

Corporate Governance Report

Tokai Tokyo Financial Holdings, Inc.

Updated as of July 8, 2020

Tokai Tokyo Financial Holdings, Inc.

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

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 winning 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 and now hereby posts on its website the same for your reference.

[\(http://www.tokaitokyo-fh.jp/corporate/governance/\)](http://www.tokaitokyo-fh.jp/corporate/governance/)

1. Basic Approach toward Corporate Governance

- (1) The Company respects the right of its shareholders and works to maintain a corporate 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. Description of the main feature of the Company’s Corporate Governance

(1) Organizational Framework

The Company has adopted the organizational framework that embraces an Audit & Supervisory Committee in accordance with the Companies Act with the objectives of strengthening the supervisory functions of the Board of Directors, facilitating swift decision making by enabling the Board of Directors to delegate the execution of important business matters to executive directors, and thus making it easier for the Board of Directors Meeting to engage in deeper discussion of strategic issues.

The Company also maintains a Nomination & Remuneration Committee to ensure objectivity and transparency in decision-making processes concerning the matter of the members of the Board of Directors such as candidate nomination, remuneration and dismissal.

(2) Enhancing Functions of the Board of Directors and the Audit & Supervisory Committee

The Company has outside directors represent the majority of its Board of Directors, and it, in principle, appoints an outside director as the Chairperson of the Board, and thus it ensures the effectiveness of the Board of Directors while maintaining a high level of transparency and fairness. At present, the Board of Directors has five outside directors, including three who concurrently serve on the Audit & Supervisory Committee. Consequently, the majority of both the Board of Directors and the Audit & the Supervisory Committee is represented by outside directors. Thus, the Company maintains a heightened level of internal checks and balances.

(3) Distinguish Clearly the Functions of “Business Execution” and “Management Supervision”

The Company’s directors each have clearly defined roles and they are the individuals holding positions of executive directors primarily in charge of business execution or non-executive directors basically in charge of overseeing business execution.

Updated

[The situation in which the Company has yet to comply with the Principles of the Corporate Governance Code]

The Company is now implementing all principles of the Corporate Governance Code with the exception of the one specified below.

[Principle 4.11] Preconditions for ensuring Effectiveness of the Board of Directors and the Audit & Supervisory Committee.

The Company states in the Article 7-5 of its Corporate Governance Guideline that it fills its Board of Directors with those possessing diverse backgrounds of expertise and experience sufficient enough to carry out the function of the Board in an effective and efficient manner, and further that it strives to ensure diversity of gender and international backgrounds in the said Board member appointment. In fact, the Company has now accomplished its aimed diversity of career background of incumbent Directors by hailing leading business managers who were active in Japan and overseas, executives in financial industry and governmental body officials. However, the Company still has to ensure gender diversity as a pending issue to be addressed.

[The Disclosure Based on each principle of the Corporate Governance Code]

Updated

[Principle 1.4] About “Cross-Shareholdings”

The Company laid out its policy on both the Cross-Shareholding and the execution of subsequently allocated voting right as stated in the Article 20 of its Corporate Governance Guideline and the Annex 5 thereof.

[Corporate Governance Guideline]

Article 20 (Policy on Cross-Shareholdings)

In accordance with the Policy on Cross-Shareholdings as set forth in the Annex 5 as shown below, the Company, in principle, does not possess the share that constitutes cross-shareholdings.

1. In principle, the Company does not possess shares that constitute the cross-shareholdings unless such act is deemed reasonable, for instance, facilitating beneficial business relation and ultimately improving its corporate value and presence of the Company. In assessing the reasonableness of such act, the Company scrutinizes justifiability whether the proposed cross-shareholdings meet the requirement of its cost of capital in terms of the expected return matching the resulting risk level
2. If the Company does possess any material crossholdings shares, the reasonableness of such possession will be monitored on regular basis by the Board of Directors and if any such possession, as result of monitoring, is considered not reasonable, the Company reduces the possession.
3. 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 together with other judgment variables.

[Principle 1.7] Related Party Transactions

The Company sets forth the procedure concerning the Related Party Transaction in the Article 8-11 and the Article 22 of the Corporate Governance Guideline as well as in the pertinent section of the Company’s Administrative Code addressing Related Party Transactions as follows.

[Corporate Governance Guideline]

Article 8 (The role, responsibility and authority of the Board of Directors)

11. 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 Director(s). Further, such transactions require the approval from the Audit & Supervisory Committee prior to acquiring the same from the Board of Directors.

Article 22 (The Related Party Transactions)

1. For the protection of the interests of shareholders, the Company strives to prevent the transaction that may cause the conflict of the interests either to the Group or its shareholders.
2. The approval of the Board of Directors is required to commence the transaction of conflicting interest between the Company and its major shareholders, of unusual nature or of significant importance to the Company management.
3. The Company regularly verifies whether transaction has taken place between the Company and its Director(s) or major shareholder(s).

[Principle 2.6] Fulfillment of Function as an Asset Owner of Corporate Pension

The Company adopts two forms of corporate pension and they are “Defined Benefit Pension Plan” and “Defined Contribution Pension Plan”. The Company considers it important to maintain the level of asset value suitable to help its employees form wealth for their post-retirement lives. Further, the Company recognizes that the performance of fund for “Defined Contribution Pension Plan” could affect its financial standing. The Company therefore administers appropriate monitoring over the asset management institutions in charge and prevent conflict of interest to occur. To facilitate those actions, the Company allocates appropriate staff to its Finance and HR departments and train those staffs. As such, the Company will strive to enhance organizational structure.

[Principle 3.1(1)] Disclosure Improvement

[Management Plans]

The Group formulates its Management Philosophy and Management Plans and posts them on the Company’s website for public viewing. So, please refer to them on the website given below.

Management Philosophy: (<http://www.tokaitokyo-fh.jp/corporate/philosophy/>)

Management Plan: (<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 for determining the compensation for senior management/Directors by the Board of Directors]

(Policy)

The Company believes that the compensation for Directors suitably incentivizing them with the merit-based reward for their contributions to its performance and corporate value creation should be instrumental to foster or secure talented management personnel capable of promoting its sustained growth as a listed corporation.

The compensation for Executive Directors and Executive Officers is comprised of three components that include fixed salary, performance-linked bonus and the reward (which is given as stock option) linked with medium-to-long term performance. The compensation for non-Executive Directors (excluding those serving on the Audit & Supervisory Committee) is given only as fixed salary in order to ensure independence from the business execution of the Company.

The compensation for the Directors serving on the Audit & Supervisory Committee is given only as fixed salary to ensure their appropriate duty fulfilment of audit & supervision of business execution.

Outside Directors have majority representation in the Company’s Board of Directors. The Company, however, has established the Nomination & Remuneration Committee to ensure objectivity and transparency of the process for determining the compensation for Directors. Also, with an intent on further ensuring objectivity and transparency of the process for determining the compensation for Executive Officers, the Company has set up the “the Council for Officers’ Nomination” in addition to the Nomination & Remuneration Committee. Please refer to “[Optional Committees] Supplementary Explanation” on this report about the Nomination & Remuneration Committee.

(Procedures)

Under the above stated principle, the Board of Directors determines the compensation for Directors (excluding those serving on Audit & Supervisory Committee) through their discussion in line with the recommendation made by the Nomination & Remuneration Committee.

