

[Translation for Reference and Convenience Purposes Only]

## CORPORATE GOVERNANCE REPORT

Tokai Tokyo Financial Holdings, Inc.

Last Update: February 15, 2016

Tokai Tokyo Financial Holdings, Inc.

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<http://www.tokaitokyo-fh.jp/en/>

The corporate governance of Tokai Tokyo Financial Holdings, Inc. (hereinafter the “Company”) is described below.

### I Basic Concepts Regarding Corporate Governance, and Basic Information on Capital Structure, Corporate Attributes, and Other Matters

#### 1. Basic Concepts

The Company believes that strengthening corporate governance is one of its most important management issues. To develop a structure enabling prompt decision-making and business execution, to earn the trust of all of the stakeholders through greater management fairness and transparency, and to consistently create corporate value, the Company is strengthening and improving its own corporate governance structure.

In order to achieve consistent creation of corporate value, the Company believes that a collaborative relationship with all of the stakeholders including shareholders and investors is essential.

Based on these concepts, the basic policies for corporate governance of the Company are provided as follows.

##### 1. Basic Policies for Corporate Governance

- (1) The Company respects shareholders’ rights, and strives to develop an environment where shareholders are capable of exercising their rights appropriately and to ensure the substantial equality of shareholders.
- (2) The Company endeavors to work in a collaborative manner with a broad range of stakeholders including shareholders, clients, suppliers, employees, and local communities, while seeking to nurture a corporate culture that supports sound business activities.
- (3) The Company voluntarily discloses information in addition to that to comply with the disclosure requirements pursuant to laws and regulations in order to ensure management fairness and transparency.
- (4) The Company strives to structure a system which enables its Directors to assume more effective management supervisory functions while its management carries out prompt and decisive decision-making.
- (5) In order to contribute to a sustained growth and creation of corporate value over the medium to long term, the Company engages in constructive dialogue with its shareholders through proactive IR activities, etc.

##### 2. Main Features of the Company’s Corporate Governance

- (1) Clear separation of the “execution function” and “supervisory function” of management

The Company has classified Directors into “executive directors,” who execute day-to-day operations, and “non-executive directors,” who are not executive directors, and clarified the roles of the Directors who are responsible for business execution and the other Directors who are mainly responsible for the supervision of

business execution, and by appointing a “non-executive director” as the chairperson of the Board of Directors, the Company is ensuring the effectiveness of the Board of Directors.

(2) Bolstering the functions of the Board of Directors and the Audit & Supervisory Board

In terms of enhancing management transparency and soundness, the Company has appointed Directors and Audit & Supervisory Board Members including four Outside Directors and three Outside Audit & Supervisory Board Members who possess considerable experience and deep insight. As a result, the Board of Directors consists of three Internal Directors and four Outside Directors. The Audit & Supervisory Board consists of two Internal Audit & Supervisory Board Members and three Outside Audit & Supervisory Board Members. This structure improves the checking capability of each Board.

In addition, at least two Outside Directors are appointed for the members of the Company’s Board of Directors since 2006. Outside Directors make up at least one third of the members of the Company’s Board of Directors since 2009, and since 2013, over half of the Board members are made up of Outside Directors. Since 2006, Outside Audit & Supervisory Board Members make up over half of the members of the Company’s Audit & Supervisory Board.

(3) Enhancing the internal auditing function

To enhance the internal auditing function, the Company has separated the Audit Department from the executive organization and positioned it under the “Audit Committee” established in accordance with organization rules. This structure ensures the independence and effectiveness of the Audit Department.

The Audit Committee consists of “Outside Directors” and has developed a system whereby it holds objective discussions independent of business execution, based on audit reports from the Audit Department.

**Reasons for Non-compliance with the Principles of the Corporate Governance Code Updated**

[Principle 3.1(1)] Full Disclosure

[Management philosophy]

The Group’s management has been sending out various messages not only to its officers and employees of the Group, but also to stakeholders including shareholders. The Group is currently working on to turn these messages into an established “corporate philosophy.” Once it is established, the Group will disclose it in a prompt manner.

[Supplementary Principle 3.2.2] Close Collaboration between Independent Accounting Auditor and Audit & Supervisory Board Members, Internal Audit Department and Outside Directors

The Company ensures sufficient time for the Independent Accounting Auditor to conduct audit activities. Also, meetings between the Independent Accounting Auditor and the Company’s senior management, and those between the Independent Accounting Auditor and Audit & Supervisory Board Members are held on a regular basis. Furthermore, the Independent Accounting Auditor meets with the Internal Audit Department when appropriate and necessary in order to enhance mutual collaboration.

Since meetings between the Independent Accounting Auditor and Outside Directors have not been held so far, the Company will consider to set up opportunities for such meetings on a regular basis.

[Supplementary Principle 4.11.3] Preconditions for Effectiveness of Board of Directors and Audit & Supervisory Board

[Analysis and assessment of the effectiveness of the Board of Directors as a whole]

The Company has a plan to conduct an analysis and assessment of the effectiveness of the Board of Directors as a whole, and an outline of the outcome will be disclosed.

## Disclosure Based on the Principles of the Corporate Governance Code

[Principle 1.4] Cross-Shareholdings

[Policy on cross-shareholdings]

In principle, the Company does not allow cross-shareholdings except where it is deemed reasonable.

The Company examines the reasonableness of holding the major cross-shareholding shares and the result thereof is reported to the Board of Directors, while taking into account the significance of holding such shares and the medium-to-long term returns and risks.

[View on the exercise of voting rights]

The Company makes an appropriate decision on exercise of voting rights of cross-shareholding shares in consideration with the medium-to-long term enhancement of corporate value of the invested companies in a comprehensive manner.

[Principle 1.7] Related Party Transactions

With the goal of securing interests of shareholders, the Company structures a system as follows in order to prevent transactions that conflict with the interests of the Group and shareholders.

- (1) The Board of Directors Regulations stipulate that competing transactions or conflict-of-interest transactions between the Company and its Directors/Audit & Supervisory Board Members and conflict-of-interest transactions, transactions at unusual terms or transactions that are important for the Company's management between the Company and its major shareholders shall require approval of the Board of Directors.
- (2) The Company verifies on a regular basis whether transactions are taken place between the Company and its Directors, Audit & Supervisory Board Members or major shareholders.

[Principle 3.1(1)] Full Disclosure

[Business plans]

The Group sets out its business plans, which are posted on the Company's website for public viewing.  
(<http://www.tokaitokyo-fh.jp/corporate/businessplan/>)

[Principle 3.1(2)] Full Disclosure

[Basic concepts and basic policies for corporate governance]

Please refer to the "Basic Concepts" of this report in regard to the basic concepts and basic policies for corporate governance of the Company.

[Principle 3.1(3)] Full Disclosure

[Policy and procedures for determining the compensation for the senior management/Directors by the Board of Directors]

The Company believes that the compensation for Directors/Audit & Supervisory Board Members constitutes an incentive in a form of the performance-linked remuneration and in a nature of consideration for corporate value creation in order to foster or secure talented management personnel who can contribute to a sustained growth of the Company as a listed corporation. Based on this philosophy, the following policy is established. To secure the transparency of the compensation for Directors/Audit & Supervisory Board Members, the Compensation Council, consisting of Outside Officers (Outside Directors and Outside Audit & Supervisory Board Members. Hereinafter "Outside Officers") has been established.

Please refer to "[**Directors**] Supplementary Explanation" of this report in regard to the Compensation Council.

- (1) The amount of Directors' compensation, etc. shall be within the range resolved at the General Meeting of Shareholders, and shall be determined by the Board of Directors in line with the recommendations of the Compensation Council.

- (2) The amount of Audit & Supervisory Board Members' compensation, etc. shall be within the range resolved at the General Meeting of Shareholders, and shall be determined by discussions of the Audit & Supervisory Board in line with the recommendations of the Compensation Council.
- (3) The amount of compensation for the Executive Officers shall be determined by the President & CEO, following the procedures of the Compensation Council.
- (4) Compensation for executive directors and Executive Officers consists of a fixed salary, performance-linked remuneration, and medium-to-long term performance-based remuneration (stock option).

[Principle 3.1(4)] Full Disclosure

[Policy and procedures for the appointment of senior management and the nomination of Director/Audit & Supervisory Board Member candidates by the Board of Directors]

The Board of Directors of the Company selects Internal Director candidates whose knowledge, experience and social credibility are sufficient to execute management duties in an appropriate, fair and efficient manner and who are capable of contributing to improving the supervisory functions. The Board of Directors selects Outside Director candidates whose knowledge, experience, and social credibility are sufficient to perform supervisory functions. In addition, when selecting Outside Director candidates, "Independence Assessment Standard" for Outside Officers, which is separately provided, is taken into account.

