Corporate Governance Report

Last Update: June, 30, 2021

TOKAI Holdings Corporation

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Securities Code: 3167

https://tokaiholdings.co.jp/english/

The corporate governance of TOKAI Holdings Corporation (the "Company") is described below.

I. Basic Views on Corporate Governance, Capital Structure, Corporate Attributes and Other Basic Information

1. Basic Views

1. The Company is committed to enhancing its corporate governance in accordance with the following basic concepts from the perspective of helping the Group to achieve sustainable growth and increase its corporate value over the mid to long term. The aim is to implement sound management based on a high level of self-discipline to gain the strong trust of society:
(1) The Company will create and maintain an environment that secures substantive equality of all shareholders and enables shareholders to properly exercise their rights;
(2) The Company is primarily engaged in the business of providing individual customers with basic infrastructure services for daily life including energy, telecommunication and CATV, and recognizes that most of these businesses are supported by many stakeholders. In addition, in formulating, implementing and operating business policies, we will conduct business activities from the perspective of compliance while focusing on making a contribution to the local communities;
(3) The Company will work to ensure the adequate disclosure of company information including non-financial information and transparency in business management in order to establish a foundation for constructive dialogue with stakeholders;
(4) The Company will, as a holding company, seek to ensure the effectiveness of supervisory functions over the business execution of each group company by the board of directors, formulate mid- to long-term corporate strategies, and strive for sustainable growth and an increase in corporate value; and
(5) The Company will proactively have dialogues with shareholders and investors with a constructive purpose while explaining and disclosing quantitative financial information and non-financial information in a timely and adequate manner. In this way, we will achieve corporate accountability and strive to meet the expectations of stakeholders including shareholders and investors.

2. The Group has formulated the "TOKAY-WAY," the common philosophy of the group, and it is comprised of four layers—the corporate philosophy, mission, vision and value. These are shared with all employees of the group who work to practice them.

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

The Company respects the gist of the Corporate Governance Code and implements all items.

[Disclosure Based on the Principles of the Corporate Governance Code] Updated

1-4 (Cross-Shareholding)
For the Policy for Cross-Holding of Shares and Other Equity, please see Article 8 of the Basic Policy on Corporate Governance.
(https://tokaiholdings.co.jp/english/ir/management/pdf/cgc_20181219_e.pdf)

1-7 (Related Party Transaction)
For the System to Control Related Party Transactions, please see Article 7 of the Basic Policy on Corporate Governance.
(https://tokaiholdings.co.jp/english/ir/management/pdf/cgc_20181219_e.pdf)

2-6 (Fulfillment of Functions as a Corporate Pension Asset Owner)
The Company's corporate pension fund is a contract-type defined benefit pension plan whose pension assets are managed based on the "Basic Policy of Asset Management" by investment trustees aiming to achieve the return on investment that is expected within the range of risks determined by discussion and according to their roles. While the management of all the corporate pension plans is entrusted because it requires expertise, we are making effort to appropriately monitor the investment trustees.
In addition, we set up the Asset Management Committee and assigned to it personnel with expertise from legal, human resources, fund management, and business management departments. The committee members are working to improve their quality by participating in seminars and training.
The Asset Management Committee is composed of members chosen by the employer and the labor union head representing plan holders, and operated in a structure that can properly manage conflicts of interest between the Company and beneficiaries.

3-1 (Ensuring Proper Information Disclosure and Transparency)
(1) Our business strategies and the mid-term management plan are described on our website
(https://tokaiholdings.co.jp/english/ir/management/).
(2) The Basic Policy on Corporate Governance is published on our website
(https://tokaiholdings.co.jp/english/ir/management/pdf/cgc_20181219_e.pdf).
(3) Our directors' compensation has a structure consisting of monthly compensation, bonuses and stock-based compensation and properly reflecting their duties and contribution to the company. The procedure to decide the amount of the compensation is that the representative director examines it in accordance with the policies above, taking advice from independent outside directors into account, and the board of directors approves the amount of the compensation.
(4) The election and dismissal of management executives and the nomination of director/corporate auditor candidates are based on general consideration focusing on a balance of knowledge, experience and abilities as well as diversity.
The procedure of the nomination and election and dismissal is that the representative director examines candidates in accordance with the policies above, taking advice from independent outside directors into account, and the board of directors approves them.
(5) The reasons for the election and dismissal of individual director/corporate auditor candidates will be described in a referential document for the general meeting of shareholders.
The reasons for the election of candidates for each director during the term (appointed at the Company's 7th term shareholders meeting) are as stated in the proposal for election of directors of the 7th ordinary general meeting of shareholders notices disclosed on our website.
(https://www.tokaiholdings.co.jp/english/ir/library/pdf/meeting/2021_3/meeting10_e.pdf)

4-1 1. (Roles of the Board of Directors)
Matters required by law to be resolved by the board of directors, and similar matters, are defined in the Regulations on the Board of Directors and the Operational Standard of the Regulations on the Board of Directors of the Company. They are resolved by the board of directors meeting, while the decision of other matters regarding business execution are delegated to directors in charge of business execution based on their range of responsibility defined by the board of directors.