The compensation for the Directors serving on the Audit & Supervisory Committee is determined by the Audit & Supervisory Committee through their discussion based on what is suggested by the Nomination & Remuneration Committee. The appraisal and compensation for Executive Officers are determined by CEO, based on what is discussed in the Council for Officers' Nomination.

[Principle 3.1(4)] Disclosure Improvement

[Policy and procedures for the election of senior management and the nomination of Director candidate(s) by the Board of Directors]

(Policy)

In accordance with the criteria set forth for the nomination of a Director candidate (except the one who serves, if elected, as a member of the Audit & Supervisory Committee), the Board of Directors elects a Director whose knowledge, experience and social credibility are sufficient to execute management duties at the Company in an appropriate, fair and efficient manner and whose capability is high enough to improve the Company's supervisory function. About candidates for Directors serving on the Audit & Supervisory Committee, the Company nominates persons whose knowledge, experience and social credibility are sufficient to audit the execution of duties by the Directors not serving on the Audit & Supervisory Committee in an appropriate, fair and efficient manner.

In addition, when nominating candidates for Outside Directors, the "Independence Assessment Standard" for Outside Directors, which is separately provided, is considered.

Although majority of its Board of Directors is comprised of Outside Directors, the Company has established "Officers' Nomination & Remuneration Committee" in order to ensure objectivity and transparency of the process for nominating Directors. Also, about Executive Officers, the Company has established "the Council for Officers' Nomination" besides the Nomination & Remuneration Committee". Please refer to "[Optional Committees] Supplementary Explanation" on this report on the Nomination & Remuneration Committee.

(Procedures)

In accordance with the policy stated above, the Board of Directors determines the matter concerning the election of the Directors (except those who, if elected, serve as members of Audit & Supervisory Committee) through their discussion in line with the recommendation made by the Nomination & Remuneration Committee.

The Board of Directors elects the candidates for Directors serving on the Audit & Supervisory Committee after acquiring the recommendation from the Nomination & Remuneration Committee" and the consent from the Audit & Supervisory Committee.

Also, the matter concerning the election of an Executive Officer will be determined by CEO, based on what is discussed in the Council for Officers' Nomination.

[Policy and the procedures the Board of Directors observes when dismissing management personnel or Director]

(Policy)

The Board of Directors of the Company commences the procedure of dismissal of any Director whose duty fulfilling competence is found doubtful or any case of the similar nature is recognized, substantiated by the fact then that the Director concerned significantly falls short of the criteria set forth for the nomination of Director candidate.

Also, the performance of Executive Officer is reviewed by the Council for Officers' Nomination (and the result of evaluation is reported to the Nomination & Remuneration Committee) If, as a result of the said evaluation, the performance of any Executive Officer whose duty fulfilling competence becomes significantly doubtful, the Company commences dismissal procedure for the Executive Officer concerned.

(Procedures)

In accordance with the policy stated above, the Board of Directors discusses, and decides on, the matter related to the dismissal of Director excluding the one who is concurrently an Audit & Supervisory Committee member, based on the findings made by the Nomination & Remuneration Committee.

Also, the matter concerning the dismissal of an Executive Officer will be determined by CEO, based on what is discussed in the Council for Officers' Nomination.

[Principle 3.1(5)] Disclosure Improvement

[Explanation about the election of senior management members and the nomination of Director candidates with reason for the selection and nomination of each specific senior management member and Director candidate]

The above-mentioned explanation is provided in the reference documents of the "Notice of Convocation of an Ordinary General Meeting of Shareholders" when a proposal addressing either such selection or nomination is submitted. For your review, the "Notice of Convocation of an Ordinary General Meeting of Shareholders" is sent 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, the Company's Articles of Incorporation and the Internal Rules, the Board of Directors of the Company delegates its authority to Executive Directors concerning the execution of businesses to expedite decision making process and deepen the discussion at the Board Meetings.

[Supplementary Principle 4.3.3] The Procedure of CEO Dismissal

The Board of Directors starts the procedure of dismissing in the similar manner as stated in afore-mentioned [Principle 3.1 (4)] if any CEO's duty fulfilling competence or suitability is found doubtful.

[Principle 4.9] Independence Assessment Standard and qualification to be referenced in the nomination of Independent Outside Directors

[Corporate Governance Guideline]

Annex 1 [Independence Assessment Standard]

The Company set forth the Independence Assessment Standard and discloses it as "Independence Assessment Standard" in the Attachment 1 to "The Corporate Governance Guideline"

[Independence Assessment Standard as addressed in the Attachment 1 to the Corporate Governance Guideline]

The Company set forth the Independence Assessment Standard to be referenced in the nomination of Independent Outside Directors and the candidate is not considered satisfying the standard if he/she falls under any of the following cases.

1. The subject at present is currently or was in the past 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 any subsidiary's fund procurement, such as a financial institution and other principal creditor that the Company or its subsidiary depends 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 nevertheless nominate 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 transaction 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 ensuring effectiveness of Board of Directors and Audit & Supervisory Committee

The Company states in the Article 7-5 of its Corporate Governance Guideline that its Board of Directors shall consist of the Directors of diverse backgrounds in terms of expertise and experience to be sufficient enough to carry out the functions of the Board in an effective and efficient manner. Further it states that it strives to ensure diversity of gender and international background in organizing its Board of Directors.

The Articles of Incorporation of the Company stipulates that the number of Directors shall be up to ten. 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 the brief profiles of Outside Directors.

[Corporate Governance Guideline]

Article 7 (Makeup of the Board of Directors)

5. The Board of Directors shall consist of various Directors with varying backgrounds of professional expertise and experience so that it can effectively and efficiently perform its function. Further it strives to ensure diversity of gender and international background in organizing its Board of Directors.

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

[Status on the Board of Directors 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 on other position(s). The status on Directors concurrently serving other positions is presented in the reference documents for the “Notice of Convocation of an Ordinary General Meeting of Shareholders.” For your review, the “Notice of Convocation of an Ordinary General Meeting of Shareholders” is sent by surface-mail to shareholders and is also posted on the Company’s website.

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

[Supplementary Principle 4.11.3] Preconditions for ensuring effectiveness of the Board of Directors and the Audit & Supervisory Committee

[The assessment and analysis of the effectiveness of the Board of Directors]

In accordance with the Article 8-12 of the Corporate Governance Guideline, The Board of Directors of the Company conducts the said overall assessment and analysis once a year as its annual routine with a view to increasing the effectiveness of the Board of Directors. We posted on our website the result outline of the assessment and analysis on the Board of Directors’ effectiveness for the Fiscal Year Ended (FYE) March 2020. So, please visit our website and see the result.

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

[Corporate Governance Guideline]

Article 8 (The Role, Responsibility and Authority of the Board of Directors)

12. The Board of Directors conducts overall analysis and assessment every year to improve the effectiveness of its functionality.

[Supplementary Principle 4.14.2] Training of Directors

[Policy for Training Directors]

The Company refers to the acquisition of required knowledge and the training in the Articles 4-4 and 9-4 of its Corporate Governance Guideline.

[Corporate Governance Guideline]

Article 4 (The Role of Director)

4. A Director shall make efforts to gain the knowledge and pursue studies that are necessary for performing respective duties and at the same time the Company provides opportunities and bears the costs to assist such endeavors.

Article 9 (The Role of the Audit & Supervisory Committee Member)

4. The member shall make efforts to gain the knowledge and pursue studies that are necessary for performing respective duties and at the same time the Company provides opportunities and bears the costs to assist such endeavors.

