

## Corporate Governance Report

Tokai Tokyo Financial Holdings, Inc.

Update as of July 8, 2016

Tokai Tokyo Financial Holdings, Inc.

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Tokai Tokyo Financial Holdings, Inc. (hereinafter “the Company”) describes below the current status of its Corporate Governance.

### I. Basic Approach toward Corporate Governance, and the Information with regard to Capital Structure, Corporate Attributes and Other Material Matters

#### 1. Basic Approach

Updated

The Company considers the enhancement of corporate governance to be one of its important tasks. So, the Company will reinforce and upgrade its corporate governance, aiming to raise the level of fairness and transparency in its management with an ultimate view to win trust from various stakeholders, and continuously increase corporate value. The Company makes this endeavor in tandem with its efforts to maintain corporate structure that allows swift decision making and business execution.

Further, the Company deems it essential to act in unison with all the stakeholders including shareholders, investors and others. Under such an idea, the Company has established the following basic approach to corporate governance.

##### 1. Basic Approach

- (1) The Company respects the right of its shareholders and works to maintain an environment in which such right can be appropriately exercised as well as to ensure the real fairness to shareholders.
- (2) While the Company engages in suitable cooperation with various stakeholders including shareholders, customers, business partners, employees, and regional societies, it fosters corporate culture and spirit that respect sound business operations.
- (3) The Company discloses information appropriately not only what is required by laws, regulations, etc., but also the information it deems necessary in order to ensure fairness and transparency in its management.
- (4) The Company makes efforts to maintain a system that enables Directors perform more effective supervision over its management and concurrently facilitates the management’s swift and resolute decision making.
- (5) In order to promote continuous growth and increase in medium-to-long-term corporate value, the Company undertakes constructive dialogue with shareholders through proactive IR and other activities.

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

- (1) Distinguish clearly the functions of management between “business execution” and “supervision”

The Company’s Directors include two classes and the one class refers to “Executive Directors” who carry out daily business operations and the other does to “Non-Executive Directors” who are mainly in charge of supervision of business execution. The roles of Directors of both classes are clearly distinguished by the Company. Furthermore, appointing the Chairperson of the Board of Directors from “Non-Executive Directors” signifies the Company’s efforts to ensure the role of the Board of Directors with respect to corporate governance efficacy.

- (2) Enhancing functions of the Board of Directors and the Audit and Supervisory Committee

With a view to raise the level of management transparency and soundness, the Company's Board of Directors is designed to include five Outside Directors with abundant experience and high insight (including three Outside Directors serving on the Audit and Supervisory Committee). As a result, the Company's Board of Directors is comprised of five Outside Directors and four Internal Directors, while the Audit and Supervisory Committee is comprised of three Outside Directors and one Internal Director, both in an effort to enhance the function of checking.

**[Reasons why the Company has yet to comply with the Principles of the Corporate Governance Code]**

Updated

[Principle 3.1(1)] Disclosure Improvement

[Management philosophy]

The management of Tokai Tokyo Financial group (hereinafter "the Group") has been sending out various messages not only to its officers and employees of the Group, but also to stakeholders including foremost the Group's shareholders. The Group is currently consolidating those messages to establish the "Corporate Philosophy". Once it is established, the Group will disclose it with no delay.

[Supplementary Principle 3.2.2] Close Cooperation among Independent Accounting Auditor and the Audit and Supervisory Committee, the 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 the Audit and Supervisory Committee are held on a regular basis. Furthermore, the Independent Accounting Auditor meets with the Internal Audit Department as needed in order to enhance each respective collaboration.

The Company has not realized yet the meetings between the Independent Accounting Auditor and Outside Directors not serving on the Audit and Supervisory Committee, which constitutes the reason for non-compliance. But, the Company considers setting up the opportunities for such meetings on a regular basis the way forward.

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

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

The analysis and assessment has been slated and the outline will be disclosed once it is conducted.

**[The Disclosure Based on the Principles of the Corporate Governance Code]**

Updated

[Principle 1.4] About what is referred to as

"Cross-Shareholdings"

[Policy on Cross-Shareholdings]

In principle, the Company does not possess shares that cause the cross-shareholdings unless doing so is deemed reasonable.

The Company investigates the reasonableness of major cross-shareholding should the case may be by examining the significance of holding such shares and the outlook of medium-to-long term returns and risk associated with such shareholding, and the investigation result will be reported to the Board of Directors.

[View on the exercise of voting rights]

The Company makes decision on the exercise of voting rights as the owner of such cross-held shares judging from the overall point of view taking into account medium-to-long term possibility of corporate value growth of the invested companies and other judgment variables.

[Principle 1.7] Related Party Transactions

For the protection of the interests of shareholders, the Company structures the system described below in preventing transactions that may cause the conflict of the interests either to the Group or shareholders.

(1) The Rules of the Board of Directors stipulate that the approval of the Board of Directors is required to commence the transactions that may cause competition or conflict-of-interest between the Company and its Directors. In addition, the rules stipulate that any transaction of conflicting interest between the Company and its major shareholders, of unusual nature or of significant importance to the Company's management requires the approval of the Board of Directors because such transaction falls under "Other important matters related to management".

(2) The Company regularly verifies whether transaction takes place between the Company and its Directors or major shareholders.

[Principle 3.1(1)] Disclosure Improvement

[Business plans]

The Group sets out its business plans addressing the said subject and the plans are posted on the Company's website for public viewing.

(<http://www.tokaitokyo-fh.jp/corporate/businessplan/>)

[Principle 3.1(2)] Disclosure Improvement

[Basic Approach to Corporate Governance and the Related Policy]

Please refer to the "Basic Approach" of this report in regard to the Basic Approach and the Policy related to Corporate Governance of the Company.

[Principle 3.1(3)] Disclosure Improvement

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

The Company believes that the compensation for Directors/Audit & Supervisory Board Members given as an incentive in the form of the reward for the performance and for the corporate value creation should be instrumental to foster or secure talented management personnel capable of promoting the sustained growth of the Company as a listed corporation. Under this philosophy, the following policy is established. In this conjunction, the Compensation Council consisting of Outside Directors is now in place in order to facilitate securing the transparency of the process of determining compensation for Directors/Audit & Supervisory Board Members and other matters of similar nature.

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

- (1) The amount of compensation for Directors (excluding Directors serving on the Audit and Supervisory Committee), etc., will be within the range approved at the General Meeting of Shareholders, and it will be determined by the Board of Directors in line with the recommendations of the Compensation Council.
- (2) The amount of compensation of Directors serving on the Audit and Supervisory Committee and other related matters will be within the range resolved at the General Meeting of Shareholders, and it will be determined through discussion at the Audit and Supervisory Committee in line with the recommendation by the Compensation Council.
- (3) The amount of compensation for the Executive Officers and other related matters will be determined by the President & CEO, following the procedural steps taken by the Compensation Council.
- (4) Compensation for Executive Directors and Executive Officers and others of similar nature consist of fixed salary, performance-linked remuneration, and medium-to-long term performance-based remuneration (which is given as stock option).

[Principle 3.1(4)] Disclosure Improvement

[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 elects Internal Director candidates whose knowledge, experience and social credibility are sufficient to execute management duties in an appropriate, fair and efficient manner and whose capability is high enough to improve the supervisory function. The Board of Directors elects Outside Director candidates whose knowledge, experience, and social credibility are sufficient to perform supervisory functions. The election of Director candidates is made by the Board of Directors, majority of which is comprised of Outside Directors.