The selection of Director candidates is determined by the Board of Directors, the majority of which consists of Outside Directors.

The Board of Directors of the Company selects Audit & Supervisory Board Member candidates whose knowledge, experience and social credibility are sufficient to audit the execution of duties by Directors in an appropriate, fair and efficient manner. In addition, when selecting Outside Audit & Supervisory Board Member candidates, "Independence Assessment Standard" for Outside Officers, which is separately provided, is taken into account.

The selection of Audit & Supervisory Board Member candidates is determined by the Board of Directors, the majority of which consists of Outside Directors, upon obtaining the consent of the Audit & Supervisory Board.

The appointment of Executive Officers is determined by the Board of Directors, the majority of which consists of Outside Directors.

[Principle 3.1(5)] Full Disclosure

[Reasons for the appointment of each of the senior management and reasons for the nomination of each of the Director/Audit & Supervisory Board Member candidates]

Reasons for the selection of Outside Director/Outside Audit & Supervisory Board Member candidates are presented in the reference documents of the "Notice of Convocation of General Meeting of Shareholders" when a Director/Audit & Supervisory Board Member appointment proposal is submitted. "Notice of Convocation of General Meeting of Shareholders" is mailed to shareholders, and is also posted on the Company's website for your review.

(<http://www.tokaitokyo-fh.jp/investors/stock/meeting/>)

Reasons for the appointment of Internal Directors/Internal Audit & Supervisory Board Members are scheduled to be presented in the reference documents of the "Notice of Convocation for General Meeting of Shareholders" beginning the next fiscal year and moving forward.

[Supplementary Principle 4.1.1] Roles and Responsibilities of the Board of Directors (1), Clarification of the Scope of the Delegation of Authority to the Management

[Disclosure on the scope of the delegation of authority and its outline]

It is stipulated that the Board of Directors of the Company shall delegates to executive directors and Executive Officers the execution of businesses other than those to be determined by the Board of Directors pursuant to laws and regulations and the internal rules approved by the Board of Directors.

[Principle 4.8] Effective Use of Independent Outside Directors

[Policy for appointing Independent Outside Directors who are making up at least one third of all Directors]

The Company has a policy to appoint at least 2 Independent Outside Directors, who make up at least one third of all Directors. Currently, the majority of the Company's Directors (7 members) are Outside Directors (4 members), 3 of whom are Independent Outside Directors in order to strengthen the checking capability. (Since 2010, the Company appoints at least 2 Independent Outside Directors, who make up at least one third of all Directors. Also since 2006, at least 2 members of the Company's Board of Directors are Outside Directors. Outside Directors make up at least one third of the members of the Company's Board of Directors since 2009 and they compose the majority of the Board members since 2013.)

[Principle 4.9] Independence Assessment Standard and Qualification for Independent Outside Directors

[Independence Assessment Standard]

The Company set forth the "Independence Assessment Standard" for Outside Officers. An Outside Officer is not considered independent if he/she falls under any of the following cases.

1. The Officer is an executive director, Executive Officer or other type of employee of the Company or its subsidiaries, or has been an executive director, Executive Officer or other type of employee of the Company or its subsidiaries in the past.
2. The Officer is a major shareholder as provided for in Article 163, Paragraph 1 of the Financial Instruments and Exchange Act (if such party is a corporation, the Officer is an executive director, Executive Person, Executive Officer, or other type of employee (hereinafter, collectively referred to as the "Executive") of said corporation, its parent company or its important subsidiaries, or has been an Executive of said corporation, its parent company or its important subsidiaries in the past three years).
3. The Officer is a party who has business transactions with the Company or its subsidiaries as a major customer or supplier (if such party is a corporation, the Officer is an Executive of said corporation, its parent company or its important subsidiaries, or has been an Executive of said corporation, its parent company or its important subsidiaries in the past three years).
4. The Officer is a major customer or supplier of the Company or its subsidiaries (if such party is a corporation, the Officer is an Executive of said corporation, its parent company or its important subsidiaries, or has been an Executive of said corporation, its parent company or its important subsidiaries in the past three years).
5. The Officer is essential to the Company's or its subsidiaries' fund procurement, such as an financial institution and other principal creditor that the Company or its subsidiaries depend upon with little or no substitute (if such party is a corporation, the Officer is an Executive of said corporation, its parent company or its important subsidiaries, or has been an Executive of said corporation, its parent company or its important subsidiaries in the past three years).
6. The Officer receives donation exceeding a certain amount (average amount over the past three years of ¥10 million per year) from the Company or its subsidiaries (if such party is a corporation, the Officer is an Executive of said corporation, its parent company or its important subsidiaries, or has been an Executive of said corporation, its parent company or its important subsidiaries in the past three years).
7. The Officer is a consultant, an accounting specialist such as a certified public accountant, or a legal expert such as a lawyer who receives a large amount of cash or other assets (average amount over the past three

- years of ¥10 million or more per year) excluding the Officers' compensation. (if such party is an association such as corporation/organization, a person who belongs to such association is included).
8. The Officer is the Accounting Auditor or an employee of the accounting audit firm providing audit services to the Company or its subsidiaries (including a person who has engaged in the auditing services for the Company or its subsidiaries in the past three years).
  9. The Officer is an Executive of a company or its subsidiaries for which the subsidiaries of the Company serves as the lead managing underwriter (or has been an Executive of said companies in the past three years.)
  10. The Officer is a close relative of the party who falls under any of the above cases 1. to 9. (spouse, relatives within the second degree of kinship, or relatives living together).
  11. The Officer has held a position of Outside Director or Outside Audit & Supervisory Board Member for eight years or longer.
  12. The Officer may have a potential conflict of interests with the Company's general shareholders for a reason other than outlined above in the cases 1. to 11.

Even if the Officer falls under any of the cases listed above, when the Company considers that he/she is suitable for the position of Independent Outside Officer based on his/her personal quality and insight, the Company may appoint him/her as an Independent Outside Officer, provided that the Company publicly explains that he/she meets the requirements for Outside Director or Outside Audit & Supervisory Board Member as defined under the Companies Act, and the reasons for the Company to consider that he/she is appropriate for the Company's Independent Outside Officer.

Furthermore, even if the Company is capable of appointing the Officer as an Independent Outside Officer since he/she does not fall under any of the cases listed above, it may not preclude the Company's decision for not selecting him/her as an Independent Outside Officer candidate as a result of the comprehensive review.

\* "major customer or supplier" refers to a party whose transactions with the Company exceed 2% of annual consolidated operating revenue for the most recent fiscal year.

[Supplementary Principle 4.11.1] Preconditions for Effectiveness of Board of Directors and Audit & Supervisory Board

[Policy and procedures for the appointment of Directors]

The Board of Directors of the Company shall consist of Directors of diverse background in terms of expertise and experiences, and shall maintain the number of Board members to be sufficient enough to carry out the functions of the Board in an effective and efficient manner. The Articles of Incorporation of the Company stipulate that the number of Directors shall be up to 12. Currently the Company's Board of Directors consists of a total of 7 Directors, 3 of whom are Internal Directors and 4 of whom are Outside Directors.

Please refer to "[**Directors**], [**Audit & Supervisory Board Members**]" of this report for the brief profiles of Outside Officers.

[Supplementary Principle 4.11.2] Preconditions for Effectiveness of Board of Directors and Audit & Supervisory Board

[Status on Directors/Audit & Supervisory Board Members concurrently serving other positions]

In selecting Director and Audit & Supervisory Board Member candidates, the Company verifies that they are capable of securing sufficient time and efforts to adequately fulfill their roles and responsibilities as Director/Audit & Supervisory Board Member while concurrently serving other positions. The status on Directors/Audit & Supervisory Board Members concurrently serving other positions is presented in the reference documents for the "Notice of Convocation of General Meeting of Shareholders." "Notice of

Convocation of General Meeting of Shareholders” is mailed to shareholders, and is also posted on the Company’s website for your review.

(<http://www.tokaitokyo-fh.jp/investors/stock/meeting/>)

[Supplementary Principle 4.14.2] Director and Audit & Supervisory Board Member Training

[Policy for Director and Audit & Supervisory Board Member training]

The Company provides opportunities and covers the costs for Directors and Audit & Supervisory Board Members to acquire and update information necessary for adequately fulfilling their respective roles and responsibilities. The Company provides knowledge and information pertaining to its corporate culture and management environment to newly appointed Outside Officers upon assuming office.

