.

1. Determination of the draft of the agenda concerning the appointment and termination of directors which will be submitted to the General Meeting of Shareholders
2. Determination of the draft of the agenda concerning the appointment, termination or allocation of the role of a representative director and other senior directors
3. Determination of the policy concerning appointment of directors

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4. Other matters related to the appointment and termination of the office of directors

(2) The Compensation Committee shall deliberate the following matters upon the request for advice of the Board of Directors, and the Board of Directors shall decide these matters having high regard to the opinion of the Compensation Committee.

1. Agenda concerning the compensation which will be submitted to the General Meeting of Shareholders

2. Specific amount of compensation for each director

3. Other matters related to compensation for directors

(Regulations of the Nomination Committee and the Compensation Committee)

Article 41 Matters concerning the Nomination Committee and the Compensation Committee shall be provided by the regulations of the Nomination Committee and the Compensation Committee established by the Board of Directors, and applicable laws and the provisions of the Articles of Incorporation.

ii. Reason for the proposal

Currently, the Company entrusts the Representative Director with responsibility of selecting candidates for the Board of Directors to be proposed at the General Meeting of Shareholders and determining the compensation of each Director. The Company consults the Governance Committee on the basic policy on executive compensation and the selection of director candidates, but the Governance Committee is chaired by Mr Hisao Ochiai, the President and Representative Director, and the fact that the Chairman of the Board of Directors and the Chairman of the Governance Committee are the same person means that the Governance Committee is not independent and is becoming a mere name.

Decisions on such important matters as the selection of director candidates and the compensation of each director should be made rationally, utilising the knowledge and views of outside directors to promote the interests of all the Company's stakeholders, and the decision-making process should be clarified by an advisory body that guarantees independence for this purpose.

In addition, Supplementary Principle 4.10.1 of the Corporate Governance Code states that "If the organizational structure of a company is either Company with Kansayaku Board or Company with Supervisory Committee and independent directors do not compose a majority of the board, in order to strengthen the independence, objectivity and accountability of board functions on the matters of nomination (including succession plan) and remuneration of the senior management and directors, the company should seek appropriate involvement and advice from the committees, including from the perspective of gender and other diversity and skills, in the examination of such important matters as nominations and remuneration by establishing an independent committee and remuneration committee under the board, to which such committees make significant contributions." As stipulated, the Corporate Governance Code requires the establishment of independent advisory bodies such as a voluntary Nomination Committee and a voluntary Compensation Committee.

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The Proposer therefore proposes that the Company establishes a Nomination Committee and a Compensation Committee, the majority of which should consist of outside directors, and that each committee should be chaired by an outside director, to clarify the process for determining the selection and dismissal of directors and the compensation of directors.

- (4) Introduction of the restricted stock-based compensation for directors (excluding outside directors)
- i. Summary of the proposal  
In addition to the annual compensation limit of JPY 200 million for directors, extra monetary claims up to JPY 13 million will be granted to directors (excluding outside directors) under the restricted stock-based compensation plan. Specific timing and allocation of compensation shall be resolved by the Board of Directors. The number of restricted stocks granted annually shall depend on a point system which is based on the mid- to long-term plan, and the restricted stock-based compensation shall be converted to cash only after the retirement as a director.
  - ii. Reason for the proposal  
Principle 4.2 of the Corporate Governance Code states that “The remuneration of the management should include incentives such that it reflects mid- to long-term business results and potential risks, as well as promotes healthy entrepreneurship.” The Corporate Governance Code requests the companies to include incentives to the compensation of the management.

However, for FY3/2022, the Company’s executive compensation will be paid as fixed and performance-linked compensation. Fixed compensation is a system that comprehensively reflects each director’s position, responsibilities, skills and experience, while performance-linked compensation is a system that reflects performance evaluations, such as consolidated sales and profits from the previous year, and the percentage of individual and departmental performance targets achieved. This does not reflect “mid- to long-term business results and potential risks” as required by the Corporate Governance Code.

Therefore, the Proposer proposes a restricted stock-based compensation scheme with a maximum annual amount of JPY 13 million for directors (excluding outside directors). The introduction of restricted stock-based compensation will increase the linkage of compensation to mid- to long-term performance and provide a sound incentive for directors to sustainably increase corporate value and promote further value sharing with shareholders. Furthermore, the adoption of a restricted stock-based compensation scheme will also ensure transparency in the compensation decision-making process.

The Company stated in the “Notice of Receipt of Letter on Shareholder Proposal and the Company’s Response” released on 25 May 2021 that “the Company is discussing what kind of system is appropriate for improving corporate value as its own incentive system, including a restricted stock-based compensation system”. However, there have been no changes to the compensation system since this response, and the Company has made no public announcement as to

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what discussions it has had regarding the compensation plan. This is negligence on the part of the Board of Directors.

The Company has a system where its directors purchase a certain number of shares every month through the Directors' Shareholding Association, but the Proposer believes that abolishing this share purchase scheme and incorporating restricted stocks into the compensation system would be more conducive to the above incentives for the directors.

### (5) Amendment of the Articles of Incorporation (3)

#### i. Summary of the proposal

Article 23 of the Articles of Incorporation shall be deleted and Articles 24 onwards shall be moved up by one article each. In the event that formal adjustments (including, but not limited to, the correction of misplaced article numbers) are required to the articles listed as this proposal due to the passage of other proposals (including those proposed by the Company) at this OGM, the article pertaining to this proposal shall be read as the articles after the necessary adjustments have been made.

#### ii. Reason for the proposal

At the Company, Mr Takashi Hayashi, who retired as the Chairman of the Board of Directors in June 2021, was appointed as a Soudanyaku. Several other members of the management team were also appointed as Komon on the same day.

According to the Company's corporate governance report, it states that Mr Takashi Hayashi is not involved in company management. However, at the present time, the agenda items and reports of the Board of Directors are shared with Mr Hayashi and he advises on them. In addition, the Ministry of Economy, Trade and Industry's "Practical Guidelines on Corporate Governance Systems" points out that even in cases where Komon and Soudanyaku do not actively exercise undue influence over the current management team, "This could be detrimental to management, as it could cause the current management team to hesitate to make decisive decisions, such as reviewing the business portfolio, out of consideration for the wishes of the Komon and Soudanyaku, who are former presidents and CEOs." In the automotive industry, which is undergoing a wave of change as typified by CASE, this is a factor that could prevent the Company from making decisive decisions and impede its growth.

In particular, the Company is a listed subsidiary and is in a position to consider fairness between Marelli, the parent company, and other shareholders, but the appointment of Mr Takashi Hayashi, who is from Marelli, as a Soudanyaku could undermine the interests of other shareholders by emphasising the relationship between the Company and Marelli. Furthermore, if Mr Hisao Ochiai, the President and Representative Director, were to assume the position of adviser after his retirement, it would create a bad practice of management from Marelli assuming the position of adviser in the future.

The Proposer, therefore, proposes to abolish the positions of Komon and Soudanyaku to the Company.