With regard to candidates for Directors serving on the Audit and Supervisory Committee, the Company elects persons whose knowledge, experience and social credibility are sufficient to audit the execution of duties of Directors not serving on the Audit and Supervisory Committee in an appropriate, fair and efficient manner. The election of candidates for Directors serving on the Audit and Supervisory Committee is made by the Board of Directors, the majority of which is comprised of Outside Directors, after acquiring the consent of the Audit and Supervisory Committee. In addition, when electing candidates for Outside Directors, the "Independence Assessment Standard" for Outside Directors, which is separately provided, is taken into account.

Although the Board of Directors, the majority of which is comprised of Outside Directors, currently elects

Executive Officers, the Company is now studying how it should change the election process because its transition to the company with an Audit and Supervisory Committee has widened the scope of authority delegation.

[Principle 3.1(5)] Disclosure Improvement

[Explanation about the selection of senior management members and the nomination of Director/Audit & Supervisory Board Member candidates with reason for the selection and nomination of each specific senior management member and each specific Director/Audit & Supervisory Board Member candidate]

The above mentioned explanation is provided in the reference documents of the “Notice of Convocation of General Meeting of Shareholders” when a proposal addressing either such selection or nomination is submitted. For your review, the “Notice of Convocation of General Meeting of Shareholders” is mailed by surface-mail to shareholders, and is also posted on the Company’s website.

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

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

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

In accordance with the relevant laws and regulations, and the Internal Rules approved by the Board of Directors, the Board of Directors of the Company allows the authority delegation to Executive Directors and Executive Officers concerning the execution of businesses other than those required to be executed by the Board of Directors.

[Principle 4.8] Effective Use of Independent Outside Directors

[Policy for appointing Independent Outside Directors who altogether make up at least one third of the Board of Directors]

The Company has a policy to appoint at least two Independent Outside Directors and at the same time to let such appointed Directors make up at least one third of the Board of Directors. At present, out of all the nine Directors of the Company, the five, accounting for more than the majority of the Board of Directors, are Independent Outside Directors who satisfy the Company’s Independence Assessment Standard, thus enhancing checking functions.

[Principle 4.9] Effective Use of Independent Outside Directors

[Independence Assessment Standard]

The Company set forth the “Independence Assessment Standard” to assess the degree of independence of Outside Director or candidate thereof. The Outside Director or candidate thereof subject to the assessment is not considered meeting the standard if he/she falls under any of the following cases:

1. The subject at present is an Executive Director, Executive Officer or other type of employee of the Company or its subsidiaries, or was in the past an Executive Director, Executive Officer or other type of employee of the Company or its any one of the subsidiaries.
2. The subject is a major shareholder as provided for by the Article 163, Paragraph 1 of the Financial Instruments and Exchange Act. (if such party is a corporation, an Executive Director, Executive Officer or other type of employee (hereinafter, collectively referred to as “Executive”) of the said corporation, its parent company or its any one of the important subsidiaries, at present or at any time in the past three years, are all included in this specific case.)
3. The subject is a party who has business transactions with the Company or its subsidiaries as a Company’s major customer or supplier (if such party is a corporation, any “Executive” of the said corporation, its parent company or its any one of the important subsidiaries, at present or at any time in the past three years, is included in this specific case.)
4. The subject is a major customer or supplier of the Company or its any one of the subsidiaries (if such party is a corporation, any Executive of the said corporation, its parent company or its any one of the important subsidiaries, at present or at any time in the past three years, is included in this specific case.)
5. The subject is essential to the Company’s or its subsidiaries’ fund procurement, such as a financial institution and other principal creditor that the Company or its subsidiaries depend upon to the degree it has little or no substitute elsewhere (if such party is a corporation, any Executive of the said corporation, its parent company or any one of its important subsidiaries, at present or at any time in the past three years, is included in this specific case.)

6. The subject receives a donation exceeding a certain amount (average amount over the past three years of ¥10 million per year) from the Company or its any subsidiary (if such party is a corporation, an Executive at present or at any time in the past three years, is included in this specific case.)
7. The subject 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 compensation paid for the service of Directors/Audit & Supervisory Board Member. (If such party is an association such as a corporation/organization, a person who belongs to such association is included.)
8. The subject is an Accounting Auditor or an employee of accounting audit firm providing audit services to the Company or its subsidiaries (including the person who was engaged in the auditing services for the Company or its any subsidiary at any time in the past three years).
9. The subject is an Executive of a company or its important subsidiaries for which the subsidiary of the Company serves as a lead managing underwriter (or was an Executive of the said company or subsidiary at any time in the past three years.)
10. The subject is a close relative of the person who falls under any of the above cases 1. through 9. (spouse, any relative within the second degree of kinship, or any relative living together).
11. The subject has held up to now or had held in the past the position of Outside Officer (i.e. a Board Director or Auditor) of the Company or its any subsidiary for eight years or longer.
12. The subject may potentially and substantially have a conflict of interests with the Company's general shareholders for a reason other than what is given in the above cases 1. through 11.

Despite of any subject falling under any of the cases listed above, if the Company considers the subject suitable for the position of Independent Outside Director based on the subject's personal quality, insight or any other attribute, the Company may appoint the subject as an Independent Outside Director, provided that the Company publicly states that the subject meets the requirements for Outside Director as defined under the Companies Act, and the Company explains why it deems that the subject is suitable for the Company's Independent Outside Director.

Conversely, even if any given subject does not fall under any of the cases listed above and therefore the Company may have an option to appoint the subject as an Independent Outside Director, the Company shall not be obstructed not to select such subject as an Independent Outside Director candidate based on its comprehensive judgment.

\* "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 of the Company.

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

[Policy and procedures for the appointment of Directors]

The Board of Directors of the Company shall consist of Directors of diverse backgrounds in terms of expertise and experience, 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 stipulates that the number of Directors shall be up to 10. Currently, however, the Company's Board of Directors consists of nine Directors, four members of which are Internal Directors and the remaining five are Outside Directors.

Please refer to "[Directors]" of this report for brief profiles of Outside Directors.

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

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

In selecting Director candidate, the Company verifies that the candidate is able to allocate sufficient time and effort to adequately fulfill the role and responsibility as Director while concurrently serving other position(s). The status on Directors concurrently serving other positions is presented in the reference documents for the "Notice of Convocation of General Meeting of Shareholders." For your review, the "Notice of Convocation of General Meeting of Shareholders" is mailed by surface-mail to shareholders, and is also posted on the Company's website.

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

[Supplementary Principle 4.14.2] Training Director and Audit and Supervisory Committee Member

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

The Company provides opportunities and covers the costs for Directors to acquire and update the information necessary for adequately fulfilling their roles and responsibilities. The Company provides knowledge and information pertaining to its corporate culture and management environment, etc., to newly appointed Outside Directors upon assuming office.