[Principle 5.1] Policy for Constructive Dialogue with Shareholders

1. In order to foster constructive dialogues and to establish a system to ensure a favourable relationship with shareholders, the Company takes the following initiatives.
  - (1) The officer in charge of the Corporate Communications Department presides over overall dialogue with shareholders, and the Corporate Communications Department takes initiative in exchanging information with relevant departments in order to organically collaborate.
  - (2) Directors or Executive Officers meet with shareholders to have dialogues to a reasonable extent.
  - (3) Investors’ meetings, etc. are held on a regular basis to enhance means of dialogues with shareholders. The Company endeavors to make information disclosure clear and easy to understand by utilizing the IR website, etc.
  - (4) Shareholder feedback including their opinions gained through dialogue is reported to Directors, Executive Officers and the Board of Directors, etc. when and where appropriate.
  - (5) Dialogues with shareholders are carried out in accordance with the Company’s internal rules, and insider information is appropriately managed.
2. The Company endeavors to gain an understanding of its shareholder structure in order to foster a constructive dialogue with shareholders.
3. The Company formulates its business plans and provides detailed contents thereof when making them public.

## 2. Capital Structure

Shareholding Ratio of Foreign Investors	20% to less than 30%
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### [Status of Major Shareholders]

Name / Company Name	Number of Shares Held (Shares)	Percentage (%)
Mitsui Sumitomo Insurance Company, Limited	14,483,798	5.16
Toyota Financial Services Corporation	14,280,000	5.09
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,016,853	4.28
Japan Trustee Services Bank, Ltd. (Trust Account)	10,551,900	3.76
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,877,500	3.16
The Bank of Yokohama, Ltd. (Standing proxy Trust & Custody Services Bank, Ltd.)	7,014,553	2.50
Nippon Life Insurance Company	5,611,890	2.00
CMBL S.A. RE MUTUAL FUNDS (Standing proxy Mizuho Bank, Ltd. Settlement & Clearing Services Division)	5,468,800	1.95
Sumitomo Mitsui Trust Bank, Limited (Standing proxy Japan Trustee Services Bank, Ltd.)	4,800,000	1.71
Meiji Yasuda Life Insurance Company (Standing proxy Trust & Custody Services Bank, Ltd.)	4,406,000	1.57

Controlling Shareholders (excluding Parent Company)	—
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Parent Company	None
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### Supplementary Explanation

- The status of major shareholders above is as of September 30, 2015.
- In addition to the above, the Company holds 16,784,365 shares of treasury stock (the ratio of the number of shares held to the total number of outstanding shares is 5.98%).
- On September 25, 2015 (date on which reporting obligation was created: September 15, 2015), the Report of Possession of Large Volume with respect to the Company's shares was submitted to the Director-General of the Kanto Local Finance Bureau by Schroder Investment Management (Japan) Limited and its joint holders, Schroder Investment Management North America Limited, Schroder Investment Management Limited and



Schroder Investment Management (Hong Kong) Limited. However, the said companies are not included in the status of major shareholders stated above as the Company has not been able to verify the actual number of shares held by the said companies as of the end of the second quarter of Fiscal 2015.

- Schroder Investment Management (Japan) Limited  
The number of shares held: 10,466,500 shares (the ratio of the number of shares held to the total number of outstanding shares: 3.73%)
- Schroder Investment Management North America Limited  
The number of shares held: 5,185,214 shares (the ratio of the number of shares held to the total number of outstanding shares: 1.85%)
- Schroder Investment Management Limited  
The number of shares held: 4,510,600 shares (the ratio of the number of shares held to the total number of outstanding shares: 1.61%)
- Schroder Investment Management (Hong Kong) Limited  
The number of shares held: 330,200 shares (the ratio of the number of shares held to the total number of outstanding shares: 0.12%)

### 3. Corporate Attributes

Listed Stock Exchange and Market Section	The First Section of Tokyo Stock Exchange and Nagoya Stock Exchange
Fiscal Year-End	March
Type of Business	Securities & Commodity Futures
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Net Sales (Consolidated) as of the End of the Previous Fiscal Year	¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	10 to less than 50

### 4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholders

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### 5. Other Special Circumstances Which May Have Material Impact on Corporate Governance

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## II

# Business Management Organization and Other Corporate Governance Systems Regarding Decision-making, Execution of Business, and Supervision of Management

### 1. Organizational Composition and Operation

Organizational Form	Company with Audit & Supervisory Board Members
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#### [Directors]

Maximum Number of Directors Stipulated in the Articles of Incorporation	12
Terms of Office of Directors Stipulated in the Articles of Incorporation	1 year
Chairperson of the Board of Directors	Outside Director
Number of Directors	7
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors	3

#### Relationship with the Company (1)

Name	Attribute	Relationship with the Company (*)											
		a	b	c	d	e	f	g	h	i	j	k	
Ikuo Suzuki	From other company												
Nobuhiro Morisue	Attorney at Law												
Ichiro Mizuno	From other company												
Masato Setta	From other company												

\* Categories for "Relationship with the Company"

\* "○" When the person currently falls or has recently fallen under the category

"△" When the person fell under the category in the past

\* "●" When a close relative of the person currently falls or has recently fallen under the category

"▲" When a close relative of the person fell under the category in the past

a. Executive of the Company or its subsidiaries

b. Non-executive director or executive of a parent company of the Company

c. Executive of a fellow subsidiary company of the Company

d. A party whose major client or supplier is the Company or an executive thereof

e. Major client or supplier of the Company or an executive thereof

f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Director

g. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)

- h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the Director himself/herself only)
- i. Executive of a company, between which the Company's Outside Directors/Audit & Supervisory Board Members are mutually appointed (the Director himself/herself only)
- j. Executive of a company or organization that receives a donation from the Company (the Director himself/herself only)
- k. Others

Relationship with the Company (2)
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Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Ikuo Suzuki		—	Mr. Suzuki has successfully held several important posts, including Senior Managing Director and Deputy President of The Tokai Bank, Limited (presently The Bank of Tokyo-Mitsubishi UFJ, Ltd.), and Chairman of UNY Co., Ltd. We highly acclaim his achievements and insight in corporate management area. In view of this, the Company believes that Mr. Suzuki will be able to fulfill his responsibility to make important business decisions and to supervise business executions and other management matters.
Nobuhiro Morisue	○	—	After many years of service in the Ministry of Finance, Mr. Morisue currently practices law. His achievements and considerable insight are highly regarded. In view of this, the Company believes that Mr. Morisue will be able to fulfill his responsibility to make important business decisions and to supervise business executions and other management matters. The Company has designated Mr. Morisue as an Independent Director because the Company has judged that, since he has no special interest in the Company, he has no potential conflict with

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
			the interests of general shareholders, and is appropriate to protect general shareholders.
Ichiro Mizuno	○	—	Mr. Mizuno has successfully fulfilled his responsibility as a Member of Board of Mitsubishi Corporation. His achievements and considerable insight are highly regarded. In view of this, the Company believes that Mr. Mizuno will be able to fulfill his responsibility to make important business decisions and to supervise business executions and other management matters. The Company has designated Mr. Mizuno as an Independent Director because the Company has judged that, since he has no special interest in the Company, he has no potential conflict with the interests of general shareholders, and is appropriate to protect general shareholders.
Masato Setta	○	—	During his many years of service at Toyota Motor Corporation, Mr. Setta held important posts in accounting, human resources and the secretariat, among others, and currently serves as the Managing Officer of Toyota Financial Services Corporation. Mr. Setta also served as Audit & Supervisory Board Member of an affiliated company of the Toyota Group and his achievements and insight in his field of expertise and corporate management backed by his practical experience are highly regarded. In view of this, the Company believes that Mr. Setta will be able to fulfill his responsibility to make important business decisions and to supervise

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
			business executions and other management matters. The Company has designated Mr. Setta as an Independent Director because the Company has judged that, since he has no special interest in the Company, he has no potential conflict with the interests of general shareholders, and is appropriate to protect general shareholders.

An Optional Committee Equivalent to a Nominating Committee or Compensation Committee

Established

#### Establishment of Optional Committees, Committee Composition and Attributes of Chairperson

	Name of the committee	Number of total members	Number of full-time members	Number of Internal Directors	Number of Outside Directors	Number of outside experts	Number of others	Chairperson
Optional committee equivalent to the nominating committee	—	—	—	—	—	—	—	—
Optional committee equivalent to the compensation committee	Compensation Council	3	0	0	2	0	1	None

#### Supplementary Explanation

To enhance the objectivity and transparency of compensation for Directors/Audit & Supervisory Board Members, the Company has established the Compensation Council, comprised of Outside Directors/Outside Audit & Supervisory Board Members. The Compensation Council makes recommendations to the Board of Directors and Audit & Supervisory Board with respect to the policies related to the determination of the compensation for Directors/Audit & Supervisory Board Members as well as the calculation method and the compensation levels by reference to the level of compensation of other companies in the same line of business obtained through participating in the external compensation database.