[Principle 5.1] Policy for Constructive Dialogue with Shareholders

The Company sets up “The policy for Constructive Dialogue with Shareholders” and discloses that in the Attachment 3 to Corporate Governance Guideline.

[Corporate Governance Guideline]

Annex 3 (The Policy for Dialogue with Shareholders)

1. In order to promote constructive dialogues and to establish a good relationship with shareholders, the Company will undertake the following tasks.

- (1) The officer in charge of the General Planning Group presides over general dialogue with shareholders, and the Corporate Communications Office of the General Planning 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 or other events of similar nature 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 to promote a constructive dialogue with shareholders.
3. The Company provides concrete description when it formulates and publicizes management plan.

2. Capital Structure Updated

Shareholding Ratio of Foreign Investors	10% or higher but lower than 20%
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[Composition of Major Shareholders] Updated

Shareholder Name	Number of Shares Held (Shares)	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust Account)	12,897,800	5.19
MUFG Bank, Ltd.	12,016,853	4.84
Japan Trustee Services Bank, Ltd. (Trust Account)	11,287,900	4.54
Mitsui Sumitomo Insurance Company, Limited	7,283,798	2.93
Toyota Financial Services Corporation	7,280,000	2.93
The Bank of Yokohama, Ltd.	7,014,553	2.82
Nippon Life Insurance Company	5,611,890	2.26
Sumitomo Mitsui Trust Bank, Limited	4,800,000	1.93
Japan Trustee Services Bank, Ltd. (Trust Account 5)	4,609,100	1.86
Meiji Yasuda Life Insurance Company	4,406,000	1.77

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

Supplementary Explanation Updated

- The composition of major shareholders as above described was updated as of March 31, 2020.
- Each shareholding ratio described above was calculated with the number of outstanding shares net of the number of the treasury stocks as a denominator.
- In addition to the above, the Company holds 12,216,596 shares of treasury stock.
- On July 18, 2019 (and the relevant reporting obligation arose on July 15, 2019), 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 "Composition of Major Shareholders" stated above because the Company remains unable to verify the actual number of shares held by the said companies as of the end of the second quarter of the FYE March 2019.
 - Schroder Investment Management (Japan) Limited
The number of shares held: 6,240,100 shares (the ratio of the number of shares held to the total number of outstanding shares: 2.37%)
 - Schroder Investment Management North America Limited
The number of shares held: 307,814 shares (the ratio of the number of shares held to the total number of outstanding shares: 0.11%)
 - Schroder Investment Management Limited
The number of shares held: 5,171,600 shares (the ratio of the number of shares held to the total number of outstanding shares: 1.91%)
 - Schroder Investment Management (Hong Kong) Limited
The number of shares held: 527,900 shares (the ratio of the number of shares held to the total number of outstanding shares: 0.20 %)

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	In the range of 1,000 or more
Net Sales (Consolidated) as of the Previous Fiscal Year	In the range of ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	In the range of 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 & Supervisory Committee
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[Directors]

Maximum Number of Directors Stipulated in the Articles of Incorporation	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	9
Appointment of Outside Directors	Appointment was fulfilled.
Number of Outside Directors Updated	5
Number of Independent Directors Updated	4

Relationship with the Company (1) Updated
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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												
Hiroshi Fujiwara	From other company												
Keisuke Inoue	From other company												
Tsunehiro Nakayama	From other company												
Joichi Yamazaki	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) (Applicable personally to the Director himself/herself only)

i. Executive of the company with which the Company appoints Outside Officer(s) each other. (Applicable personally to the Director himself/herself only)

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

k. Others

Relationship with the Company (2) Updated
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Name	Designation as Audit & Supervisory Committee Member	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for 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.
Hiroshi Fujiwara	—	○	—	Mr. Fujiwara, who has long served as a corporate manager in computer system industry, 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. Fujiwara 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 an appropriate person to protect general shareholders.
Keisuke Inoue	○	○	—	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 an appropriate person to protect general shareholders.
Tsunehiro Nakayama	○	○	—	Mr. Nakayama commands high respect for his rich practical experience and insight. In view of this, the Company believes that Mr. Nakayama will be able to fulfill his responsibility to make important managerial decisions and to supervise business executions. The Company has designated Mr. Nakayama 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 an appropriate person to protect general shareholders.
Joichi Yamazaki	○	○	—	Mr. Yamazaki has long served as an officer in various high capacities at Ministry of Finance, for instance, as Deputy Director-General of the Planning and Coordination Bureau, Financial Services Agency, and Director-General of the Tokai Local Finance Bureau. He is highly rated for his achievements and insight. In view of this, the Company believes that he will appropriately fulfill his responsibility to make important managerial decisions and to supervise business executions. He has no potential conflict with the interests of general shareholders as he has no special interest in the Company and so he is an appropriate person to protect general shareholders.

[Audit & Supervisory Committee]

Committee Composition and Attributes of Chairperson

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

Appointment of Directors and Employees who are to assist the Audit & Supervisory Committee in their duties Updated	Appointment was fulfilled.
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The issue related to the independence of the above referenced directors and the employees from the Influence of executive directors Updated

The Audit & Supervisory Committee Office was established within Audit Department with four members including the Head of the Office. The staff of the Audit & Supervisory Committee Office are not subject to the directions and commands of Directors not serving on the Audit & Supervisory Committee and follow instead the directions and commands of the Audit & 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 & 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 & Supervisory Committee.

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

The Company's Audit & Supervisory Committee gives the Audit Department orders to conduct audit and they perform hearing about the result of such audit. Further, the Committee will request the Audit Department to do investigation or gives the Department specific directions when necessary. The Audit Department is separated from the Company's business execution and it is positioned subordinate to the Audit & Supervisory Committee and thus secures the Department's independence and the effectiveness of the Company's check and balance function.

The Company's sections of internal audit and the accounting auditor intend to enhance their mutual cooperation with a view to conducting adequate audit, and for that purpose, they exchange opinions and take other actions when necessary so that they can maintain and improve the level of internal control quality.

With the Company's accounting auditor, the Audit & Supervisory Committee regularly holds meetings and maintains close cooperative relationship, and actively exchanges ideas and information. Their purpose, of course, is to conduct adequate auditing. Also, the Committee does receive the planned outline of audit and inquire about the focused points of such audit from the accounting auditor, and exchange opinions with them.

[Optional Committees]

Optional Committees Equivalent Functionally Either to a Nominating Committee or a Compensation Committee	The said committee was established
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Establishment of Optional Committee, Committee Composition and Attribute 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	Others	Head of the Committee (Chairperson)
Optional Committee equivalent to the Nomination Committee	Nomination & Remuneration Committee	4	0	1	3	0	0	Outside Director
Optional Committee equivalent to the Remuneration Committee	Nomination & Remuneration Committee	4	0	1	3	0	0	Outside Director

Supplementary Explanation

Updated

To enhance the objectivity and transparency of the process for nominating Director candidates, dismissing Director, determining the compensation for, and other matters related to, Director, the Company has established the Nomination & Remuneration Committee that assumes the role of both nomination and compensation determination. The Nomination & Remuneration Committee discusses the selection of Director candidates, and the method and the level of compensation for individual Directors as well, using the related data for reference that are available from external database providers. The Committee then reports to the Board of Directors the result of such discussions.