[Principle 5.1] Policy for Constructive Dialogue with Shareholders

1. In order to promote constructive dialogues and to establish a good relationship with shareholders, the Company will see to it that the following tasks are actually performed:
  - (1) The officer in charge of the Corporate Communications Department presides over general dialogue with shareholders, and the Corporate Communications Department takes the initiative in suitably exchanging information with relevant departments in organically designed collaboration.
  - (2) Directors or Executive Officers engage to the extent considered reasonable in conducting dialogues with shareholders.
  - (3) Investors' meetings, etc., are held on a regular basis to enrich chances for dialogues with shareholders. The Company endeavors to make information disclosure clear and easy to understand by utilizing the IR website, etc.
  - (4) Shareholders' feedback including their opinions grasped through dialogue is reported to Directors, Executive Officers and the Board of Directors, etc., in appropriate manner.
  - (5) In carrying out dialogues with shareholders, the insider information shall be appropriately managed in accordance with the Company's internal rules.
2. The Company will grasp its shareholder composition in order to promote a constructive dialogue with shareholders.
3. The Company provides concrete description when it formulates and publicizes management plan.

## 2. Capital Structure

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

Name / Company Name	Number of Shares Held (Shares)	Percentage (%)
Japan Trustee Services Bank, Ltd. (Trust Account)	15,268,200	5.44
Mitsui Sumitomo Insurance Company, Limited	14,283,798	5.09
Toyota Financial Services Corporation	14,280,000	5.09
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	12,016,853	4.28
The Master Trust Bank of Japan, Ltd. (Trust Account)	8,539,600	3.04
The Bank of Yokohama, Ltd. (Standing proxy Trust & Custody Services Bank, Ltd.)	7,014,553	2.50
J.P. Morgan Bank Luxembourg S.A. 380578 (Standing proxy Mizuho Bank, Ltd. Settlement & Clearing Services Division)	5,860,800	2.09
Nippon Life Insurance Company	5,611,890	2.00
Sumitomo Mitsui Trust Bank, Limited (Standing proxy Japan Trustee Services Bank, Ltd.)	4,800,000	1.71
RBC ISB S/A DUB NON RESIDENT/ TREATY RATE UCITS-CLIENTS ACCOUNT (Standing proxy Citibank Japan Ltd.)	4,500,000	1.60

Controlling Shareholder (excluding for Parent Company)	—
Parent Company	None

#### Supplementary Explanation

- The status of major shareholders as above described was compiled as of March 31, 2016.
- In addition to the above, the Company holds 16,706,568 shares of treasury stock (the ratio of the number of the treasury shares held against the total number of outstanding shares is 5.95%).
- On February 22, 2016 (the date on which the reporting obligation arose: February 15, 2016), 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 since the Company remained unable to verify the actual number of shares held by the said companies as of the end of the Fiscal 2015.
  - Schroder Investment Management (Japan) Limited  
The number of shares held: 11,567,800 shares (the ratio of the number of shares held to the total number of outstanding shares: 4.12%)
  - Schroder Investment Management North America Limited  
The number of shares held: 5,683,814 shares (the ratio of the number of shares held to the total number of outstanding shares: 2.03%)
  - Schroder Investment Management Limited  
The number of shares held: 5,861,300 shares (the ratio of the number of shares held to the total number of outstanding shares: 2.09%)
  - Schroder Investment Management (Hong Kong) Limited  
The number of shares held: 354,300 shares (the ratio of the number of shares held to the total number of outstanding shares: 0.13%)

### 3. Corporate Data

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 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 an Audit and Supervisory Committee
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#### [Directors]

Maximum Number of Directors Stipulated in the Articles of Incorporation <span style="float: right;">Updated</span>	10
Term of Office of Directors Stipulated in the Articles of Incorporation	1 year
Chairperson of the Board of Directors	Outside Director
Number of Directors <span style="float: right;">Updated</span>	9
Appointment of Outside Directors	Appointment was fulfilled.
Number of Outside Directors <span style="float: right;">Updated</span>	5
Number of Independent Directors <span style="float: right;">Updated</span>	5

Relationship with the Company (1) <span style="float: right;">Updated</span>
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Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Ichiro Mizuno	From other company											
Masato Setta	From other company											
Shigeo Kashiwagi	Scholar											
Mitsuhiro Yasuda	Attorney at Law											
Keisuke Inoue	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 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 the said major shareholder if the shareholder is a corporate 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 the company with which the Company appoints Outside Officer(s) each other. (the Director himself/herself only)

j. Executive of the company or organization that receives donation from the Company (the Director himself/herself only)

k. Others

Name	Designation as Audit and Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Ichiro Mizuno		○	—	Mr. Mizuno, who has successfully fulfilled his duties as a Member of the Board of Mitsubishi Corporation, is highly rated for his achievements and knowledge. In view of this, the Company believes that Mr. Mizuno will be able to fulfill his responsibility to make important managerial decisions and to supervise business executions. The Company has designated Mr. Mizuno as an Independent Director because it has judged that he has no potential conflict with the interests of general shareholders as he has no special interest in the Company and so he is appropriate person to protect general shareholders.
Masato Setta		○	—	During his many years of service at Toyota Motor Corporation, Mr. Setta held important posts in accounting, personnel administration and secretarial services, 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 managerial decisions and to supervise business executions. The Company has designated Mr. Setta as an Independent Director because it has judged that he has no potential conflict with the interests of general shareholders as he has no special interest in the Company and so he is appropriate person to protect general shareholders.

Shigeo Kashiwagi	○	○	—	<p>After taking important posts such as the Director-General of the Tokai Local Finance Bureau and the Executive Vice President of the Policy Research Institute, the Ministry of Finance, Mr. Kashiwagi is currently a Guest Professor at Keio University and is highly rated for his record of performance and insight. In view of this, the Company believes that he will appropriately perform his duties as Outside Director. The Company has designated Mr. Kashiwagi as an Independent Director because it has judged that he has no potential conflict with the interests of general shareholders as he has no special interest in the Company and so he is appropriate person to protect general shareholders.</p>
Mitsuhiro Yasuda	○	○	—	<p>Mr. Yasuda, who has long practiced as a lawyer, is highly rated for his achievements and insight. In view of this, the Company believes that he will appropriately perform his duties as Outside Director. The Company has designated Mr. Yasuda as an Independent Director because it has judged that he has no potential conflict with the interests of general shareholders as he has no special interest in the Company and so he is appropriate person to protect general shareholders.</p>
Keisuke Inoue	○	○	—	<p>Mr. Inoue, who has long served as a corporate manager at financial institutions, is highly rated for his achievements and insight. In view of this, the Company believes that he will appropriately perform his duties as Outside Director. The Company has designated Mr. Inoue as an Independent Director because it has judged that he has no potential conflict with the interests of general shareholders as he has no special interest in the Company and so he is appropriate person to protect general shareholders.</p>

**[Audit and Supervisory Committee]**

Committee Composition and Attributes of Chairperson Updated

	All the Committee Members	Full-time Members	Internal Directors	Outside Directors	Chairperson
Audit and Supervisory Committee	4	1	1	3	Outside Director

Appointment of Directors and Employees who are to assist the Audit and Supervisory Committee in their duties **Updated**

Appointment was fulfilled.

The Issue Related to the Independence of the said Directors and Employees from the Influence Executive Directors **Updated**

The Audit and Supervisory Committee Office is established with two staff members assigned to help the Audit and Supervisory Committee perform its responsibilities and assists its smooth execution of duties. The staff of the Audit and Supervisory Committee Office are not subject to the directions and commands of Directors not serving on the Audit and Supervisory Committee and follow instead the directions and commands of the Audit and Supervisory Committee. In addition, the said staff's personnel transfer, performance evaluation, any disciplinary action where the case may be and other matters of personnel administrative nature are carried subject to the consent of the Audit and Supervisory Committee. As such, the Company ensures both independence of the staff from the influence of business execution departments of the Company and unobstructed effectiveness of directions and commands to be given to the Office staff from the Audit and Supervisory Committee.