The term of office of the Compensation Council members is from the election at the meeting of the Board of Directors after the conclusion of the Ordinary General Meeting of Shareholders until the conclusion of the next Ordinary General Meeting of Shareholders.

The chairperson of the Compensation Council has been elected by mutual vote from among Council members based on the Compensation Council Regulations.

\*One member of the Compensation Council classified under “others” is the Company’s Outside Audit & Supervisory Board Member.

**[Audit & Supervisory Board Members]**

Establishment of the Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in the Articles of Incorporation	6
Number of Audit & Supervisory Board Members	5

Cooperation among Audit & Supervisory Board Members, Accounting Auditor, and Internal Audit Department
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Audit & Supervisory Board Members adequately audit the status of business execution by Directors mainly by means of attending important meetings, such as the meetings of the Board of Directors, and regularly obtaining reports from Directors and others, as well as inspecting important documents and obtaining reports from the Audit Department and Accounting Auditor.

- Status of collaboration between the Internal Audit Department and Audit & Supervisory Board Members

In executing auditing duties, such as inspecting the status of business operations and assets of the Company, Audit & Supervisory Board Members endeavor to conduct organized and efficient audits while maintaining close collaboration with the Internal Audit Department. Audit & Supervisory Board Members regularly receive reports on audit plans and audit results from the Internal Audit Department and request investigations when necessary.

Reporting and exchanging of opinions between the Internal Audit Department and Audit & Supervisory Board Members are implemented on a monthly basis.

- Status of collaboration between the Internal Audit Department and Accounting Auditor

To maintain and improve the internal control system, the Accounting Auditor and Internal Audit Department including related departments work to improve collaboration, such as exchanging opinions when necessary, in order to conduct appropriate audits.

- Status of collaboration between Audit & Supervisory Board Members and the Accounting Auditor

Audit & Supervisory Board Members and the Accounting Auditor endeavor to conduct efficient audits by maintaining close collaboration with the Accounting Auditor, such as having regular meetings, as well as proactively exchanging opinions and information. Audit & Supervisory Board Members and the Audit & Supervisory Board obtain the outline of audit plans from the Accounting Auditor, receive explanations about major focusing points of audit and other related matters, and exchange opinions with the Accounting Auditor.

Audit & Supervisory Board Members and the Accounting Auditor have the opportunity on a quarterly basis to exchange opinions between them with respect to the accounting audit and the verification result of internal control systems. In addition, the Accounting Auditor reports on audit plans and results thereof, and exchanges opinions with Audit & Supervisory Board Members on an annual basis.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	3
Number of Independent Audit & Supervisory Board Members	2

Relationship with the Company (1)
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Name	Attribute	Relationship with the Company (*)												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Shigeo Kashiwagi	Scholar													
Kazuyoshi Tanaka	From other company													
Mitsuhiro Yasuda	Attorney at Law													

\* Categories for "Relationship with the Company"

\* "○" When the person currently falls or has recently fallen under the category

"△" When the person fell under the category in the past

\* "●" When a close relative of the person currently falls or has recently fallen under the category

"▲" When a close relative of the person fell under the category in the past

a. Executive of the Company or its subsidiary

b. Non-executive director or accounting advisor of the Company or its subsidiaries

c. Non-executive director or executive of a parent company of the Company

d. Audit & Supervisory Board Member of a parent company of the Company

e. Executive of a fellow subsidiary company of the Company

f. A party whose major client or supplier is the Company or an executive thereof

g. Major client or supplier of the Company or an executive thereof

h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a Audit & Supervisory Board Member

i. Major shareholder of the Company (or an executive of said major shareholder if the shareholder is a legal entity)

j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the Audit & Supervisory Board Member himself/herself only)

k. Executive of a company, between which the Company's Outside Directors/Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)

l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)

m. Others

Relationship with the Company (2)
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Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Shigeo Kashiwagi	○	—	<p>After having served as the Director-General of the Tokai Local Finance Bureau and the Vice President of Policy Research Institute, the Ministry of Finance, among other posts, Mr. Kashiwagi is currently a professor at the Graduate School of Business and Commerce, Keio University. His achievements and insight are highly regarded. In view of this, the Company believes that Mr. Kashiwagi will be able to adequately fulfill his responsibility as Outside Audit &amp; Supervisory Board Member. The Company has designated Mr. Kashiwagi as an Independent Audit &amp; Supervisory Board Member because the Company has judged that, since he has no special interest in the Company, he has no potential conflict with the interests of general shareholders, and is appropriate to protect general shareholders.</p>
Kazuyoshi Tanaka		—	<p>After having served as the Senior Managing Director of The Tokai Bank, Limited (currently The Bank of Tokyo-Mitsubishi UFJ, Ltd.) and Chairman of Mitsubishi UFJ Lease &amp; Finance Company Limited, among other posts, Mr. Tanaka currently serves as an Advisor of Mitsubishi UFJ Lease &amp; Finance Company Limited. His achievements and insight are highly regarded. In view of this, the Company believes that Mr.</p>



Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
			Tanaka will be able to adequately fulfill his responsibility as Outside Audit & Supervisory Board Member.
Mitsuhiro Yasuda	○	—	Mr. Mitsuhiro Yasuda has been working as an attorney at law for many years, and his achievements and considerable insight are highly regarded. In view of this, the Company believes that Mr. Yasuda will be able to adequately fulfill his responsibility as Outside Audit & Supervisory Board Member. The Company has designated Mr. Yasuda as an Independent Audit & Supervisory Board Member because the Company has judged that, since he has no special interest in the Company, he has no potential conflict with the interests of general shareholders, and is appropriate to protect general shareholders.

**[Independent Directors/Audit & Supervisory Board Members]**

Number of Independent Directors/Audit & Supervisory Board Members	5
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**Matters relating to Independent Directors/Audit & Supervisory Board Members**

In electing Outside Directors and Outside Audit & Supervisory Board Members, the Company follows the independence standards specified by the Tokyo Stock Exchange. The Company has concluded that there is no personal relationship, capital relationship, trading relationship, or any other interests between each Outside Director and Outside Audit & Supervisory Board Member and the Company that may have impact on shareholders and investors. Also, the Company has capital relationship and trading relationship with some of the companies for which any of Outside Director and Outside Audit & Supervisory Board Member currently serves or has served. However, the Company has concluded that such relationship does not have direct interest because no major shareholder is involved and is deemed to be trading relationship as general consumers.

The Company has established its “Independence Assessment Standard” in December 2015, on a basis of which Independent Directors/Audit & Supervisory Board Members will be appointed in future.

**[Incentives]**

Incentive Policies for Directors	A stock option plan is implemented
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Supplementary Explanation
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When issuing the stock acquisition rights as stock options, the recipients of such stock acquisition rights and the number of actual allotments are determined specifically by the Board of Directors of the Company after adequate deliberation thereat with respect to the degree of the Company’s and its subsidiaries’ contribution to the Company’s consolidated performance results, and the contribution and the matching compensation levels of each Director and employee within respectively assigned company.

Recipients of Stock Options	Internal Directors and employees of the Company, Directors and employees of the Company’s subsidiaries
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Supplementary Explanation
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The issuance of the stock acquisition rights as stock options to Directors and employees of the Company and its subsidiaries, which exclude Outside Directors, is aimed at improving consolidated performance by providing them with the common incentive of improving the performance of the Group as a whole.

**[Director’s Compensation]**

Disclosure of Individual Director’s Compensation	Partial disclosure of individual compensation
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Supplementary Explanation
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Directors who received compensation, including consolidated compensation, of ¥100 million or more in total are disclosed.

The amount of compensation for Directors for the fiscal year ended March 31, 2015 is as follows.

Internal Directors: ¥235 million (for three Directors)

\* Including stock acquisition rights of ¥5 million granted as stock options

\* Including bonuses of ¥99 million

Policy on Determining Compensation Amounts and Calculation Methods	Established
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Disclosure of Policy on Determining Compensation Amounts and Calculation Methods
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To enhance the objectivity and transparency of compensation for Directors/Audit & Supervisory Board Members, the Company has established the Compensation Council,

comprised of Outside Directors/Outside Audit & Supervisory Board Members. The Compensation Council makes recommendations to the Board of Directors and Audit & Supervisory Board with respect to the policies related to the determination of the compensation for Directors/Audit & Supervisory Board Members as well as the calculation method and the compensation levels by reference to the level of compensation of other companies in the same line of business obtained through participating in the external compensation database.

#### **[System for Supporting Outside Directors and Outside Audit & Supervisory Board Members]**

The Company provides prior explanations on the agenda items of meetings of the Board of Directors and Audit & Supervisory Board when necessary.