The Nomination & Remuneration Committee, as a rule, is comprised of more than four members and one of them is the Company's CEO while majority of the Committee posts are filled by Outside Directors. Currently, the Committee is comprised of the Chief Executive Officer and three Outside Directors including Ichiro Mizuno, the Head of the Committee, Tsunehiro Nakayama and Joichi Yamazaki. The term of the Committee assignment begins at the time of the election at the meeting of the Board of Directors that follows the conclusion of the Ordinary General Meeting of Shareholders and it lasts until the conclusion of the next said meeting. The chairperson of the Committee has been elected by a mutual vote from among the Committee members in accordance with the Rules of the Nomination & Remuneration Committee.

In the FYE March 2020, the Nomination & Remuneration Committee has held seven meetings at the Company, and all the Committee members have attended all the seven meetings. Primary agenda discussed in the said meetings include the following.

- May 2019: Criteria revision of Director candidate nomination
Directors' Bonuses Pool for the FYE March 2019
- June 2019: Monthly Compensation for the Individual Director who does not serve on the Audit & Supervisory Committee for the FYE March 2020
- August 2019: Granting the 11th Stock Options to the Executive Officers of the Company and its subsidiaries
- March 2020: Nomination of Director Candidates

[Independent Directors]

Number of Independent Directors	Updated	4
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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 selects the persons who satisfy such standard and have no conflict of interests with itself. The Company has judged that each elected Outside Director can show supervisory or audit capability while being independent of the Company, and thus appropriately executing respective duty.

The Company has registered four Outside Directors who meet 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	Updated
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The issuance of the stock acquisition rights as stock options is administered in accordance with the resolution adopted by the General Meeting of Shareholders, and the number of actual allotments to be allowed is determined by the Board of Directors Meeting based on the recommendation by the Nomination & Remuneration Committee upon confirming the resolution by the General Meeting of Shareholders. The total compensation to each Executive Officer is paid in the combination of fixed salary and performance-based bonus generally in the ratio of 70% to 30%. To the Outside Directors and the Directors who are the members of Audit & Supervisory Committee as well, fixed salary alone is paid. The performance-based bonus is determined in the following manner.

i. Bonus

Designing bonus to reflect clearly the linkage with short term performance of the Company, the amount is determined by the Company's consolidated performance measured as the return on equity (ROE) as the base with the addition of evaluated contributions made by the division a subject individual belongs to and by the subject individual himself or herself. Incidentally, under the management plan, "New Age's Flag Bearer 5", we set a ROE target at 10%, and actual ROE we had accomplished for the FYE March 2020 was 1.7%.

ii. Stock Option

We grant stock option for an ultimate purpose of improving our consolidated performance, and accordingly give ourselves an incentive to elevate the group's overall performance in mid to long term. When we handle the matter related to stock option, we try to attain the community of interest with shareholders. About our actual practice of stock option, please refer to our Annual Securities Report, 4. Corporate Information, (1) Information on the Company's Shares, 2) Status of the share subscription rights, further down, (i) Stock option plans.

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 Executive Directors and Employees of the Company and its subsidiaries is aimed at improving the consolidated performance of the Company and its subsidiaries 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
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Supplementary Explanation	Updated
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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 FYE March 2020 is as follows.

Internal Directors: ¥110 million* (for four Directors)

* Including stock acquisition rights of ¥2 million granted as stock options

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 the process for nominating Director candidates, dismissing Director electing Directors, determining the compensation for, and other matters related to, Director, the

Company has established the Nomination & Remuneration Committee. About the Nomination & Remuneration Committee, please refer to Optional Committee as addressed in the Supplementary Explanation of this report.

[Practice for Supporting the Functions of Outside Directors]

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

[The status of the person who retired from the position such as Representative Director]

(The current practice of the Company pertaining to the appointment of Komon or Soudannyaku (a sort of corporate advisor, counselor or their equivalent) from the pool of the Company’s retirees who used to be Representative Directors.)

Appointment	Title/Position	Assignment	Working Pattern/Condition Working Hours, Full or Part Time, Compensation	The date of retirement from the previous position at the Company	Term of the new service
not applicable	not applicable	not applicable	not applicable	not applicable	not applicable

Other related matter

The Company currently does not adopt the practice of retaining Komon or Soudannyaku. (a sort of corporate advisor, counselor or their equivalent). The Company has entered into the service agreement with some of the individuals who used to work for the Company possessing specific areas of expertise and experience, intending to obtain continuing support from them. However, the Company at present does not maintain the practice of keeping the service specifically from its ex-Representative Director or the person who used to be in any other similar position.

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, and “Non-Executive Directors” who mainly supervise the business execution. In addition to instituting such structural changes, the Company focuses its efforts on ensuring the effectiveness of the Board of Directors and to increase the transparency and fairness of the discussion at 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.

Also, as per its Articles of Incorporation and the resolution adopted by its Board of Directors Meeting, the Company, with a view to transferring decision making authority on many important business execution matters to CEO from the Board of Directors and then shortening decision making time as well as reducing handling of perfunctory agenda and then ultimately discussing more on strategic and important subjects at the Board Meeting under streamlined process, the Company has shifted to a company with an Audit & Supervisory Committee. Furthermore, the Company has introduced the Executive Officer system to facilitate swift decision-making and reinforce business execution function.

The Audit & Supervisory Committee consists of four Directors serving on the Audit & Supervisory Committee (including three Outside Directors). The Audit & Supervisory Committee meeting in principle is held every month in accordance with the Rules on the Audit & Supervisory Committee. The duties of the Audit & 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 & Supervisory Committee, the Committee receives reports on the matters relating to business execution by giving the Internal Audit Department orders to conduct audits and obtaining reports therefrom.

The attendance record of the Board of Directors Meetings and the Audit & Supervisory Committee is provided below.

Title	Name	Principal Activities
Representative Director President & CEO	Tateaki Ishida	Has attended 13 Directors Meetings out of 13 held in the FYE March 2020
Representative Director and Deputy President	Masahide Kawamoto	Has attended 10 Directors Meetings out of 10 held in the FYE March 2019
Director and Deputy President	Masataka Sato	N/A
Director	Ichiro Mizuno	Has attended 13 Directors Meetings out of 13 held in the FYE March 2020
Director	Hiroshi Fujiwara	Has attended 9 Directors Meetings out of 10 held in the FYE March 2020
Director (Audit & Supervisory Committee Member)	Tetsuji Oono	N/A
Director (Audit & Supervisory Committee Member)	Keisuke Inoue	Has attended 13 Directors Meetings out of 13 held in the FYE March 2020. Also, has attended 14 Audit & Supervisory Committee Meetings out of 14 held in the FYE March 2020.
Director (Audit & Supervisory Committee Member)	Tsunehiro Nakayama	Has attended 13 Directors Meetings out of all the 13 Meetings held in the FYE March 2020.
Director (Audit & Supervisory Committee Member)	Joichi Yamazaki	N/A

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

In addition, the Company has established the Management Meeting, an organ composed of the CEO and the Directors and Executive Officers who are designated by the CEO, to discuss general execution policy on the Company's business as well as the Comprehensive Risk Management Committee in which the members discuss the matters related to crisis management including compliance, risk management, and disasters. Both the Management Meeting and the Comprehensive Risk Management Committee, in principle, are held 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.

With respect to our accounting audit, we retain Deloitte Touche Tohmatsu LLC as our accounting auditor under the audit contract with them and they perform accounting audit in accordance with the Company Act and the Financial Instruments and Exchange Act. The Certified Public Accountants who performed audit for the FYE March 2020, are the following and they are all Designated Limited Liability Partners.