4-9 (Criteria for Assessing Independence and Qualification of Independent Outside Directors)
The Company adopted criteria similar to the independence criteria established by the Tokyo Stock Exchange.

4-11 1. (Concepts of Capabilities and Diversity Held by the Board of Directors as a Whole)
The number of members of the board of directors of the Company will be ten (10) or less as prescribed in the articles of incorporation, and determined by having the board of directors composed of such number as necessary and appropriate to ensure an effective management system and substantial discussions at the board of directors required of a holding company that performs the business execution management function of the group. This is also determined by fully taking into account the aspect of securing diversity and expertise in the board of directors.
The criteria for assessing independence of independent outside directors are similar to the independence criteria established by the Tokyo Stock Exchange.
In determining director candidates, the Company will secure a balance of knowledge, experience, capabilities and diversity of the board of directors as a whole that are appropriate for the Group's expanded business fields. It will do so by taking into consideration the balance of human resources who can demonstrate their strength in the management of each business area in the expanded business fields and human resources suitable for business management and other factors.

4-11 2. (Concurrent Positions of a Director and a Corporate Auditor)
The status of concurrent posts of the Company's directors and corporate auditors of other listed companies is as described in the "Notice of Convocation of the 10th Ordinary General Meeting of Shareholders" disclosed on the Company's website.
(https://www.tokaiholdings.co.jp/english/ir/library/pdf/meeting/2021_3/meeting10_e.pdf)

4-11 3. (Self-assessment of the Effectiveness of the Board of Directors)
The board of directors performs self-assessment of each director/corporate auditor to analyze and assess the effectiveness of the board of directors as a whole. It also reviews the operations of the board of directors to further strengthen the supervisory function of the board of directors.
As a result of discussion in the board of directors meeting based on the self-assessment conducted in May 2021, it was concluded in the analysis and assessment that the operations and effectiveness of the board of directors in FY2020 was satisfactory and active discussion was held regarding various management issues and business execution including management strategies, capital policies, capital investment and corporate governance.
In addition, in this self-assessment, there were recommendations such as appointment of woman director and explanation of deliberation contents in internal consultation before the board of directors meeting.
The board of directors will repeatedly have discussions on these proposals to further enhance the supervisory function of the board of directors and improve the effectiveness.

4-14 2. (Training Policy for Directors and Corporate Auditors)
For the Training Policy for Directors and Corporate Auditors, please see Article 6 of the Basic Policy on Corporate Governance.
(https://tokaiholdings.co.jp/english/ir/library/pdf/overseasir/cgc_20181219_e.pdf)

5-1 (Policy for Constructive Dialogue with Shareholders and Other Investors)
For the Policy for Constructive Dialogue with Shareholders and Other Investors, please see Chapter 4 of the Basic Policy on Corporate Governance.
(https://tokaiholdings.co.jp/english/ir/library/pdf/overseasir/cgc_20181219_e.pdf)

2. Capital Structure Updated

Foreign Shareholding Ratio	Less than 10%

[Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned	Percentage (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	10,479,100	7.98
Custody Bank of Japan, Ltd. (Trust account)	7,599,100	5.79
Aioi Nissay Dowa Insurance Co., Ltd.	7,559,820	5.76
Suzuyo Shoji Co., Ltd.	5,799,700	4.42
Tokio Marine & Nichido Fire Insurance Co., Ltd.	4,611,887	3.51
The Shizuoka Bank, Ltd.	4,065,527	3.09
Sumitomo Mitsui Trust Bank, Limited	3,816,000	2.91
TOKAI Group Employee Shareholders Association	3,667,101	2.79
Mizuho Bank, Ltd.	3,588,577	2.73
Astomos Energy Corporation	2,724,848	2.07

Controlling Shareholder (except for Parent Company)	---
Parent Company	Does not exist

Supplementary Explanation Updated

In addition to the above, the Company holds 8,322,035 treasury shares, but is excluded from the major shareholders shown above.