### **2. Matters on Functions of Business Execution, Auditing, Supervision, and Decision-Making of Nomination and Compensation (Overview of Current Corporate Governance System)**

The Board of Directors, consists of three Internal Directors and four Outside Directors, has been established as an organ for decision-making and supervision over important matters such as management policies and business strategies, and is chaired by an Outside Director. The Board meeting, in principle, takes place once a month. The Company has classified Directors who comprise the Board of Directors into executive directors, who execute day-to-day operations, and non-executive directors, who are not executive directors, and further divided them by role into Directors who are responsible for business execution and Directors who are responsible for the supervision of business execution, thereby reinforcing the respective functions. The Company has introduced the Executive Officer system to encourage prompt decision-making and reinforce the business execution function.

The Company has adopted the Audit & Supervisory Board system, which consists of two Internal Audit & Supervisory Board Members and three Outside Audit & Supervisory Board Members. The meeting of the Audit & Supervisory Board, in principle, takes place once every three months pursuant to the Audit & Supervisory Board Regulations. The duties of the Audit & Supervisory Board include the forming of audit opinions based on the report from each Audit & Supervisory Board Member, the preparation of audit reports, the appointment of full-time Audit & Supervisory Board Members, and making decisions on audit policies, the method of inspecting the status of business operations and assets, and other matters relating to the execution of duties by Audit & Supervisory Board Members.

In order to enhance management transparency and soundness, the Company has appointed the appropriate number of Outside Directors and Outside Audit & Supervisory Board Members who possess considerable experience and deep insight, thereby improving the checking capability within the Board of Directors and Audit & Supervisory Board.

In addition, the Company has established the Management Meeting, an organ which is composed of the President as well as Directors and Executive Officers who are appointed by the President, to discuss general execution policy on the Company's business and the Comprehensive Risk Management Committee where members discuss matters related to crisis management including compliance, risk management, and disasters. These meetings, in principle, take place twice a month and once a month, respectively. The Company has also established the Audit Committee, composed of non-executive directors, as an organ where members discuss matters related to the status of business execution through internal audits. The meeting, in principle, takes place once every three month.

### **3. Reasons for Adopting the Current Corporate Governance System**

The Company believes that strengthening corporate governance is one of its most important management issues. Therefore, the Company has adopted the current corporate governance system aiming to develop a structure enabling prompt decision-making and business execution,

to earn the trust of all of the stakeholders through greater management fairness and transparency, and to consistently enhance the corporate value.

The Company has elected four Outside Directors.

At the meeting of the Board of Directors, Outside Directors assume a function and role to ensure the adequacy and appropriateness of the Board of Directors' decision-making and execution of duties by proactively providing advice and suggestions from an objective and neutral standpoints, having no potential conflict with the interests of general shareholders, and comprehensive and professional viewpoints, based on the respective abundant experience, as well as by supervising the execution of Directors' duties.

### III Implementation of Measures for Shareholders and Other Stakeholders

#### 1. Measures to Vitalize the General Meeting of Shareholders and Smooth Exercise of Voting Rights

	Supplementary Explanation
Early Dispatch of the Notification of General Meeting of Shareholders	The Company sends the notice of convocation of the General Meeting of Shareholders as early as possible without waiting until the statutory due date, which is two weeks before the day of such Meeting. The Company sent the notice of convocation of the 103rd Ordinary General Meeting of Shareholders held in June 2015, three weeks before the day of the Meeting.
Electronic Exercise of Voting Rights	The Company has adopted an electromagnetic method to facilitate the exercise of voting rights.
Participation in the Electronic Voting Platform and Other Efforts to Enhance the Environment for the Exercise of Voting Rights by Institutional Investors	The Company uses the electronic voting platform for institutional investors operated by ICJ, Inc.
Provision of the Convocation Notice (Summary) in English	The Company publishes the notice of convocation in English on the Company's website (English site). The Company has also started posting the notice of convocation on the website of stock exchanges from 2015.
Other	To ensure the active General Meeting of Shareholders and smooth exercise of voting rights, the Company posts the notice of convocation both in Japanese and English on the websites of the Company as well as stock exchanges on the day when sending out such notices.

#### 2. IR Activities **Updated**

	Supplementary Explanation	Presentation by Representatives
Regular Investors' Meetings for Individual Investors	A representative of the Company or other person in charge provided explanations at the investors' meeting held several times a year (seven times in the fiscal year ended March 31, 2015) In the fiscal year ended March 31, 2015, the Company made a presentation three times at events for individual investors, such as TSE IR Festa. In the fiscal year ending March 31, 2016, five investors' meetings, and two events for individual investors have been held as of February 15.	Available
Regular Investors' Meetings for Analysts and Institutional	A representative of the Company provided explanations at the investors' meeting held twice a	Available

	Supplementary Explanation	Presentation by Representatives
Investors	year in Tokyo.	
Regular Investors' Meetings for Foreign Investors	A representative of the Company visited Europe, the United States, and Asia several times a year (twice in the fiscal year ended March 31, 2015, three times in the fiscal year ending March 31, 2016 (as of February 15))	Available
Posting of IR Materials on the Website	IR materials, such as company information, the Financial Summary, Result Review, Annual Report, and press releases, are posted on the Company's website. <a href="http://www.tokaitokyo-fh.jp/">http://www.tokaitokyo-fh.jp/</a> Such materials are also available on the English website. <a href="http://www.tokaitokyo-fh.jp/en/">http://www.tokaitokyo-fh.jp/en/</a>	
Establishment of Department and/or Manager in Charge of IR	The Company has the Corporate Communications Department.	

### 3. Measures to Ensure Due Respect for Stakeholders **Updated**

	Supplementary Explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Group sets forth the basic approaches to each stakeholder (clients, shareholders, local communities, employees, etc.) in the “Basic Compliance Policy” and “Tokai Tokyo Financial Group’s Ethical Code of Conduct” and endeavors to make such basic approaches known to all officers and employees.
Implementation of Environmental Activities and CSR Activities, etc.	The Group is undertaking initiatives for enlightening young generation on financial and economic issues by various actions, such as sending instructors to universities to offer credit bearing courses, and the “Tokai Tokyo Financial Holdings Global Operation” in Nagoya University. In addition, the Group provides support to activities fostering the Chubu region’s manufacturing culture, sports (figure skating, etc.), cultural and artistic activities (sponsorship for art exhibitions, etc.). The Company is encouraging a summer business dress code known as “Cool Biz” as a part of measures against global warming.
Development of Policies on Information Provision to Stakeholders	The Company strives to ensure the proactive and appropriate disclosure of information, such as management policies and corporate information.
Other	<p>&lt; Approaches toward the promotion of female employees &gt;            The Group emphasizes “Humanity (A company with a human touch)” as one of the important themes listed in the business plan “Ambitious 5” that has been implemented from April 2012, and implements the “Promotion of Diversity” as measures for the realization of the Humanity.            The purpose of the “Promotion of Diversity” is to improve environment in which each female and senior employees can continue to work in a lively manner and develop their own personality and capability in such environment, thereby nurturing corporate culture with human touch and resulting in the enhancement of corporate value.            To provide organizational support for this “Promotion of Diversity,” the Company has established the Diversity Promotion Office, which is composed only of female employees. At the same time, to share understanding among officers and employees, the Company distributes to all its officers and employees the “Diversity Bible” in which the message from the President is stated, and posts the “Diversity NEWS” on the Intranet of the Company.</p> <p>With respect to the promotion of female employees, the Company has been implementing measures to provide “support a balance between child care and work” and provide “career development support” to female employees. With respect to “support a balance between child care and work,” the Company is developing regulations relating to child care. The regulations include more favorable measures than those of statutory requirements, such as extending the term of child care leave until a child reaches three years old, applying shorter working hours until a child reaches the third grade at the elementary school, and making it possible to utilize the system multiple times during the applicable term. The Company has also introduced a “half-day leave system” whereby an employee can take paid leave on a half-day basis when the employee requires to take leave on account of</p>

## Supplementary Explanation

some business, such as hospital visits or school events, as well as a “career bridge system” that creates opportunities to rehire former female employees who left their jobs for family-related reasons, such as child care or nursing care. To enable employees to tailor their efficient work styles suitable at each stage from pregnancy to child-raising years, and to allow them to find a comfortable balance between child-raising and career-building, the Company prepares a booklet (Smart Return Book) aiming for female employees and their managers to share information mutually, and provides support for employees to smoothly return to work by making effective use of the booklet.

With respect to the “career development support” for female employees, the Company has implemented various training programs, such as a “career step-up training” to prepare for future careers and a “career training for child rearing female employees” for returned female employees from child care leave, as well as a “diversity training” for managers based on the idea that it is necessary to obtain the understanding of surroundings including managers.