Cross-Sectional Cooperation among Audit and Supervisory Committee, Accounting Auditor and Internal Audit Department **Updated**

The Company's Audit and Supervisory Committee audits the status of business execution by Directors mainly by the attending important meetings such as meetings of the Board of Directors, obtaining reports from Directors and others, inspecting important documents, giving the Audit Department orders to conduct audits and obtaining reports therefrom, and obtaining reports from the Accounting Auditor, after the completion of internal control system and the beginning of its use, and subsequent start of monitoring and inspection of such system.

#### [Optional Committees]

Optional Committees Equivalent Functionally Either to a Nominating Committee or a Compensation Committee

The one was established

Establishment of Optional Committee, Committee Composition and Brief Personal Record of Chairperson

	Optional committee equivalent to the Nominating Committee	Optional committee equivalent to the Compensation Committee
Name of the committee	—	Compensation Council
Number of total members	—	3
Number of full-time members	—	0
Number of Internal Directors	—	0
Number of Outside Directors	—	3
Number of outside experts	—	0

Number of others	—	0
Chairperson	—	Outside Director

Supplementary Explanation Updated

To enhance the objectivity and transparency of compensation for Directors/Audit & Supervisory Board Members, the Company has established the Compensation Council, comprised of Outside Officers. The Compensation Council makes recommendations to the Board of Directors and Audit and Supervisory Committee with respect to the policy concerning the determination of the compensation for Directors/Audit & Supervisory Board Members with supporting information such as the calculation formula to be used and the data about compensation level for comparable job prevalent in the Company's industry available from a certain external database provider.

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 a mutual vote from among Council members based on the Compensation Council Regulations.

### [Independent Directors]

Number of Independent Directors	Updated	5
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Matters relating to Independent Directors

The Company has established the "Independence Assessment Standard" regarding the independence of Outside Directors. In electing Outside Directors, the Company elects the persons who satisfy such standard and have no conflict of interests with itself. The Company has judged that each elected Outside Director is capable of demonstrating supervisory function or audit function being independent of the Company and appropriately executing respective duty.

The Company has registered all five Outside Directors who have the qualifications for Independent Director as Independent Directors.

### [Incentives]

Status of Granting Incentive to Director	A stock option plan was introduced.
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Supplementary Explanation

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 the 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

The issuance of the stock acquisition rights as stock options to Directors, excluding Outside Directors, and employees of the Company and its subsidiaries is aimed at improving the consolidated performance by providing the recipients with the common incentive of improving the performance of the Group as a whole.

## [Director Compensation]

Disclosure of Individual Director's Compensation

Partial disclosure of individual compensation

Supplementary Explanation

Updated

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, 2016 is as follows:

Internal Directors: ¥159 million (for three Directors)

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

\* Including bonuses of ¥41 million

Policy on Determining Compensation Amounts and Calculation Methods

Established

Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

To enhance the objectivity and transparency of compensation for Directors/Audit & Supervisory Board Members, the Company has established the Compensation Council, comprised of Outside Officers. The Compensation Council makes recommendations to the Board of Directors and Audit and Supervisory Committee with respect to the policy concerning the determination of the compensation for Directors/Audit & Supervisory Board Members with supporting information such as the calculation formula to be used and the data about compensation level for comparable job prevalent in the Company's industry available from a certain external database provider.

## [Practice for Supporting Outside Directors] Updated

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

## 2. Functions of Business Execution, Audit & Supervision, and Decision-Making on Nomination and Compensation (Overview of Current Corporate Governance System) Updated

The Company's Board of Directors, as the body of decision-making and supervision for important matters such as management policy and strategy, is comprised of nine Directors (of which majority is accounted for by Outside Directors (five members)) and its meeting is held in principle once a month. The Board consists of "Executive Directors" who carry out daily business activities, or "Non-Executive Directors" who mainly supervise the business execution. In addition to instituting such structural means, the Company focuses its efforts to ensure the effective independence expected of the Board of Directors by clarifying the roles of these two types of Directors and by selecting the Chairperson of the Board of Directors from Non-Executive Directors. Furthermore, the Company has introduced the Executive Officer system to facilitate swift decision-making and reinforce business execution function.

The Company is a company with an Audit and Supervisory Committee, and its Audit and Supervisory Committee consists of four Directors serving on the Audit and Supervisory Committee (including three Outside Directors). The Audit and Supervisory Committee meeting in principle is held every month in accordance with the Rules on the Audit and Supervisory Committee. The duties of the Audit and Supervisory Committee include the audit of execution of duties by Directors and the ensuing preparation of audit reports. Further, with the Internal Audit Department placed directly under the Audit and Supervisory Committee, the Committee receives reports on matters relating to business execution by giving the Internal Audit Department orders to conduct audits and obtaining reports therefrom. In order to enhance management transparency and

soundness, the Company has appointed the appropriate number of Outside Directors who possess considerable experience and deep insight, thereby improving the checking capability within the Board of Directors and the Audit and Supervisory Committee.

In addition, the Company has established the Management Meeting, an organ composed of the President and the Directors and Executive Officers who are designated by the President, to discuss general execution policy on the Company's business as well as the Comprehensive Risk Management Committee in which the members discuss matters related to crisis management including compliance, risk management, and disasters. These meetings, in principle, take place twice and once respectively every month.

In accordance with the provisions of Article 427, Paragraph 1 of the Companies Act, the Company has entered into the agreement with Directors (excluding Executive Directors, etc.) to limit the Directors' liability for compensation for damage that is stated in Article 423, Paragraph 1 of the Companies Act. The limit amount of liability for compensation for damages under the agreements is the total of amount as stipulated in Article 425, Paragraphs 1 and 2 of the Companies Act. This limited liability shall be accepted only if the Director (excluding Executive Director, etc.) performs his/her duties with a good manager's care and the resulted damages were not caused by gross negligence of his/her duty.

### **3. Rationale for the Corporate Governance System the Company Currently Embraces**

Updated

The Company considers the enhancement of corporate governance to be one of its important tasks. So, the Company will reinforce and upgrade its corporate governance, aiming to raise the level of fairness and transparency in its management with an ultimate view to win trust from various stakeholders, and continuously increase corporate value. The Company makes this endeavor in tandem with its efforts to maintain corporate structure that allows for swift decision making and business execution.

While the Company maintains the acquired strength of corporate governance (as exemplified by over-majority presence of Outside Directors and an assumption of the role of the Chairperson of Directors Meeting by Non-Executive Officer and other reforms), the Company believes that clear distinction of roles between the ones assigned to Executive Director and the others to Non-Executive Director brings forth the following positive differences. By promoting an Audit and Supervisory Committee member up to a Director, the said Director will be able to perform the checking to see if the Board of Directors executes businesses soundly and fairly in accordance with the basic management policy and the management plan that are established by the Board itself. This new duty will be an addition to already existing duty of illegality or deviation checking over the Board of Directors. Thus, such a change will boost audit and supervision function for the Company. Further, the change will make it possible to delegate the decision making authority concerning important business execution from the Board of Directors to Executive Directors. This in turn improves the swiftness of decision making and reduces reviews of perfunctory proposals by the Board of Directors in order to concentrate better on more strategic and deeper discussions. With a view to achieving the purposes mentioned above, the Company made a transition from a "Company with an Audit & Supervisory Board" to a "Company with an Audit and Supervisory Committee" upon approval of the 104th Ordinary General Meeting of Shareholders held on June 29, 2016.