3. Corporate Attributes

Stock Market and Market Section Listed On	Tokyo Stock Exchange, First Section
Fiscal Year-End	March
Type of Business	Wholesale Trade
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	More than 1,000
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 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 Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with Board of Corporate Auditors

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors [Update]	9
Election of Outside Directors	Elected
Number of Outside Directors [Update]	3
Number of Independent Directors [Update]	3

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Masahiro Sone	From another company								△			
Masahiro Goto	From another company					△						
Nobuko Kawashima	Scholar											○

* Categories for "Relationship with the Company"

* "○" when the Director presently falls or has recently fallen under the category;
"△" when the Director fell under the category in the past

* "●" when a close relative of the Director presently falls or has recently fallen under the category;
"▲"when a close relative of the Director 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 listed 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/corporate auditor
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company where such post is served at concurrently with the post of the Company's outside director/corporate auditor (the director himself/herself only)
j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)

k. Others

Outside Directors' Relationship with the Company (2)　　Update

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Masahiro Sone	○	Mr. Masahiro Sone had served as the representative director for Shizuoka Telecasting Co., Ltd. until June 2011, and concurrently served as a director and senior adviser for the same company until June 2015. Shizuoka Telecasting and the Company have a transaction related to public relations.	He was elected as an outside director with the expectation that he would participate in our decision-making from his fair and neutral position and provide us with appropriate advice and instructions regarding management based on his rich experience of and deep insight into corporate management. The Company believes that his independence is ensured because there is no material interest between him and the Company and no potential conflict of interests with general shareholders.
Masahiro Goto	○	Mr. Masahiro Goto had served as the Executive Vice President for The Shizuoka Bank, Ltd. until June 2015, and served as a Representative Director for the SHIZUGIN BUSINESS CREATE CO., LTD. and SHIZUGIN GENERAL SERVICE CO., LTD. until June 2018. Shizuoka Bank and the Company have a transaction related to such as borrowing of funds.	He was elected as an outside director with the expectation that he would participate in our decision-making from his fair and neutral position and provide us with appropriate advice and instructions regarding management based on his rich experience of and deep insight into corporate management. The Company believes that his independence is ensured because there is no material interest between him and the Company and no potential conflict of interests with general shareholders.
Nobuko Kawashima	○	Not applicable	Utilizing the specialized academic knowledge and wide-ranging insight cultivated as a university professor, we have been appointed as an outside director to participate in decision-making from a fair and neutral standpoint and to receive appropriate advice and guidance regarding management. In addition, we believe that independence is ensured because there is no special interest between her and the Company and it is judged that there is no risk of conflict of interest with general shareholders.

[Voluntary Establishment of Nomination/Remuneration Committee]　Update

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Established

Status of establishment of arbitrary committees, composition of committee members, attributes of chairperson (chairperson) [Update]

	Name of the committee	All members	Full-time	Internal director	Outside director	In-house expert	Other	Chairman
Any committee equivalent to the nominating committee	Nomination and Compensation Committee	3	3	1	2	0	0	Internal director
Any committee equivalent to the compensation committee	Nomination and Compensation Committee	3	3	1	2	0	0	Internal director

Supplementary explanation [Update]

By ensuring the transparency and objectivity of the evaluation and decision-making process related to the nomination of directors, compensation, etc., the independence of the functions of the Board of Directors, the objectivity and accountability will be strengthened, and the corporate governance system of the Company will be further enhanced. It is installed for the purpose of enhancing.
The members of this committee are appointed by a resolution of the Board of Directors, and as of the date of submission, there are three members (Katsuhiko Tokita, Masahiro Sone (independent outside director), and Masahiro Goto (independent outside director)).

[Corporate Auditors]

Establishment of Board of Corporate Auditors	Established
Maximum Number of Corporate Auditors Stipulated in Articles of Incorporation	4
Number of Corporate Auditors	4

Cooperation among Corporate Auditors, Accounting Auditors and Internal Audit Departments

The audit and supervisory board has interviews with and exchanges opinions regarding policies, methods and results of auditing several times a year with Deloitte Touche Tohmatsu LLC, which is our accounting auditor, to share information on business or accounting issues.