In October 2015, the Company launched awareness-raising activities making use of female employees with a wealth of career experiences as a role model. The Company intends to boost female employee motivation to continue working with enthusiasm by widely disseminating the career background and personality of the female employees with abundant working experiences (the role models) to provide a clear vision and image of active involvement of female in the Company’s workplace.

With respect to the ratio of female officers and managers, in October 2014, the Company set the numerical target of 20% to be reached by the end of March 2017, when the business plan “Ambitious 5” expires.

The ratio of female officers and managers as of December 2015 accounts for 17.3%.

The number of female officers and managers of the Company and Tokai Tokyo Securities, one of major subsidiaries of the Company, as of December 2015 are two executive officers (the ratio of female officers: 3.8%) and fourteen managers.

Through these efforts, Tokai Tokyo Financial Holdings, Inc. and Tokai Tokyo Securities received awards and obtained certifications associated with the promotion of female advancement as outlined below.

Tokai Tokyo Financial Holdings, Inc.

Received Excellence Award of “Female Advancement Promotion Awards” of Tokyo

Tokai Tokyo Securities

Obtained Certification of “Female Advancement Promotion Certifications (Companies Where Aichi Women Shine)” of Aichi Prefecture

Received Excellence Award of “Female Advancement Promotion Certifications of Nagoya City”

Obtained Certification of “Childcare support company” of Nagoya City



## **IV Matters Related to the Internal Control System**

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### **1. Basic Views on the Internal Control System and the Progress of System**

#### **Development**

The Company has established the following basic policies to enhance the internal control system.

#### **1. Systems to Ensure that Directors and Employees Execute their Duties in Compliance with Laws and Regulations and the Articles of Incorporation**

- (1) The Board of Directors of the Company shall consist of executive directors and non-executive directors.
- (2) The Board of Directors shall establish basic guidelines, such as the Basic Compliance Policy and Tokai Tokyo Financial Group's Ethical Code of Conduct, and various rules including the Compliance Regulations, as a system for Directors and employees of the Company to comply with laws and regulations and various rules, and take steps for the implementation thereof.
- (3) In order to ensure the effectiveness of the compliance with laws and regulations and various rules, the Board of Directors shall set up the Comprehensive Risk Management Committee as an organ that submits reports, including reports on measures to establish the Company's compliance system, and the Comprehensive Risk Management Department, as a dedicated department that engages in activities, such as controlling, guiding, and monitoring compliance. In addition, the Board of Directors shall set up the Audit Committee and the Audit Department that is placed under the former as organs to check the status of business execution through internal audits. Each organ reports on the status of compliance obtained through auditing to the Board of Directors, Audit & Supervisory Board Members, or the Audit & Supervisory Board.
- (4) The Company shall develop the whistle-blowing system (Group Compliance Hotline) to deter, detect early, and rectify illegal activities and strive to maintain the effectiveness of such system.
- (5) The Company shall respond to groups, organizations, and any other bodies that engage in antisocial activities with resolute attitude, and establish a system not to enter into any transaction with such party.

#### **2. Systems for the Storage and Management of Information Related to the Execution of Duties by Directors**

- (1) In accordance with internal regulations, the Company shall store and maintain the following documents (including electromagnetic records) together with related materials, and develop a system under which Directors and Audit & Supervisory Board Members can inspect such documents when necessary.
  - Minutes of General Meetings of Shareholders
  - Minutes of Board of Directors' meetings
  - Minutes of Audit & Supervisory Board's meetings
  - Minutes of Management Meetings
  - Information relating to important execution of duties and managerial decisions (requests for approval, contractual documents, etc.)

#### **3. Rules and Other Systems for Risk Management**

- (1) In accordance with the Risk Management Regulations, the Company works to clarify the risk management system by designating the department that is in charge of risk management for

each risk category and administering the risk of entire scope that may affect the Company and its subsidiaries.

- (2) The Company shall establish the Comprehensive Risk Management Committee, which grasps and manages the status of risk management administered in each department and regularly reports the results thereof to the Board of Directors and Audit & Supervisory Board.

#### **4. Systems to Ensure the Efficient Execution of Duties by Directors**

- (1) The Company shall encourage lively discussions and prompt decision-making at the Board of Directors meetings, while introducing the Executive Officer system to reinforce the business execution function.
- (2) The Company shall establish the Management Meeting, composed of the President as well as Directors and Executive Officers who are appointed by the President, to discuss general execution policy on the Company's business.
- (3) The Company shall develop a system under which the duties of Directors are executed appropriately and efficiently in accordance with the administrative authority based on the Board of Directors Regulations and decision-making rules.

#### **5. Systems to Ensure the Proper Business Operations in the Group Comprised of the Company and its Subsidiaries**

- (1) Aiming to establish internal control systems in the Company and its subsidiaries, the Company shall cooperate closely with the subsidiaries and provide them with necessary instructions and support.
- (2) The Company shall supervise the management and financial matters of its subsidiaries in accordance with the Subsidiaries and Affiliates Management Regulations and give them instructions to develop their compliance systems and risk management systems. At the same time, the Company shall conduct internal inspections and subsidiary audits in accordance with the Audit Regulations and report the results thereof to the Board of Directors and Audit & Supervisory Board.
- (3) The Company shall have its subsidiaries submit reports on financial results to the Board of Directors on quarterly basis to obtain their financial situation.

#### **6. Matters Regarding Employees Who Assist the Audit & Supervisory Board Members of the Company with Auditing Duties in Cases Where the Audit & Supervisory Board Member of the Company Requests the Assignment of Such Employees and Matters Regarding the Independence of Such Employees from Directors of the Company**

- (1) Directors shall elect suitable employees who assist the duties of Audit & Supervisory Board Members (Staff for Audit & Supervisory Board Members) at the request of Audit & Supervisory Board Members.
- (2) When appointing the Staff for Audit & Supervisory Board Members, Directors shall pay attention to secure the independence of the Staff for Audit & Supervisory Board Members from Representative Directors, such as respecting the opinions of Audit & Supervisory Board Members, in order to avoid any impediment to the appropriate operation of duties.

#### **7. Systems by Which Directors and Employees Report to Audit & Supervisory Board Members and Other Systems for Reporting to Audit & Supervisory Board Members**

- (1) Directors shall report the matters designated by laws, the results of internal audits, the status and content of reporting through the whistle-blowing system, on either regular or temporary basis, to Audit & Supervisory Board Members or the Audit & Supervisory Board.
- (2) Audit & Supervisory Board Members receive reports from the Accounting Auditor, Directors, the employees of Internal Audit Department, and others as necessary, respectively.

## **8. Other Systems to Ensure Effective Audits by Audit & Supervisory Board Members**

- (1) Representative Directors, Audit & Supervisory Board Members, and the audit corporation shall have the opportunity to exchange opinions regularly to improve mutual communication.
- (2) The Company ensures that Audit & Supervisory Board Members have the opportunity to obtain advice on auditing from legal and accounting professionals.

## **9. Internal Control Over Financial Reporting**

The Company shall develop and operate the internal control over financial reporting appropriately to ensure the adequacy and reliability of such reporting.

## **2. Basic Views on Eliminating Antisocial Forces**

The current status of the Company's preparedness for the elimination of antisocial forces is as follows.

The Group has formulated the "Regulations on Eliminating Any Relations with Antisocial Forces" and established a system to ensure to cut off any relations between antisocial forces and the Group companies.

The Group clarifies in its "Tokai Tokyo Financial Group's Ethical Code of Conduct" and "Code of Ethics" that the Group consistently and resolutely confronts antisocial forces and will not enter into any transactions with antisocial forces, and makes such policy known to all its officers and employees.

In addition, the Comprehensive Risk Management Department, which is in charge of dealing with antisocial forces for the Group, collects and analyzes information and discusses countermeasures by constructing database that unitarily manages such information and sharing such information with the companies and departments within the Group.

If employees receive any information on antisocial forces or confronts any unreasonable demand from antisocial forces, such employees shall promptly and adequately inform management to that effect, and at the same time, the Company works to ensure the thorough elimination of antisocial forces by maintaining constant close cooperation with parties, such as the police office having jurisdiction and the Japan Securities Dealers Association.

**1. Adoption of Anti-Takeover Policy**

Adoption of Anti-Takeover Policy	Adopted
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Supplementary Explanation
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**1. Details of Basic Policy**

The Company believes that those who control decisions on the Company’s financial and business policies need to be persons who understand the source of the Group’s corporate value and make it possible to continually and persistently ensure and enhance such value and thus common interest of its shareholders (hereinafter referred to as the “Group’s Corporate Value, etc.”).