Mitsuo Kimura
Tatsuya Hiraki

In addition, the above-mentioned accountants were assisted by 17 Certified Public Accountants and 24 other assistants*.

Note* Other assistants include those who have passed CPA exams, who are Tax Accountants as well as IT Audit Specialists.

3. Rationale for the Corporate Governance System the Company Currently Maintains 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 winning 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 the majority presence of Outside Directors at the Board of Directors, and the assumption of the role of the Chairperson of Directors Meeting by Non-Executive Officer, and by other reforms), the Company believes that a 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 & 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 has made a transition to a “Company with an Audit & Supervisory Committee”.

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 from comprehensive and professional viewpoints, based on respective abundant experience. Outside Directors also supervise the performance of Directors’ duties.

III. Implementation of the 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 normally 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, however, had sent the convocation notice of the 108th Ordinary General Meeting of Shareholders held in June 2020 two weeks before the day of the Meeting due to more time than usual we had to spend for closing accounts in response to the outbreak of COVID-19.
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.
Availability of the Convocation Notice (Summary) in English	The Company publishes the summarized 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. For this year, we posted the notice on the date we sent the convocation notice via ordinary surface mail, three weeks before the General Meeting of Shareholders was held.
Others	To vitalize the Ordinary General Meeting of Shareholders and facilitate smooth exercise of voting rights, the Company posts the notice of convocation of the Ordinary General Meeting of Shareholders 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. Investor Relations Activities Updated

	Supplementary Explanations	Presentation by Representatives
Regular Investors' Meeting for Individual Investors	The CEO 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 (twice in the FYE March 2020). In addition, we video-recorded the subject presentation and posted that later on our website together with the supplementary information actually used at the time of the presentation.	Yes
Regular Investors' Meeting for Analysts and Institutional Investors	The CEO of the Company by himself provided a presentation at the investors' meeting held twice a year in Tokyo. In addition, we video-recorded the subject presentation and posted that on our website later together with the supplementary information actually used at the time of the presentation. Also, we regularly receive visiting analysts and institutional investors to meet their research needs.	Yes
Regular Investors' Meeting for Overseas Investors	The CEO of the Company ordinarily visits Europe, the United States, and Asia a few times a year with the exception of this fiscal year. He visited twice in the FYE March 2019 and the actually used presentation material is posted on the Company's website.	No
Posting of IR Materials on the Website	The information for Timely Disclosure, such as company information, the Financial Summary, Result Review and	

	<p>Press Releases, as well as Integrated Report and Investor Relations, are posted on the Company's website. (http://www.tokaitokyo-fh.jp/)</p> <p>Such materials are also available on the English website. (http://www.tokaitokyo-fh.jp/en/)</p>	
Establishment of the Department and/or Manager in Charge of IR	The Company has Corporate Communications Office within General Planning Department.	

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 it also endeavors to make such basic approaches known to all its officers and employees.
Implementation of Environmental Activities and CSR Activities, etc.	<p>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-earning courses. Other activities include establishment of the Tokai Tokyo Scholarship Fund at Chukyo University with an idea of fostering the Chubu region's manufacturing culture, sports (J. League, etc.), cultural and artistic activities (sponsorship for art exhibitions, etc.).</p> <p>The Company is encouraging a summer business dress code known as "Cool Biz" as a part of energy saving initiatives against global warming.</p>
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.
Others	<p>The Group considers diversity promotion to be one of the important management strategies to adapt itself to changing society and is taking on various initiatives. For instance, Tateaki Ishida, the Company's CEO, supports the action statement issued by "A Group of Male Leaders Helping Ambitious Female Workers Do Great Things" that is led by the Government's Cabinet Office. As such, the Company is promoting the advance of female employees under the firm commitment from the top management.</p> <p>In addition to the above, we are making various efforts to set ourselves ready to drive diversity promotion and such efforts include planning and implementing the measures to enable many senior employees full of experiences to shine actively again in workplace and encourage employees to acquire higher professional expertise.</p> <p>Further, we deem it a management task to develop "human asset" equipped with both humanity and professionalism and to assist employees with their various career skill upgrading efforts. For that task to be completed, we have adopted a catch copy of "The Company that Keeps Learning" and we are supporting employees who want to learn on their own initiatives or take on various challenges. Our such endeavors were recognized with the award of "Good Career Promoting Company 2018" by the Ministry of Health, Labor and Welfare.</p> <p>In order to appeal to the public our strength supported by our diversity, we aim to attain growth and accomplishment and self-realization at each individual level by respecting individuality and professionalism each other.</p>

< Some primary initiatives taken by the Company >

● **Diversity Promotion**

- In 2012, the Company arranged the organizational structure for the diversity promotion by setting up the Diversity Promotion Office. Then, the Company changed the name of the office effective July 1, 2017 to “the Promotion Office for All at Tokai Tokyo to Do Great Things” with a view to encouraging more widely and strongly all the employees including senior employees to engage actively in respective works and achieve self-realization.
- In order to share the understanding concerning the diversity promotion, the Company distributes to all its officers and employees the “Diversity Bible” in which the message from CEO is stated.
- Also, the Company, on regular basis, posts the page of “All Doing the Great Things” together with the “All Doing the Great Things News” on the Company’s intranet.
- The Company is focusing on expanding the job description range and geographic area for hiring intending to encourage physically challenged employees to work actively as well as on recruiting of new graduates. (As of April 2020, the ratio of the challenged employees against the all employees is 2.20%).
- We introduced the new program, “Good Life Balance Menu”, that allows child-caring or family-nursing employees to choose and use the service outside firms provide.

● **Support for Employees’ Dual Role Assumption for Work, Child-Care and Family Nursing**

- The Company allows employees to take both child-care leave and parent care leave on more generous terms than legally required.
Child-care leave: Allowed until when the registered child turns 3-year old.
Days of shortened working hours: Allowed multiple times of such days taken until March in the year when the registered child stays as the 3rd grader.
Leave for Family Caring: Within the aggregate limit of 186 days, allowed 5 times of such leave.
Days of shortened working hours for family-nursing: Allowed any number of such days as needed.
- Under the Career-Bridge program, the Company re-hires employee who had to quit the Company due to the unavoidable situation she was not able to deal with.
- The Company issues “the Smart Return Book” for a female employee taking childbirth and child-care leaves and for her superior encouraging them to conduct Smart Interview based on what is written in the subject booklet for her boss to understand her situation well and help her.
- Effective March in 2017, the Company allows employees to bear their former family names for their work-related uses.
- For the employee returning from child-care leave, the Company provides such employee with career reactivation training.

● **Encouragement of “Female Employees to Do More Great Things at Workplace”**

- The Company maintains an ongoing program that started in the FYE March 2016 helping the participants to envisage actual female working at the front line of the Company. In the program, the Company introduces women with extensive experience in positions of authority, expecting such women to serve as role models to the women both inside and outside the Company. (Role models are newly selected every year, and now two such models are serving as the 5th year role model lineup.)
- Tokai Tokyo Securities, our primary subsidiary, keeps participating in the program that Aichi prefecture sponsors by sending female role models as

instructors working at the front line. The program is called “Learning from career education coordinator”. In the program, the instructors tell participating high school students the things like, “what the security brokerage business does, what kind of day-to-day work they find worthy of devoting themselves to and the value they realize by being active in workplace in the industry”. The program is designed for the students to visualize their future working lives.

- The Company set a certain numerical target to be accomplished by March 31, 2022 for promoting Women’s participation in Advancement in the Workplace. This initiative was publicized and incorporated into the Employer Action Plan.