The Company has elected five 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 objective and neutral standpoints, having no potential conflict with the interests of general shareholders, and comprehensive and professional viewpoints, based on respective abundant experience as well as by supervising the performance of Directors' duties.

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

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

	Supplementary Explanations
Early Dispatch of the Notification of General Meeting of Shareholders	The Company sends the notice of convocation of the General Meeting of Shareholders at the earliest possible timing without waiting until the statutory due date, which is two weeks before the day of such Meeting. The Company had actually sent the notice of convocation of the 104th Ordinary General Meeting of Shareholders that was held in June 2016, three weeks before the day of the Meeting.
Electromagnetic Exercise of Voting Rights	The Company has adopted an electromagnetic method to facilitate smooth 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 makes the electronic voting platform available 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 also posts the notice of convocation on the website of stock exchanges.
Other	To vitalize General Meeting of Shareholders and facilitate smooth exercise of voting rights, the Company posts the notice of convocation on the website of the Company as well as of stock exchanges on the date which is one week before it sends out such notice by surface mail.

#### 2. IR Activities Updated

	Supplementary Explanations	Presentation by Representatives
Regular Investors' Meeting for Individual Investors	A representative of the Company or other person provides presentation at the investors' meeting held several times a year in major cities throughout Japan, such as Tokyo and Nagoya (seven times in the fiscal year ended March 31, 2016). In addition, in the fiscal year ended March 31, 2016, the Company participated as a presenter twice in the events for individual investors including the Nikkei IR Investment Fair.	Available
Regular Investors' Meeting for Analysts and Institutional Investors	A representative of the Company by himself provided a presentation at the investors' meeting held twice a year in Tokyo.	Available
Regular Investors' Meeting for Overseas Investors	A representative of the Company visited Europe, the United States, and Asia several times a year (e.g. three times in the fiscal year ended March 31, 2016).	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 the Department and/or Manager in Charge of IR	The Company has the Corporate Communications Department.	
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### 3. Measures to Ensure Due Respect for Stakeholders Updated

	Supplementary Explanations
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 the younger generation on financial and economic issues through various actions, such as sending instructors to universities to offer credit-bearing courses, and sponsoring the “Tokai Tokyo Financial Holdings Global Project” at Nagoya University. In addition, the Group provides support to activities fostering the Chubu region’s manufacturing culture, sports (J. League, 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 Policy on Information Provision to Stakeholders	The Company strives to ensure the proactive and appropriate disclosure of information, such as management policy 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 since April 2012, and this theme calls for the “Promotion of Diversity” as measures to achieve “Humanity (A company with a human touch).” The purpose of the “Promotion of Diversity” is to improve the environment in which each female and senior employee can continue to work in a lively manner and develop their own personal qualities and skills in such an environment, thereby nurturing a corporate culture with a human touch and, as a result, enhancing the value of the corporate they belong to.</p> <p>To provide organizational support for the “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 Company’s intranet.</p> <p>With respect to the promotion of female employees, the Company has been implementing dual measures with the one designing to help female employees manage both “child care and work” and the other encouraging diversity. To support “child care and work”, the Company revised the Internal Rule for its related clauses by stretching the term of child care leave until a child grows to 3-year old and allowing several days of shorter working hours upon request until a child reaches 3<sup>rd</sup> grade. The new clauses provide more than what statutory requirements do. The Company now allows the practice of “half-day leave” and adopts a “career bridge system” to make it easy for the former employees who once left their jobs for unavoidable family reasons to rejoin us. This particular endeavor has proven effective enabling us to rehire a decent number of female employees.</p>

Further, the Company developed the booklet titled, “Smart Return Book” (meaning “coming back to work with ease”) so that both managers and female employees can share the information useful to make the working environment friendly for mothers and would-be mothers at the Company. In fact, managers conduct interviews with female employees before and after the employees’ child care leave by referring to the booklet. The booklet helps female employees tailor their efficient work style suitable to varying motherhood stages from pregnancy to child-raising and find the smart way to assume her both duties of caring child and working for the Company.

With regard to the “career development support” for female employees, the Company has implemented “Career Step-up Training” to prepare for future careers and “Career Training for Child-Rearing Female Employees” for female colleague returning from child care leave. Besides the above mentioned trainings, the Company now conducts the program titled, “Management Training for Female Advancement Promotion” to nurture deeper understanding on the mind of male managers.

Under another initiative dedicated to female employees, “Role Model Campaign”, which was started in October 2017, the selected models widely disseminated within and outside the Company a great many thought-provoking true stories and their appealing personalities based on their real first hand experiences as Role Models. The campaign was successful in publicly portraying distinctly positive image of female employees engaging brilliantly in day-to-day work at the Company. In addition, in March 2016, Tokai Tokyo Securities participated in a tour of the workplace at selected corporations where women are actively involved in the front lines of businesses. The tour was organized as part of “*Inspiring Working Women Campaign*” of which initiative was taken by Aichi Prefecture government to encourage young local women who are expected to play important roles in the future.

With respect to the ratio of female officers and managers in the Company and Tokai Tokyo Securities, its core subsidiary, as combined, the Company set the target of 20% in October 2014 as the numerical goal it should achieve by the expiration of the management plan, “Ambitious 5” that falls on the end of March 2017. As of July 2016, the ratio reached 19.2%. Further, these two members of the Group altogether now embrace three Executive Officers (the ratio of female officers: 5.8%) and fourteen General Managers and Branch Managers as of July 2016.

The Company’s such efforts led Tokai Tokyo Financial Holdings, Inc. and Tokai Tokyo Securities to receive awards and certifications associated with the promotion of female advancement as outlined below.

**Tokai Tokyo Financial Holdings, Inc.:**

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

**Tokai Tokyo Securities:**

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

Obtained Certification of “Childcare Support Company in Nagoya City”

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

Furthermore, Tateaki Ishida, the Company’s President & CEO, endorsed the declaration on action by a “Group of Male Leaders Who Will Create a Society in which Women Shine” advocated by the Cabinet Office in December 2015. The Company will take initiatives to further raise the motivation of women and enable them to utilize their abilities.

## IV. Matters Related to the Internal Control System

### 1. Fundamental Views on Internal Control System and the Current Status of the system

Updated

The Company has established the basic policy in accordance with the Companies Act and Ordinance for Enforcement of the Companies Act regarding the development of systems to ensure the propriety of the Company's business activities (hereinafter referred to as the "Internal Control System") as follows.

#### 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 at the Company shall be comprised of the Directors serving on the Audit and Supervisory Committee, and the Directors not serving on the Audit and Supervisory Committee ("Non-Executive Directors" and "Executive Directors").
- (2) The Board of Directors shall establish basic guidelines, such as the Tokai Tokyo Financial Group's Basic Compliance Policy and the Tokai Tokyo Financial Group's Ethical Code of Conduct, as the framework for Directors and employees of the Company to comply with laws and regulations and various rules, and to take actual steps for the observance 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 dedicated to producing reports, including those on measures to construct the Company's compliance system, and the Comprehensive Risk Management Department, as a department dedicated to engaging in activities, such as controlling, guiding, and monitoring compliance. In addition, the Board of Directors shall set up the Audit Department that is placed under the Audit and Supervisory Committee as an organ dedicated to checking the status of business execution through internal audits. Each organ reports on the status of compliance obtained from the audit to the Board of Directors and the Audit and Supervisory Committee.
- (4) The Company shall develop the whistle-blowing mechanism (Group Compliance Hotline) to deter and detect early, and rectify illegal activities and strive to maintain the effectiveness of such mechanism.
- (5) The Company shall resolutely respond to groups, organizations, and any bodies whatsoever that engage in antisocial activities, and establish a system not to enter into any transaction with such party.