The Board of Directors of the Company will not completely reject what is considered as “hostile takeovers,” which are carried out without the approval of the Board of Directors, as long as it will contribute to the Group’s Corporate Value, etc. The Company also believes that the final decision as to whether or not to accept a takeover that would involve a transfer of control of the Company should ultimately be made by the shareholders as a whole. However, among Large-scale Purchase of the Shares, etc., (defined in 2. below, hereinafter the same), some, judging from their purpose, does not contribute to the corporate value of the target company and others.

The Group believes that the source of its corporate value consists of the products and services it has accumulated over the years in its securities and securities-related businesses, its high-level of expertise and abundant experience in the financial and capital markets, etc., and the long-term relationship of trust it has nurtured with the various stakeholders surrounding the Group both in Japan and in overseas. The Company believes it necessary to ensure the Group’s Corporate Value, etc., by taking the necessary and reasonable countermeasures against the aforesaid abusive acquisition.

The Company has started the business plan, “Ambitious 5,” from Fiscal 2012 that will contribute to the realization of the basic policy. Furthermore, the Company believes that the enhancement of corporate governance is also important as an initiative to contribute to the realization of the basic policy. For this reason, the Company practices the “separation of management and execution” by constituting the Board of Directors with executive directors who execute day-to-day operations and other non-executive directors, and by adopting the Executive Officer system to speed up the decision-making process. Additionally, internal audits are conducted by the Audit Committee, which has been established as an advisory body for the Board of Directors and is chaired by the Outside Director, thus facilitating checks on the status of business execution by Outside Directors. The Audit & Supervisory Board is composed of five members including three Outside Audit & Supervisory Board Members. While Audit & Supervisory Board Members attend the meetings of the Board of Directors, full-time Audit & Supervisory Board Members participate in various meetings where they expressing opinions as necessary, thus allowing for sufficient checks on management by the Audit & Supervisory Board Members.

**2. Initiatives for Preventing the Company’s Decision on Financial Matters and Business Policies from Being Controlled by an Inappropriate Party in Light of the Basic Policy**

“Countermeasures against the Large-scale Purchase of the Company’s Shares (Anti-Takeover

Policy)” (hereinafter referred to as the “Plan”) applies to any of the following acts with respect to share certificates, etc., issued by the Company: (a) a purchase or other acquisition by a person intending to conduct the large-scale purchase of the share certificates, etc., (hereinafter referred to as the “Large-scale Purchaser”) in amount that accounts for 20% or more of the holding ratio of the share certificates, etc., of the Large-scale Purchaser; (b) a purchase or other acquisition by the Large-scale Purchaser of the share certificates, etc., in amount that accounts for 20% or more of the total holding ratio of the share certificates, etc., of the Large-scale Purchaser and persons with special relationship; or (c) an act that causes the holding ratio of the share certificates, etc., of a Large-scale Purchaser to account for 20% or more resulting from another shareholder of the Company being a joint shareholder together with the Large-scale Purchaser (The acts stated in (a) through (c) shall hereinafter collectively be referred to as the “Large-scale Purchase”).

The Plan sets forth the following procedures to be conducted in the event of the Large-scale Purchase of the share certificates, etc., of the Company in order to maintain and enhance the Group’s Corporate Value, etc.: (a) requesting for a Large-scale Purchaser to submit necessary and sufficient information in advance; (b) securing sufficient time for gathering information and reviewing, etc., by the management of the Company; and (c) the procedures for proposing plans and alternative plans, etc., formulated by the management of the Company to shareholders, and negotiating with the Large-scale Purchaser.

In the case where it is deemed that the Group’s Corporate Value, etc., will be significantly damaged, such as a case where the Large-scale Purchaser does not follow the procedures regulated under the Plan, the Company, in principle, will allot stock acquisition rights to shareholders with no compensation as a countermeasure.

The stock acquisition rights allotted based on the Plan (hereinafter referred to as the “Stock Acquisition Rights”) include (a) conditions for restricting exercises by a Large-scale Purchaser and its related parties and (b) provisions on acquisition, etc., under which the Company’s shares will be delivered to shareholders other than the Large-scale Purchaser and its related parties in exchange for acquisition of the Stock Acquisition Rights are scheduled to be added. However, the Company does not adopt the provision to the effect that the Company may acquire the Stock Acquisition Rights from the Large-scale Purchaser in exchange for the delivery of other property.

If the allotment of the Stock Acquisition Rights with no compensation has been implemented, it is possible that the percentage of the voting rights held by the corresponding Large-scale Purchaser and others in the total voting rights of the Company could be greatly diluted.

The Board of Directors shall make a final judgment as to whether or not the relevant series of procedures have been carried out in accordance with the rules regulated base on the Plan, and whether or not countermeasures that are necessary and reasonable for the maintenance and enhancement of the Group’s Corporate Value, etc., should be executed. In order to secure the objectivity, reasonability, and fairness of such judgment, the Company has established the Independent Committee as an organization that is independent of the Board of Directors. When adopting the resolution concerning the execution of countermeasures provided for in the Plan, the Board of Directors of the Company must go through the procedures for recommendation of the Independent Committee, and respect such recommendation to the utmost extent.

The Independent Committee shall consist of at least three committee members, who are appointed by the Board of Directors from either Outside Audit & Supervisory Board Members or outside experts. The Independent Committee may request for Large-scale Purchasers, Directors, Audit & Supervisory Board Members, employees, etc., of the Company to attend the meeting of the Independent Committee and to provide it with explanations. The Independent Committee shall deliberate and reach a decision on the matters consulted by the Board of Directors of the Company and make recommendations to the Board of Directors of the Company. These recommendations shall be publicly announced.

### **3. Rationality of the Plan (The Plan Complies with the Basic Policy to Avoid Corporate Control and Is Neither Designed to Harm the Common Interests of the Shareholders nor to Preserve the Position of the Company’s Executives, and Reasons Thereof)**

(1) The Plan complies with the Basic Policy to Avoid Corporate Control

The Plan requires Large-scale Purchasers to provide the Board of Directors of the Company with necessary and sufficient information in advance and to commence the Large-scale Purchase only after a given evaluation period has elapsed, and stipulates that countermeasures will be taken against Large-scale Purchasers who do not comply with the rules set forth by the Company.

Moreover, the Plan also stipulates that, even if a Large-scale Purchaser complies with the rules, in the event that the Large-scale Purchase is deemed to be detrimental to the Group's Corporate Value, etc., countermeasures may be taken against the Large-scale Purchaser. Thus the Company believes that the Plan complies with the Basic Policy to Avoid Corporate Control.

(2) The Plan fully satisfies the requirements of the Guidelines for Takeover Defense, etc.

The Plan fully satisfies the three principles ("Principle of protecting and enhancing corporate value and the interests of shareholders as a whole," "Principle of prior disclosure and shareholders' will," and "Principle of ensuring the necessity and reasonableness") established in the "Guidelines Regarding Takeover Defense for the Purpose of Protection and Enhancement of Corporate Value and Shareholders' Common Interests," released on May 27, 2005 by the Ministry of Economy, Trade and Industry and the Ministry of Justice. The Plan is also in compliance with the idea of rules pertaining to the introduction of Takeover Defense measures set forth by Tokyo Stock Exchange, Inc. The Plan also takes into account the details of the report, "Takeover Defense Measures in Light of Recent Environmental Changes" issued June 30, 2008, by the Corporate Value Study Group, established in the Ministry of Economy, Trade and Industry.

(3) The Plan does not harm the common interests of the shareholders

Since the Plan allows the shareholders to make appropriate investment decisions by ensuring the provision of necessary information and the opinions of the Board of Directors for shareholders to determine whether or not to accept the Large-scale Purchases as well as opportunities to receive alternative proposals and, therefore, the Company believes that the Plan will contribute to the common interests of the shareholders.

In addition, the Company believes that the Plan does not harm the common interests of the shareholders of the Company because the Plan becomes effective subject to the approval of General Meeting of Shareholders, and even prior to the expiration of the term of the validity of the Plan (shall be until the conclusion of the Ordinary General Meeting of Shareholders of the last fiscal year within three fiscal years from the conclusion of the 101st Ordinary General Meeting of Shareholders), the Plan may be abolished pursuant to the resolution of the General Meeting of Shareholders.

(4) The Plan prioritizes the will of the shareholders, and sets reasonable and objective requirements for the exercise of countermeasures

In order to secure opportunity to adequately reflect the will of the shareholders in the Plan, the proposal to approve the Plan was put forth on the 101st Ordinary General Meeting of Shareholders, and the proposal was approved. Moreover, prior to expiration of the term of validity of the Plan, if the General Meeting of Shareholders of the Company resolves to abolish the Plan, the Plan will be abolished at that point in time. Thus, in this sense, the Plan may reflect the will of the shareholders, not only on renewal of the Plan but also on continuation of the Plan.