(1) Percentage of women in management position: 17% (Line Manager position or higher either at the Company or at Tokai Tokyo Securities Co., Ltd. which is the Company’s primary subsidiary.

(2) Male worker taking child-care leave: One or more
Percentage of male worker taking paid holidays: 30% or more

(3) The rate of paid holiday use among all employees: 70%

***Note**

Percentage of women in management position as of April 1, 2020 is 14.8% with 3 of them being Directors. The data quoted here represent the status of both the Company and Tokai Tokyo Securities Co., Ltd. as combined.

● **Health & Productivity Management**

- In 2019, the Company made a “Well-Being Declaration” in order to set working environment easier for employees to stay working in good health for many years in a lively way. Further, the Company appointed CHO (Chief Health Officer) and established a Health Management Promotion Committee with a view to improving employees’ overall health condition.

- CHO (Chief Health Officer)

Naoko Kitagawa, Senior Managing Executive Officer, General Planning Group

- Health Management Promotion Committee

Monitors physical condition of employees and identify problems to be addressed. Plans and implements various measures toward the goal of company-wide health management and promotion. Evaluates the actual effect of measures taken and set up a health promotion goal.

- Appointment of “Well-Being Ambassador”

Appointed Narumi Kurosu, an employee belonging to SDGs Promotion Department and 2012 London Olympics Modern Pentathlon athlete as Well-Being Ambassador. She disseminates the information related to health management and organizes the events promoting health awareness among employees.

- Persistently reminding employees of the importance of continuing focused check-up to address the identified medical problem and encourage them to consult with medical professionals.

- Help employees receive medical treatment without ceasing to work.

Tokai Tokyo Financial Holdings earned the following awards and recognitions by making the efforts mentioned above:

- New Diversity Management Selection 100 from the Ministry of Economy, Trade and Industry,

- “Good Career Promoting Company 2018 award” from the Ministry of Health, Labor and Welfare

- Eruboshi (L-star awarded) Company for Promoting Women’s Participation in the Workplace; The Company won double L-star award from the Ministry of Health, Labor and Welfare,

- Award for the Promotion of Women from Tokyo Metropolitan Government

- Recognized by Tokyo Metropolitan Government as “Tokyo Sports Promotion Company of the Year 2019”
- Recognized by Japan Sports Agency as “Sports Yell Company of the Year 2019”
- The certification of “2020 Certified Health & Productivity Management Outstanding Organizations” under the large enterprise category from the Ministry of Economy, Trade and Industry

Tokai Tokyo Securities earned:

- Recognition as an Aichi Women’s Empowerment Company by Aichi Prefecture,
- “Family-friendly Company Award” from Aichi Prefecture
- Award of Excellence in Recognition as a Company Promoting the Empowerment of Women from Nagoya Municipal Office,
- Recognition as “A Company Promoting Work-Life Balance” by Nagoya Municipal Office.
- Recognition as a Company Supporting Child Care by Nagoya Municipal Office.

Under the management plan, “New Age’s Flag Bearer 5”, the Company shall keep promoting the advancement of all human resources in workplace without limiting to women but including senior employees with abundant experiences and all others.

IV. Matters Related to the Internal Control Practice

1. Fundamental Policy about Internal Control System and the Current Status

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 the system to ensure the propriety of the Company's business activities (hereinafter referred to as the "Internal Control System") as follows.

1. The System to Ensure the Propriety of the Company's Operation

The Company shall keep the system in good working order by modifying it when necessary, and operate it suitably to secure the propriety of the Group's operation.

- (1) As the holding company that administrates the Group's entire operation, the Company shall formulate the basic policy governing the Group companies, and at the same time, it shall establish a reporting routine to its Board of Directors. By practicing such steps, the Company shall keep the system workable.
- (2) The Company, in order to secure sound internal control system, shall formulate a management philosophy, ethical code and compliance policy of the Group and make all those known thoroughly to all the people in its Group companies. As such, we make it imperative for all the Directors and Employees in the Group to comply with laws and regulations and various rules.
- (3) In accordance with the "Control Rules for Affiliates and Subsidiaries" and the "Risk Management Rules," the Company exercises control, for instance, by having such group companies report on the status of their respective operations and risk management practices and through other measures. Also, the Company advices on their practices of management and risk control.
- (4) In accordance with the "Control Rules for Affiliates and Subsidiaries" and the "Internal Audit Rules," the Audit Department shall, upon the instruction of the Audit & Supervisory Committee, perform audit on a subsidiary specified and they shall submit the result to the Committee.
- (5) In accordance with the "Control Rules for Affiliates and Subsidiaries," the Board of Directors shall request a subsidiary to submit the notice in advance when such subsidiary makes decision on important managerial issues and they grant advance authorization, if appropriate, of such notice. Also, the Board shall have the subsidiaries and affiliates submit respective financial statements every quarter to themselves in order to the grasp financial conditions of those group companies.
- (6) To secure the fairness and the reliability of the Company's financial reporting, the Company establishes the basic rule pertaining to financial reporting from internal control perspective, as well as develop and maintain suitable relevant system for implementation. The Chief Executive Officer shall review the status of maintenance and implementation of internal control as it relates to financial reporting, and makes a final assessment of the actual exercise of the said internal control. The CEO then report his assessment of the result to the Board of Directors.

2. Systems to Ensure Duty Execution by Directors and Employees to Comply with the Laws, Regulation and the Articles of Incorporation they are subject to

The Company shall maintain and administer the system necessary to ensure Directors, Executive Officers and Employees of both the Company and the its subsidiaries comply with the Laws, Regulation that they are subject to while they execute their respective duties.

- (1) The Board of Directors shall consist of the Directors who are the members of the Audit & Supervisory Committee and other Directors (*i.e.* Executive Directors and Non-Executive Directors), and the roles of respective type of Directors shall be clarified.
- (2) The Board of Directors shall formulate the fundamental rule such as the Group's Basic Compliance Policy, and the Group's Ethical Code of Conduct that map out the compliance system the Directors and the Employees of the Company and its subsidiaries observe, and the Board shall ensure fulfillment of such rule.
- (3) With a view to ensuring the effectiveness of compliance with the Laws and the Regulations that the Group is subject to, the Board of Directors shall set up such organs as 1. Comprehensive Risk Management Committee designed to suggest the measures the Group should take to establish adequate compliance system, 2. Comprehensive Risk Management Department specially assuming duties of supervising, guiding and monitoring the Group's compliance. Comprehensive Risk Management Department shall grasp and report the status of the Group's compliance to Comprehensive Risk Management Committee, and then the Committee shall further report to the Board of Directors.

- (4) Audit & Supervisory Committee shall check to see how the Company's business is executed by way of internal auditing. Audit Department shall administer internal audit upon the instruction and order from Audit & Supervisory Committee, and the Committee then shall report on the result of such audit to the Board of Directors.
- (5) For the purpose of prevention, early detection and correction of illegal and inappropriate actions, we shall set up an internal reporting system (whistleblowing system) referred to as "group compliance hotline" and maintain the system to ensure its functionality.
- (6) The Company shall ensure that we face the group performing anti-social actions with resolute posture and attitude, allowing such group no chance to deal with us.
- (7) The Company shall exert its efforts to prevent money laundering considering that the funds passing through our Group may potentially be used to provoke various criminal and terrorist actions.