#### 2. Systems for Storing and Managing the Information Concerning the Execution of Duties by Directors

- (1) In accordance with the Internal Rules, the Company shall store and maintain the following documents (including electromagnetic records) together with the related materials, and develop a system under which Directors and Audit and Supervisory Committee Members can inspect such documents when necessary.
  - Minutes of General Meetings of Shareholders
  - Minutes of Board of Directors' meetings
  - Minutes of Audit and Supervisory Committee'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 Mechanism for Risk Management

- (1) In accordance with the Risk Management Regulations, the Company works on clarifying how the risk management system should work by designating each department responsible for managing risks of each corresponding pre-assigned category and administering the risk of itself and its subsidiaries from entire and consolidated perspectives.
- (2) The Company shall establish the Comprehensive Risk Management Committee to grasp and control the status of risk management administered by each department, and shall regularly report the results thereof to the Board of Directors and Audit and Supervisory Committee.

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

- (1) With a view to reinforce the business execution function, as well as encourage lively discussions and swift decision-making all at the Board of Directors meetings, the Company shall introduce the Executive Officer posts.
- (2) The Company shall establish the Management Meeting, an organ consisting of the Chairman and the President as well as the Directors and Executive Officers to be appointed by the Chairman and the President, to discuss the 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 authorities and decision-making rules that are both stipulated by the Rules of the Board of Directors.

#### **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 administer supervision over the management and financial matters of its subsidiaries in accordance with the Subsidiaries and Affiliates Management Rules, and give them instructions to develop their own compliance and risk management systems. At the same time, the Company shall conduct internal inspections and subsidiary audits in accordance with the Internal Audit Rules and report the results thereof to the Board of Directors and Audit and Supervisory Committee.
- (3) The Company shall have its subsidiaries submit reports on financial results to the Board of Directors on a quarterly basis to grasp their financial situation.

#### **6. The issue regarding the suitable organizational arrangement and the independence of the Directors and Employees to be assigned to assist the Audit and Supervisory Committee with auditing duties if the Audit and Supervisory Committee actually requests such assistance**

- (1) Directors shall elect suitable Directors and Employees who should assist the duties of the Audit and Supervisory Committee (hereinafter referred to as “Supporting Employees, etc.”) at the request of the Audit and Supervisory Committee.
- (2) When appointing Supporting Employees, etc., the Company shall pay attention to secure the independence of Supporting Employees, etc., from other Directors (excluding Directors serving on the Audit and Supervisory Committee), by respecting the opinions of the Audit and Supervisory Committee and taking other measures as needed, in order to avoid any impediment to the appropriate operation of duties of the Committee.

#### **7. The Arrangement for the Directors and Employees Assigned as “Supporting Employees” to Report to the Audit and Supervisory Committee and Other Matter Concerning the Reporting to the Audit and Supervisory Committee**

- (1) Directors shall report the matters required by laws, the results of internal audits, the status and content of reporting through the whistle-blowing system either regularly or irregularly to Audit and Supervisory Committee Members or the Audit and Supervisory Committee.
- (2) The Audit and Supervisory Committee receives reports separately from the Accounting Auditor, Directors, Employees and others as necessary.
- (3) The Company shall not treat Directors, employees and others who report to the Audit and Supervisory Committee in the manner unfavorable by reason of such reporting.

#### **8. Other Measures to Ensure Effective Audits by Audit and Supervisory Committee Members**

- (1) Representative Directors, Audit and Supervisory Committee Members, and the Accounting Auditor shall have the opportunity to exchange opinions regularly to improve cross-sectional communication.
- (2) The Company ensures that Audit and Supervisory Committee Members have the opportunity to obtain advice on auditing from legal and accounting professionals.
- (3) Audit and Supervisory Committee Members may receive advance payment or reimbursement of expenses from the Company arising from the execution of their duties.

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

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

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

Updated

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

The Group has formulated the “Rules on Eliminating Any Relation with Antisocial Forces” and established a

system to ensure cutting off any relation between antisocial forces and any company of Tokai Tokyo Financial Group.

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 of its officers and employees.

In addition, the Comprehensive Risk Management Department, which is responsible for handling the matter associated with antisocial forces for the Group, collects and analyzes information and discusses countermeasures by constructing the database that unitarily manages such information so that the departments and the group companies have access to such data.

If any employee receives any information on antisocial forces or confronts any unreasonable demand from such forces, such employee 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 certain parties, such as the police office having jurisdiction and the Japan Securities Dealers Association.

## V. Other

### 1. Adoption of Anti-Takeover Policy

Adoption of Anti-Takeover Policy	Adopted
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Supplementary Explanation	Updated
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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 the 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 the common interest of its shareholders (hereinafter referred to as the "Group's Corporate Value, etc.>").

The Board of Directors of the Company will not categorically reject so called "hostile takeovers," that are carried out without the approval of the Board of Directors, as long as if they 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 3. below, hereinafter the same), some, judging from their purposes, do not contribute to raise the corporate value of the target company and others. In order for the Company to ensure and enhance the corporate brand that the Company has built up over the years, the corporate value and by extension the common interest of its shareholders, it is essential that the source of its corporate value (2. below) is maintained and that the business plan, "Ambitious 5," is implemented. Unless the aforementioned requirements are not honored by the person who engages in the large-scale purchase of the Company's shares, etc., in the medium-to-long-term, the Group's corporate value, among other things, will be impaired.

#### 2. The Source of the Company's Corporate Value and Outline of Special Initiatives that Will Facilitate the Achievement of the Basic Policy

The Company does believe that the source of its corporate value lies in the products and services it has developed over the years in its financial instruments business and the related businesses, its high expertise and abundant experience in the financial and capital markets, etc., and the long-term relationship of trust it has gained from various stakeholders surrounding the Group both in Japan and overseas. The Company believes it essential to ensure the Group's Corporate Value, etc., by taking reasonable countermeasures against a large-scale purchase that could severely damage the Group's Corporate Value, etc., mentioned in 1. above.

Also, the Company believes that it can enhance the Group's Corporate Value, etc. by practicing specified measures based on the business plan, "Ambitious 5," to realize the basic policy. Furthermore, as a measure to contribute to the achievement of the basic policy, the Company has established the basic policy regarding corporate governance and it reinforces and enhance corporate governance with a view to continuously raise the Group's Corporate Value, etc.,

since the Company deems corporate governance to be one of the important management issues,

#### 3. Measures to Prevent Inappropriate Party as Defined by The Basic Policy from Influencing the Company's Decision on Financial Matters and Business Policy

The Company presented to the 104th Ordinary General Meeting of Shareholders held on June 29, 2016 the proposal for renewing the "Countermeasures against the Large-scale Purchase of the Company's Shares (Anti-Takeover Policy)", the validity of which expires at the conclusion of the said meeting, and obtained thereafter the approval of shareholders ("Countermeasures against the Large-scale Purchase of the Company's Shares (or Anti-Takeover Policy)" referred to as the "Plan" after its renewal.).