Moreover, the Plan, as a prerequisite for the shareholders to entrust the decision of whether or not to execute countermeasures based on the Plan to the Board of Directors of the Company, sets out for the shareholders specific conditions for the execution of countermeasures in specific cases. Thus countermeasures executed in accordance with such conditions will be a reflection of the will of the shareholders.

- (5) The Plan has not been designed for the purpose of preserving the position of the Company executives

The Plan ensures the fairness and objectivity of the decision by the Board of Directors of the Company, mainly by setting reasonable and objective requirements for the execution of countermeasures, requiring the decision of the Independent Committee for the execution of countermeasures, and requiring the Board of Directors of the Company to show maximum respect to the recommendation of the Independent Committee. Thus the Plan is not designed for the purpose of preserving the position of the Company executives.

- (6) The Plan constitutes neither a dead-hand type Anti-Takeover Policy nor a slow-hand type Anti-Takeover Policy

The Plan is not a so called dead-hand type Anti-Takeover Policy in which the execution of countermeasure cannot be deterred, even if the majority of the members of the Board of Directors is replaced.

Also, the Plan is not a so called slow-hand type Anti-Takeover Policy which requires certain amount of time to deter the execution as the replacement of all board members at once is not possible.

For details of the Plan, please refer to the website of the Company.  
<http://www.tokaitokyo-fh.jp/>

## **2. Other Matters concerning Corporate Governance System**

### **■ System for disclosing information about decisions made by the Company**

After the Board of Directors resolves material corporate information about decisions made by the Company, the person responsible for the handling of information determines whether or not such information falls under the category to be disclosed in accordance with provisions in the timely disclosure rules set forth by stock exchanges. If the person responsible for the handling of information determines that the information has to be disclosed, then such person provides instructions to the department in charge of disclosure while ensuring thorough management of the subject information.

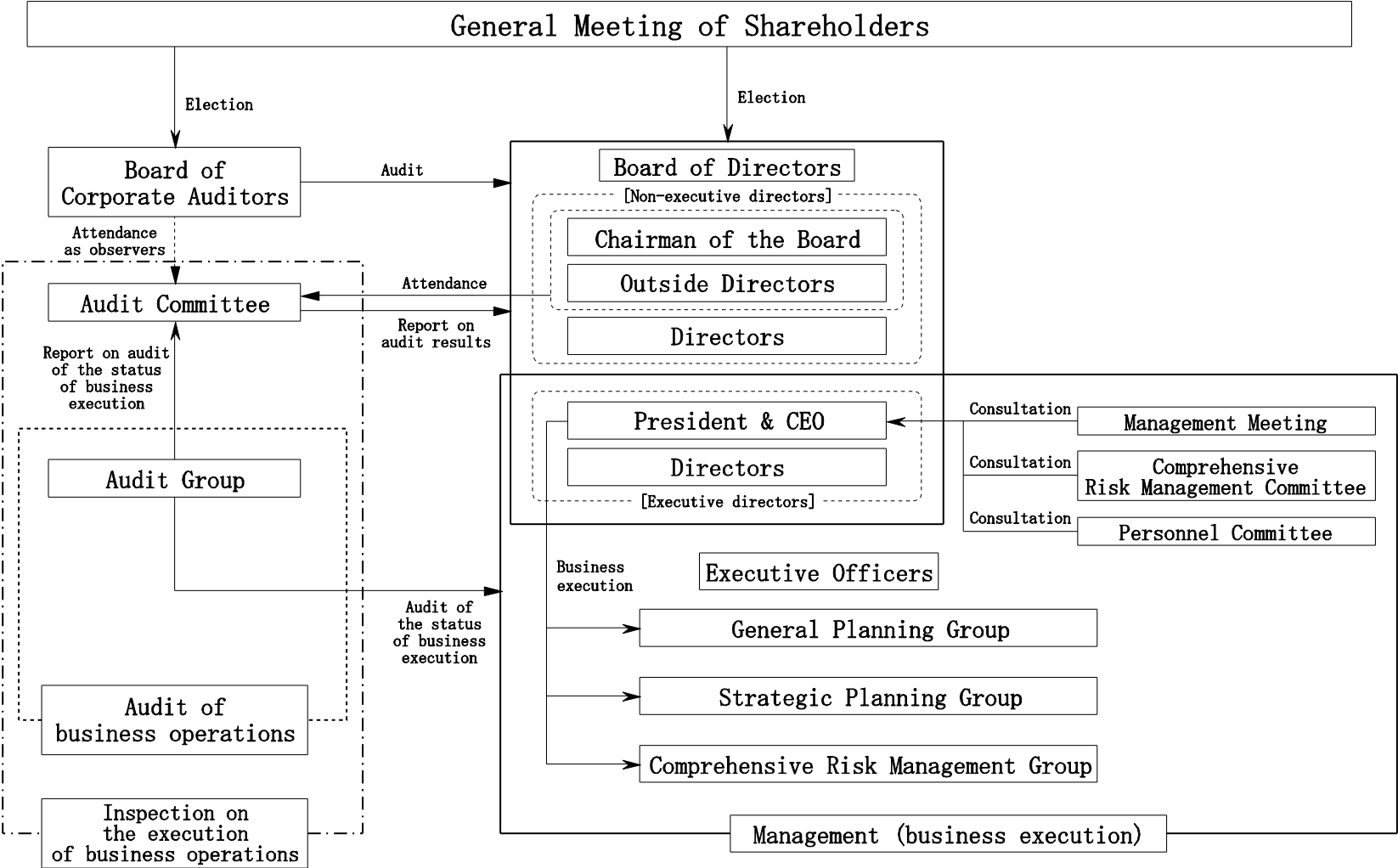
### **■ System for disclosing information about facts which occurred to the Company**

The person responsible for the handling of information collects the material corporate information about facts which occurred to the Company. The person responsible for the handling of information determines how the fact will impact the business operations, operating results, and financial standing of the Company including consolidated subsidiaries and whether or not such fact falls under the matters specified in the timely disclosure rules set forth by stock exchanges while ensuring thorough management of the subject information and promptly reporting thereof to the President.

If the information falls under the matters specified in such rules, the person responsible for the handling of information provides instructions to the department in charge of disclosure.

\* A person responsible for the handling of information means the person responsible for the handling of information specified in the rules of stock exchanges.

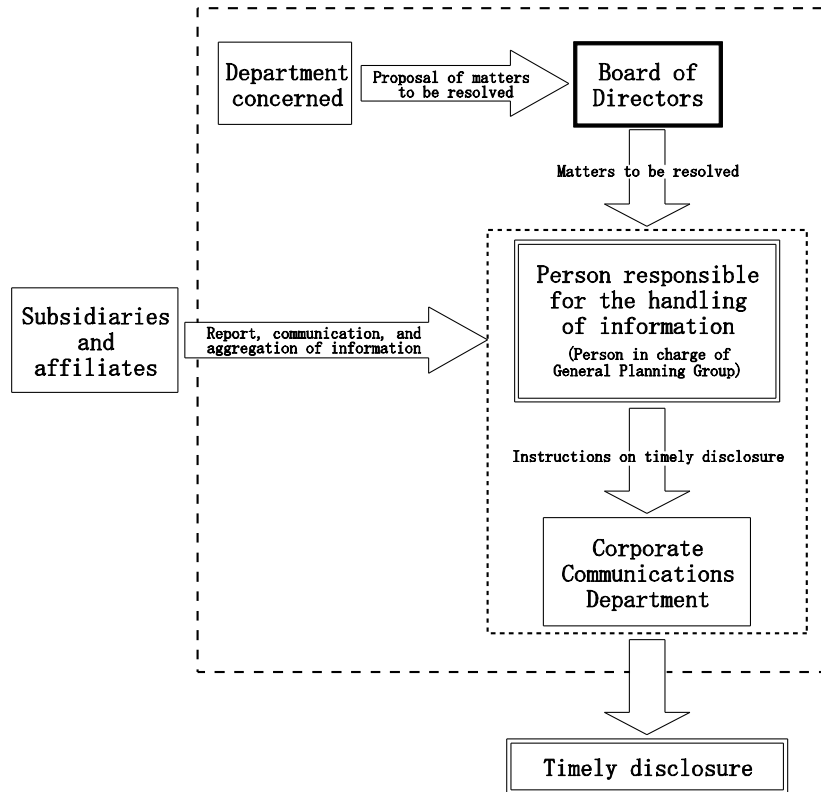
Attachment (Overview of Corporate Governance)





## Overview of Timely Disclosure System of Tokai Tokyo Financial Holdings

System for disclosing information  
about decisions made by the Company



System for disclosing information  
about occurrence of facts to the Company