3. Systems Ensuring Effective Duty Execution by the Board of Directors

The Company shall maintain and operate the system that is necessary to secure effective working of the Board of Directors.

- (1) The Board of Directors shall consist of the Directors with diverse backgrounds of expertise and experience designing its overall potential resources to be effectively and efficiently utilized. Also, the Board shall exert its utmost efforts to diversify gender and ethnicity of its members.
- (2) The Board of Directors shall improve its functional environment to help the Company's management leaders take proper risks uninhibited by unreasonable constraint. Also, the Board shall ensure suitable and right diversity in the context of the Company's varying strategic stage and avoid fixing its members.
- (3) The Company shall set up the Nomination & Remuneration Committee as an advisory organ to secure the objectivity and the transparency with respect to the process of appointing Director candidate or reappointing and dismissing Director.
- (4) The Board of Directors shall draft the bill to be submitted to the Shareholders Meeting pertaining to the election and the dismissal of Director. Such submission shall be made based on the qualifying requirement of Director candidate and only after the discussion with the Nomination & Remuneration Committee.
- (5) The Board of Directors shall improve the effectiveness of its function by making its overall review and assessment.

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

The Company shall maintain and operate the system that is necessary to secure effective working of the Board of Directors.

- (1) With a view to reinforcing the business execution function, as well as encouraging lively discussions and swift decision-making all by Directors meetings, the Company's Board of Directors shall entrust entirely or partly the decision making for the matters of business execution with the Chief Executive Officer as per the Company's Articles of Incorporation. Exceptions, however, are the matters that the relevant laws and regulations specifically require the decision to be made by the Board of Directors.
- (2) The Company shall establish the Management Meeting, an organ consisting of the CEO as well as the Directors and Executive Officers to be appointed by the CEO, to discuss the general execution policy on the Company's business.
- (3) The Directors shall perform their duties suitably and efficiently in accordance with the rules of the Board of Directors and Management Meeting concerning the authorities and the decision-making rights allowed to them

5. Systems for Storing and Managing the Information Concerning the Duty Execution by Directors

In accordance with the Laws and Regulations, and Internal Rules, the Company shall store and maintain the information together with the related materials. Audit & Supervisory Committee Members may inspect such documents when necessary.

6. The rules for managing the risk of loss occurrence

The Company shall maintain and operate the system that is necessary to exercise adequately the Group's overall risk management.

- (1) In order to respond to various risks arising from its business operation, the Company shall appoint a responsible department for the risk management of each different risk category based on its Risk Management Rules, and it manages the Group's overall risk in an integrated manner.
- (2) The Company shall establish Comprehensive Risk Management Committee so that the Committee monitors and controls the actual risk management practice handled by each different responsible department. The Committee shall regularly report the said status to the Audit & Supervisory Committee.

7. The organizational arrangement concerning the Employees and the Directors suitable to assist the Audit & Supervisory Committee

The Company shall maintain and operate the system that is necessary to have the Directors and the Employees assist the duty of the Audit & Supervisory Committee.

- (1) With an aim to improve the functional effectiveness of the Audit & Supervisory Committee, the Board of Directors shall set up the Audit & Supervisory Committee Office as an organ supplementing the function of the said Committee which is independent of business execution personnel and the Board shall select Directors and Employees suitable to assist the Committee (hereafter "Supporting Employees and others") subject to the consent by the Committee.
- (2) The Audit & Supervisory Committee Office shall perform its duty independent of the business execution personnel following the instruction and order from the Audit & Supervisory Committee.
- (3) The Board of Directors shall respect the independence of the Audit & Supervisory Committee Office from the business execution personnel and thus ensure effectiveness of the direction issued by the Audit & Supervisory Committee to the Supporting Employees and others.
- (4) The personnel matter of those belonging to Audit Department shall be decided not to hinder suitable duty execution based on the opinion of the Audit & Supervisory Committee.

8. The System for Reporting to the Audit & Supervisory Committee

The Company shall maintain and operate the system that is necessary to ensure reporting to the Audit & Supervisory Committee.

- (1) The Audit & Supervisory Committee members may examine the following records and documents at any time for fulfilling their duties: Management Meeting, Attendance Record of Comprehensive Risk Management Committee meetings, minutes of other important meetings, record of decision makings and others.
- (2) Chief Executive Officer shall report on the actual case of internal reporting made via the Group Compliance Hotline with no delay to full-time member of Audit & Supervisory Committee or the Audit & Supervisory Committee.
- (3) The Audit & Supervisory Committee shall receive reports from the Accounting Auditor, Directors, Employees and others as necessary and they shall request additional reporting if necessary.
- (4) The Company shall not treat Directors, Employees and others who report to the Audit & Supervisory Committee in the manner unfavorable to such reporter by reason of the reporting.

9. The System to Ensure Effective Audit Execution by Audit & Supervisory Committee

The Company shall maintain and operate the system that is necessary to ensure effective audit execution by the Audit & Supervisory Committee.

- (1) The Chief Executive Officer, Audit & 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 & Supervisory Committee Members have the opportunity to obtain advice on auditing from legal and accounting professionals.
- (3) Audit & Supervisory Committee Members may receive advance payment or reimbursement of expenses from the Company arising from the execution of their duties.

2. Fundamental 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 "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

1. Details of Basic Policy

The Anti-Takeover Policy does not indiscriminately impose a prohibition on “hostile” takeover bid if it comports with the Group’s corporate value and the shareholders’ common interests.

Whoever controls the Company must protect the source of our corporate value and implement the business strategy to secure and further enrich our brand, corporate value, and the shareholders’ common interests that the Group has advanced over the years. A party that gains a controlling interest in the Company would jeopardize the corporate value and shareholders’ interests if it fails to secure and further enrich the corporate value of the Group in the medium and long term. We therefore consider it necessary to have safeguards against any bid for a controlling interest that would threaten corporate value and shareholders’ interests. These safeguards are designed to secure ample time and information for the shareholders to make final decisions about whether to accept the bid, and for us to negotiate with the bidder on behalf of the shareholders and take countermeasures when necessary.

In view of the above consideration, the Company presented to the 107th Ordinary General Meeting of Shareholders held on June 26, 2019 the proposal for renewing the “Countermeasures against the Large-Scale Purchase of the Company Shares (Anti-Takeover Policy)” and obtained thereafter the approval of shareholders.

For details of the “Countermeasures against the Large-Scale Purchase of the Company Shares (Anti-Takeover Policy),” please refer to the website of the Company.