Concerning the share certificate and etc., the Company issues, the Plan applies to any of the following: (a) a purchase by a party intending to conduct the large-scale purchase of the share certificates, etc., (hereinafter referred to as the "Large-scale Purchaser"), in which the holding ratio of the share certificates, etc., of the Large-scale Purchaser may reach 20% or more; (b) a purchase of the share certificates, etc., by the Large-scale Purchaser, in which the total holding ratio of the share certificates, etc., of the Large-scale Purchaser and its specially related persons on combined basis reaches 20% or more; 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 an act whereby the Large-scale Purchaser encourages another shareholder of the Company to be 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 face of the attempted Large-scale

Purchase of the share certificates, etc., to maintain and enhance the Group's Corporate Value, etc.: (a) requesting a Large-scale Purchaser to submit necessary and sufficient information in advance; (b) securing sufficient time for the management of the Company to gather information and reviewing, etc., ; and (c) suggesting the plans and alternative proposal, etc., formulated by the management of the Company to shareholders, and negotiating with the Large-scale Purchaser. If the Group's Corporate Value, etc., appears to be significantly damaged for the reason of, for instance, nonfulfillment of the request the Company in conjunction with the Plan stated above, the Company, in principle, will allot stock acquisition rights to shareholders with no compensation as a countermeasure.

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

When allotment of the Stock Acquisition Rights with no compensation is exercised, the percentage of the voting rights held by the corresponding Large-scale Purchaser and parties related thereto against the total voting rights of the Company may be greatly diluted as designed by the aforementioned conditions and the provisions for acquisition mentioned above.

The Board of Directors of the Company makes the final judgment as to whether or not the relevant steps of the procedures have been taken in accordance with the rules that the Plan calls for, and whether or not the countermeasures necessary and reasonable for ensuring or enhancing Corporate Value, etc. of the Group 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 independent of the Board of Directors of the Company.

The Independent Committee comprises of three or more members. The Committee members are appointed by Directors of the Company from among Outside Directors, company managers with proven track record, experts in investment banking services, those who are very familiar with the Company's business, lawyers, certified public accountants, scholars specializing mainly in the matters of the Companies Act, etc., or the persons with credentials similar thereto, etc. The Independent Committee may request the Large-scale Purchaser, Directors and employees, etc., of the Company to attend the Independent Committee meeting and give remarks, as necessary. In addition, the Independent Committee deliberates, prepares and submits the recommendation about the matters the Board of Directors of the Company has consulted them. Such recommendations shall be publicly announced and the Board of Directors of the Company shall respect such recommendations to the utmost extent and promptly make the decision whether or not to execute the countermeasures.

The Plan is designed in the manner that the objectivity, fairness, and reasonability of judgment of the Board of Directors of the Company may be secured. Such aim is achieved by having the Board of Directors follow without fail the procedures requesting for recommendation of the Independent Committee because the Board respects the recommendation to the utmost extent in determining whether or not to execute countermeasures. Furthermore, assuming that the Large-scale Purchaser, in initiating its action, has complied with the procedures stipulated under the Plan and then the Company's Board of Directors is going to make a judgment regarding the execution of countermeasures against a Large-scale Purchase, the Company may hold a General Meeting of Shareholders to confirm the will of shareholders either in case where the Independent Committee recommends the matter to be submitted to a General Meeting of Shareholders, or in case where the Committee supports the execution outright.

In the case that a General Meeting of Shareholders is held, the Company's Board of Directors shall follow the judgment reached by shareholders at such a General Meeting of Shareholders regarding the execution of countermeasures.

**4. Rationality of the Plan (The Plan complies with the Basic Policy for the avoidance of Corporate Control and it is designed neither to harm the Common Interests of the Shareholders nor to defend the status of the Company's Executives, and the explanation supporting this statement is provided below. )**

**(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 on Large-scale Purchase in advance and to commence the Large-scale Purchase only after a given evaluation period to judge the information has elapsed, and

stipulates that countermeasures to be taken against Large-scale Purchasers not complying with the rules set forth by the Company.

Moreover, the Plan also stipulates that, even if a Large-scale Purchaser complies with the rules, so long as 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 meets 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 the corporate value and the common interests of shareholders," "Principle of prior disclosure and shareholders' will," and "Principle of ensuring the necessity and reasonableness") established in the "Guidelines for 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 the 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 on June 30, 2008, by the Corporate Value Study Group, established within the Ministry of Economy, Trade and Industry.

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

Since the Plan allows 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 Purchase as well as the opportunity to receive alternative proposals, the Company believes that the Plan contributes to ensuring and enhancing the corporate value and the common interests of its shareholders.

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

In order to secure the opportunity to adequately reflect the will of the shareholders in the Plan, the proposal to approve the Plan was put forth in the 104th Ordinary General Meeting of Shareholders, and the proposal was approved. Moreover, even before the expiry date of the Plan, if the General Meeting of Shareholders of the Company resolves to abolish the Plan, it will be abolished at that point in time. Thus, in this sense, the Plan may reflect the will of the shareholders, not only on the renewal, but also on the continuation of the Plan.

Moreover, the Plan, as an advance reference for shareholders to entrust the Board of Directors of the Company with the decision of whether or not to execute countermeasures based on the Plan, sets out specific conditions that may trigger the execution of countermeasures in varying cases. Furthermore, the Company may hold a General Meeting of Shareholders to confirm the will of shareholders either in case where the Independent Committee recommends the matter to be submitted to a General Meeting of Shareholders, or in case where the Committee supports the execution outright. Thus, countermeasures executed in accordance with such conditions will be a reflection of the will of the shareholders.

- (5) The Plan is not designed for the purpose of defending the status of the Company executives

(The Plan prioritizes the decisions to be made by highly independent outside parties)

The Plan is designed to warrant the fairness and objectivity of the Board of Directors' decision by imposing reasonable and objective conditions for the execution of countermeasures, and by requiring the Board of Directors to refer the matter of counter measures to the Independent Committee and to respect to the utmost extent the ensuing recommendation therefrom. Thus, the Plan is not designed for the purpose of defending the status of the Company executives.

- (6) The Plan does not constitute Anti-Takeover Policy either of a dead-hand type or a slow-hand type.

The Plan is not a so-called dead-hand type Anti-Takeover Policy that does not deter the execution of countermeasures even if the majority of the members of the Board of Directors are replaced.