Appointment of Outside Corporate Auditors	Appointed
Number of Outside Corporate Auditors	3
Number of Independent Corporate Auditors	3

Outside Corporate Auditors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Kenji Tateishi	Lawyer													○
Jiro Amagai	From another company													○
Yoshio Ito	From another company										△			

* Categories for "Relationship with the Company"

* ”○” when the corporate auditor presently falls or has recently fallen under the category;
  “△” when the corporate auditor fell under the category in the past
* “●” when a close relative of the corporate auditor presently falls or has recently fallen under the category;
  “▲”when a close relative of the corporate auditor fell under the category in the past

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. Corporate auditor of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a corporate auditor
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the corporate auditor himself/herself only)
k. Executive of a company where such post is served at concurrently with the post of the Company’s outside director/corporate auditor (the corporate auditor himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the corporate auditor himself/herself only)
m. Others

Outside Corporate Auditors’ Relationship with the Company (2)

Name	Designation as Independent Corporate Auditor	Supplementary Explanation of the Relationship	Reasons for Appointment
Kenji Tateishi	○	N/A	He was elected as an outside corporate auditor with the expectation that he would perform auditing by utilizing his legal knowledge and deep insight he cultivated as a judge and attorney, monitor our directors and provide us with recommendations or opinions from his fair and neutral position. The Company believes that his independence is ensured because there is no material interest between him and the Company and no potential conflict of interests with general shareholders.
Jiro Amagai	○	N/A	He was elected as an outside corporate auditor with the expectation that he would monitor our directors and provide us with recommendations and opinions from his fair and neutral position based on his rich experience of and deep insight into business management. The Company believes that his independence is ensured because there is no material interest between him and the Company and no potential conflict

			of interests with general shareholders.
Yoshio Ito	○	Mr. Yoshio Ito had served as an executive officer for Aioi Nissay Dowa Insurance Co., Ltd. until June 2011, and the representative director for Mitsui Sumitomo Aioi Life Insurance Co., Ltd. until March 2015. These two companies and the Company have a transaction related to insurance.	He was elected as an outside corporate auditor with the expectation that he would monitor our directors and provide us with recommendations and opinions from his fair and neutral position based on his rich experience of and deep insight into business management. The Company believes that his independence is ensured because there is no material interest between him and the Company and no potential conflict of interests with general shareholders.

[Independent Directors/Corporate Auditors]

Number of Independent Directors/Corporate Auditors [Update]	6

Matters relating to Independent Directors/Corporate Auditors

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration

Supplementary Explanation

The Company aims to improve mid- and long-term business performance and increase motivation to contribute to the improvement of corporate value by further clarifying the link between the business performance/share value of the Company and the compensation of directors, executive officers and other board members of the Company and directors and other board members of some subsidiaries of the Company ("officers," excluding outside directors). The Company also does this by having directors share risks of share value deterioration as well as benefit of share value increase, a new stock-based compensation system (BBT = Board Benefit Trust) will be introduced to provide stock-based compensation to officers. The system assigns a certain number of points for three business years including the current business year and provides shares of the Company corresponding to the determined number of points after the applicable officer resigns.

Recipients of Stock Options	

Supplementary Explanation

[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Individual disclosure of only some

Supplementary Explanation [Update]

The amounts of compensation for directors and corporate auditors in FY2020 were as below:
215 million yen for four directors (Fixed remuneration 116 million yen, bonus 89 million yen, non-monetary remuneration 9 million yen)
27 million yen for an auditor (Fixed remuneration 27 million yen)
35 million yen for five outside directors (Fixed remuneration 34 million yen, bonus 1 million yen)

* In addition to the above, there are four directors with no compensation. They are directors concurrently serving as officers for subsidiaries, and received 189 million yen in total as officer compensation from those subsidiaries.

* The Company resolved that the officer retirement bonus scheme for directors and corporate auditors would be abolished at the end of the First Ordinary General Meeting of Shareholders held on June 28, 2012, and that directors and corporate auditors who would continue assuming their position after the said shareholders' meeting would receive officer retirement bonuses when they resign.

For persons with consolidated compensation of ¥ 100 million or more, they are individually disclosed in the securities report. (Japanese only)

Policy on Determining Remuneration Amounts and Calculation Methods [Update]	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

a. The remuneration of the directors of the Company is within the limit of the remuneration decided at the general meeting of shareholders, and appropriately reflects the responsibilities and business contribution in consideration of the management content, economic situation, individual officer evaluation results, balance with employee salary, etc. We have set the basic policy as a remuneration system, and submitted the policy to the Board of Directors meeting held on February 18, 2021 to resolve the decision policy.

b. Outline of the content of the decision policy
Remuneration for directors consists of fixed remuneration (monthly remuneration), bonuses, and non-monetary stock remuneration. However, in view of their duties, outside directors will not be paid non-monetary stock-based compensation.

i. Fixed remuneration, etc.
The decision shall be made based on the basic policy of a above and the internal rules regarding executive compensation, etc., with comprehensive consideration. The fixed remuneration will be a monthly fixed remuneration, and if a bonus is paid, it will be paid in July.

ii. Non-monetary stock compensation
Stock compensation is determined by calculating the amount of benefits based on the points calculated by the following formula stipulated by the Executive Stock Benefit Regulations.