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

2. Other Matters Concerning Corporate Governance System

Updated

■ Disclosure Procedures Concerning the Decisions made by the Company

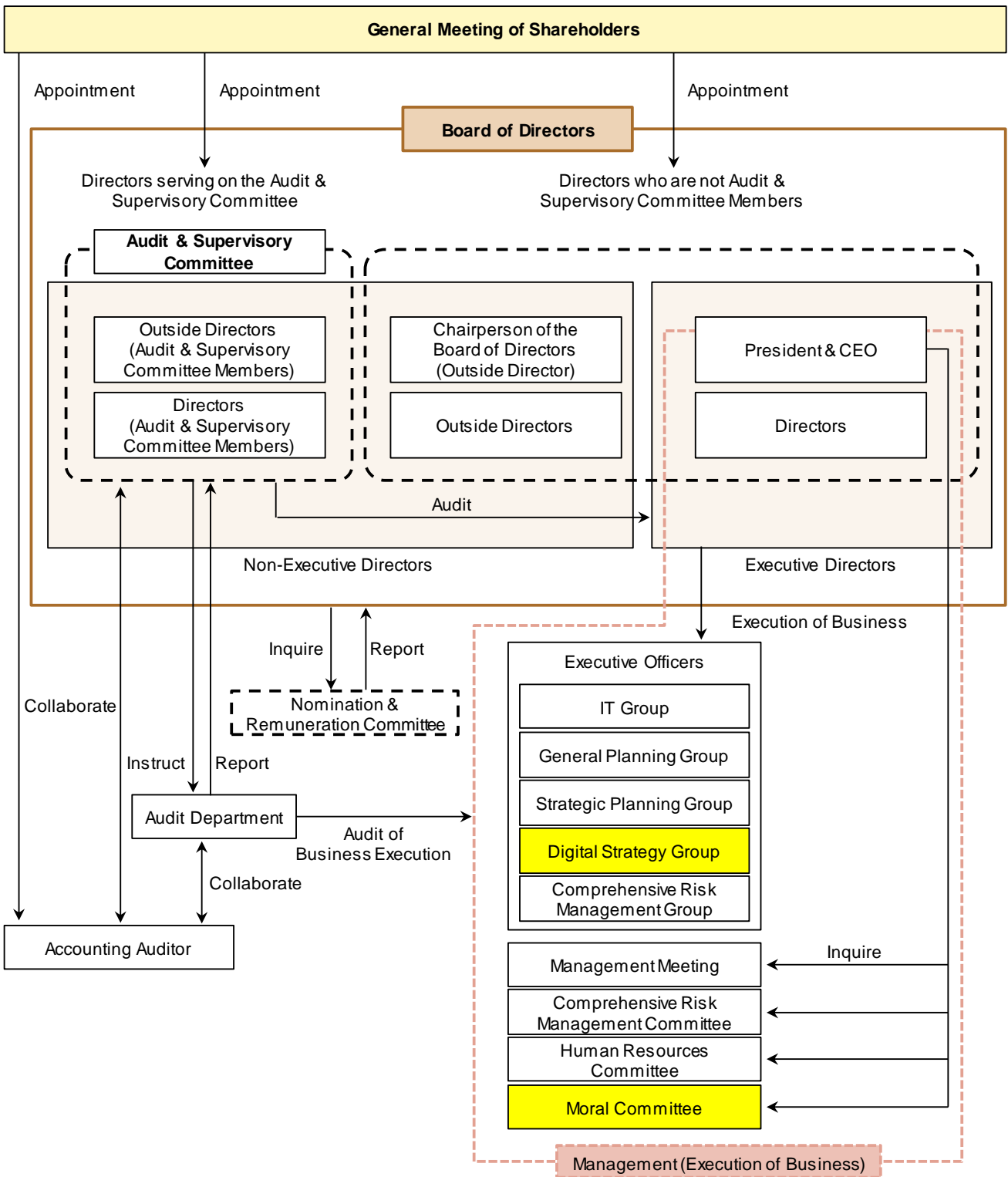
After the Board of Directors resolves material matter, the person responsible for handling the Company’s information determines whether such matter falls under the category to be disclosed timely in light of the regulations set forth by stock exchanges. If such responsible person determines that the 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

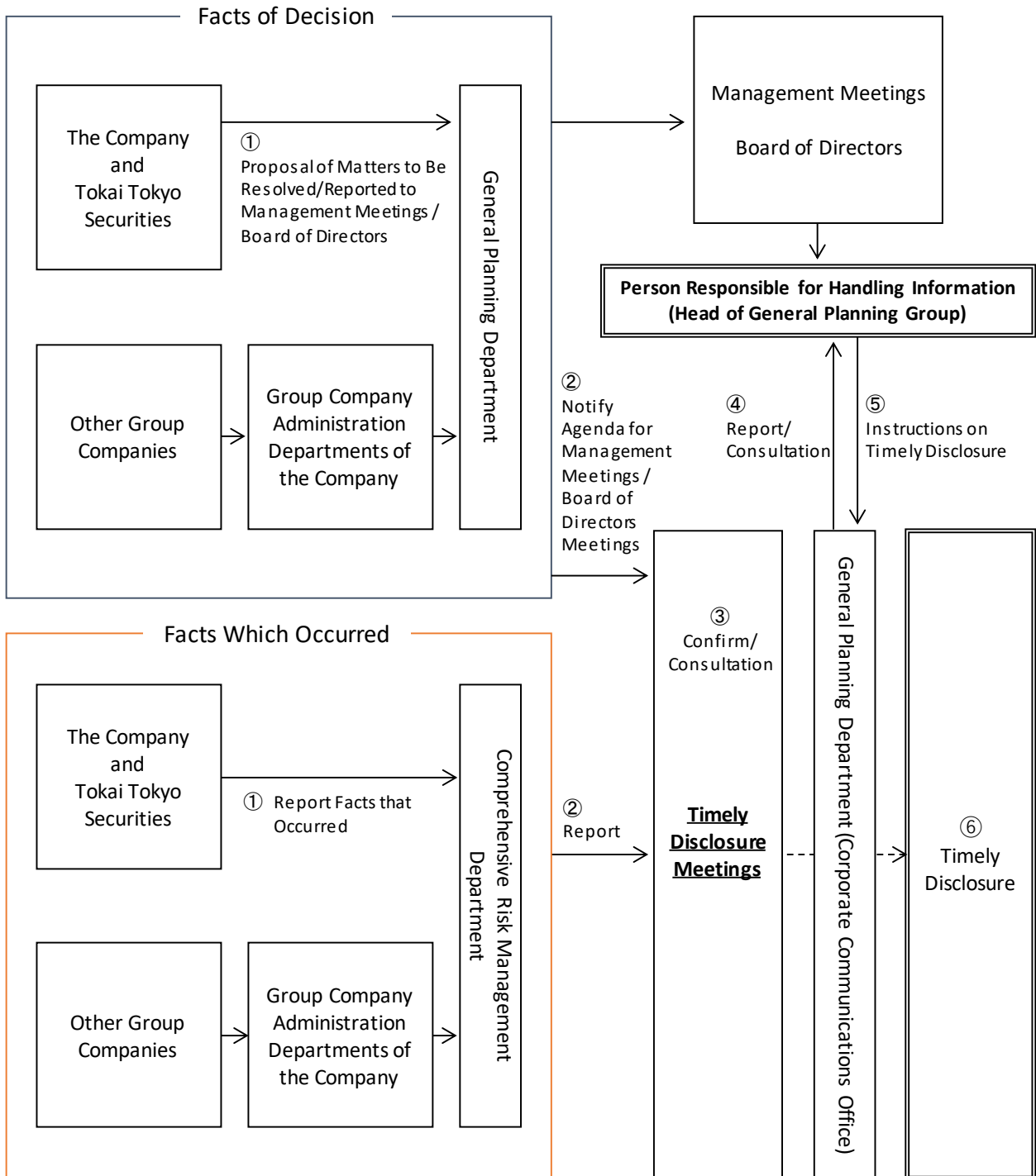
The person responsible for handling the Company’s information collects the material information about facts that occur to the Company and this responsible person evaluates how the fact may impact the business operations, operating results, and financial standing of the Company including consolidated subsidiaries and determines whether 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 CEO about the fact while ensuring thorough management of the relevant information.

If such fact falls under the category to be disclosed timely in light of the regulations set forth by stock exchanges, 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.



Timely Disclosure Structure of the Company



(As of July 8, 2020)