Also, the Plan is not a so-called slow-hand type Anti-Takeover Policy that requires lengthy time to deter the execution as the replacement of the board members all at once is not likely 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

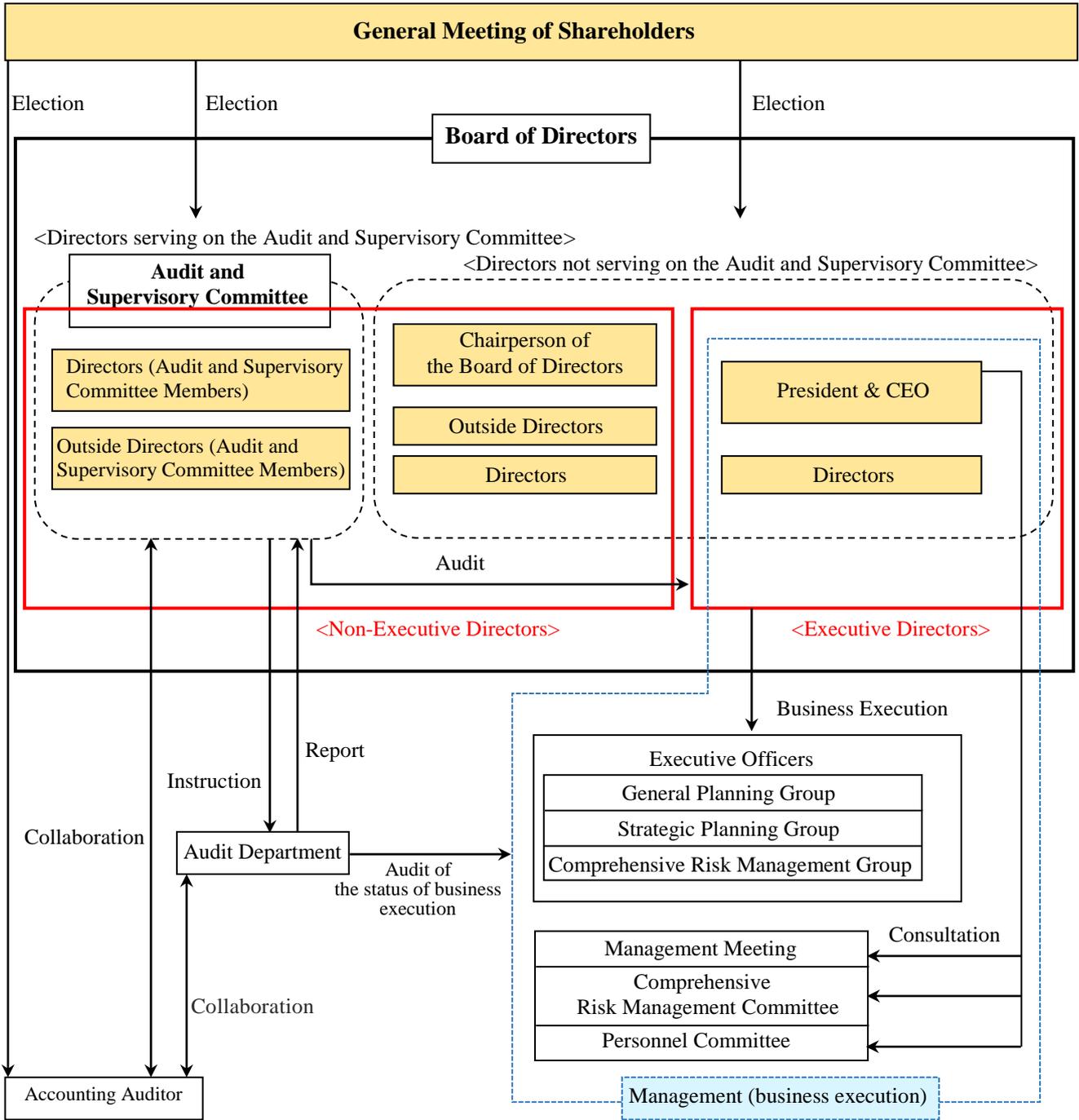
### ■ Disclosure Procedures Concerning the Decisions made by the Company

After the Board of Directors resolves material matter, the person responsible for handling the Company's information determines whether or not such matter falls under the category to be disclosed timely in light of the regulations set forth by stock exchanges. If such responsible person determines that the information on the matter falls under the category that requires disclosure, then the person provides instructions to the department in charge of disclosure while ensuring thorough management of the subject information.

### ■ Disclosure Procedures Concerning the Facts that Occur to the Company

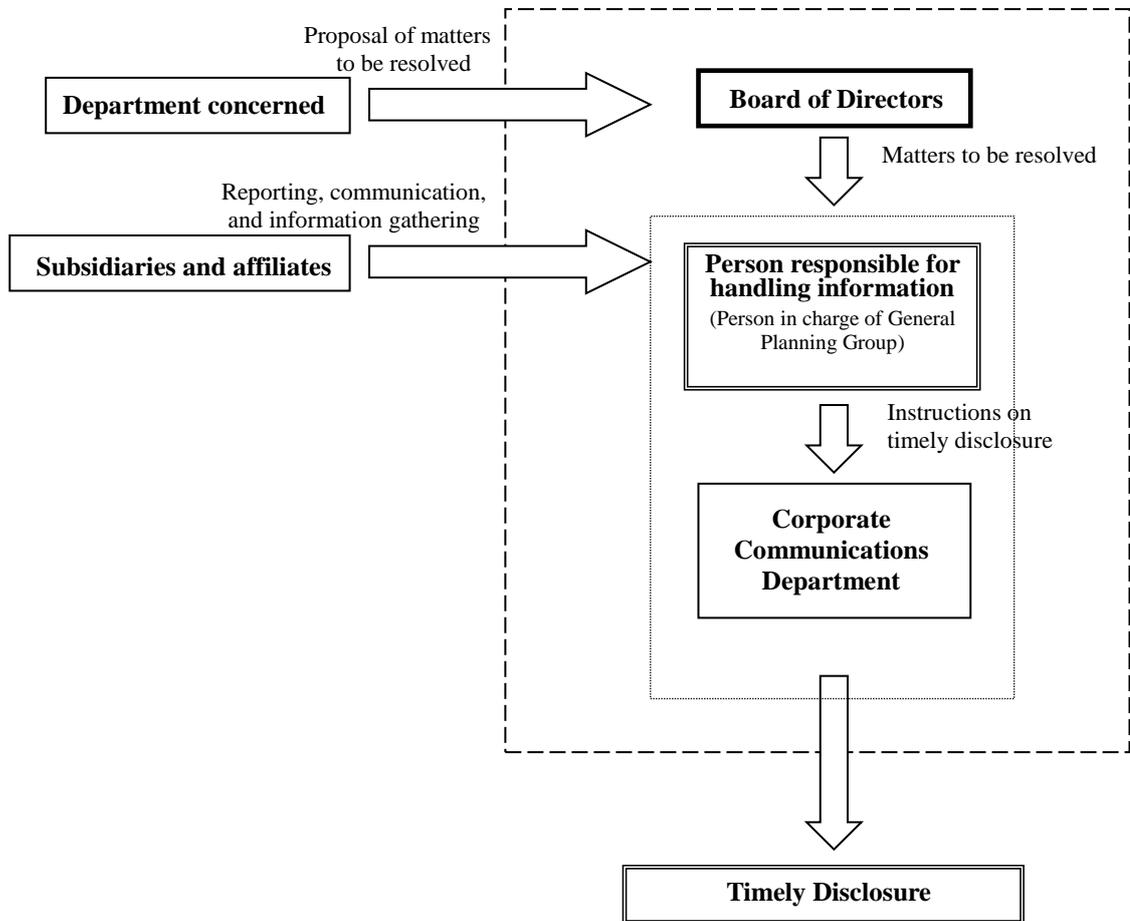
The person responsible for handling the Company's information collects the material information about facts that occur to the Company and this responsible person evaluates how the fact may impact the business operations, operating results, and financial standing of the Company including consolidated subsidiaries and determines whether or not such fact falls under the category to be disclosed timely in light of the regulations set forth by stock exchanges. If such responsible person determines that the fact requires timely disclosure, then the person reports promptly to the President about the fact while ensuring thorough management of the relevant information. The responsible person also gives instructions to the department in charge of disclosure.

\* A person responsible for handling the information means the person responsible for handling information as specified under the regulations of stock exchanges.



# 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>