Points = Points by position x Performance evaluation coefficient according to performance during the evaluation period

The performance evaluation index is determined by selecting the consolidated operating income for the relevant fiscal year and determining the achievement of the previous year's results and performance forecast (if the consolidated operating income is higher than the previous year and the performance forecast is achieved, the performance evaluation coefficient is 1.0. , If the consolidated operating income is more than the previous year or the performance forecast is achieved, the performance evaluation coefficient is 0.5. If the consolidated operating income is less than the previous year and the performance forecast is not achieved, the

performance evaluation coefficient is 0.0).
The reason for choosing this index is that it is a numerical value that shows the results of the company's original sales activities, and I thought that it would be the best criterion for judging the performance evaluation for one year.
In addition, since the stock remuneration has a remuneration structure that strengthens the interlocking system with the improvement of corporate value over the medium to long term, the Company's stock will be paid according to the number of points granted when the officer retires.

c. Reasons why the Board of Directors has determined that the content of individual remuneration, etc. of directors for the current fiscal year is in line with the decision policy
When deciding the content of individual remuneration for directors, the Board of Directors basically makes a report because the Nomination and Compensation Committee is conducting a multifaceted examination of the draft, including consistency with the decision policy. We respect and judge that it is in line with the decision policy.

[Supporting System for Outside Directors and/or Corporate Auditors]

For resolution of important matters, prior explanation and other support are provided to enable a proper decision.

[Status of Persons Who Have Retired from the President]

Name and Other Information of Councils, Advisers or Others Who Have Formerly Served as the President of the Company [Update]

Name	Takanori Mamuro
Title / Position	Advisor
Duties	Advice and consultation on matters requested by the company
Work Form / Conditions (Full-time or Part-time, Remuneration)	Full-time, with remuneration
Date of Retirement from the President	June 25, 2021
Term	1 year

Total number of Councils, Advisers or others who have formerly served as the President of the Company	1

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Decisions (Overview of Current Corporate Governance System)

1. Overview
In November 2015, the Company formulated the Basic Policy on Corporate Governance, and is working to enhance corporate governance, with the goal of sustained growth and improvement of corporate value over the medium to long term in order to implement sound management based on high self-discipline and establish a stable trust from society.

Our Board of Directors consists of up to 10 Directors as stipulated in the Articles of Incorporation, of which three Outside Directors and the President and CEO are chaired.
The Board of Directors gives due consideration to ensuring diversity and expertise, while the Board of Directors is composed of the necessary and appropriate number of employees in order to ensure effective management systems required of holding companies that are responsible for management of the group's

business operations and substantive discussions at the Board of Directors.
Two outside directors are independent outside directors appointed in accordance with the independence standards established by the Tokyo Stock Exchange.

The Company is a company with a Board of Corporate Auditors, and the Board of Auditors consists of four Auditors, of which three Outside Auditors. The Board of Auditors is chaired by a full-time Auditor.
The Audit & Supervisory Board meets once a month to receive reports on important audit matters and discuss or make resolutions.
Through the participation of the Board of Directors and other major meetings, operations and accounting audits, the Company audits the directors' execution of duties.
The Board of Corporate Auditors regularly convenes outside directors to strengthen coordination with outside directors and exchange information.

The Investment Review Committee discusses capital investment matters, M & A, orders received, and other matters; the Executive Committee discusses preliminary deliberations on proposals to be submitted to the Board of Directors of the Company and each Group Company; reports on and deliberations on the progress of projects promoted by the Company and each Group Company; and the Business Management Committee discusses issues and solutions to be addressed in order to grasp the status of business promotion at each of the Major Group Companies and to attain management goals.

The Company have established a Group Compliance Risk Management Committee to share internal control deficiencies, reports on serious complaints and accidents, and measures to prevent their recurrence. We are promoting annual compliance training and improving internal controls.

2. Audit
Each group company has adopted a system of corporate auditors, and major corporate group companies have established a board of corporate auditors consisting of three or four corporate auditors (including one full-time corporate auditor and half or more of the outside corporate auditors). The Board of Directors conducts audits of directors' execution of duties through participation at important meetings such as the Board of Directors and the execution of operations and accounting audits.

The full-time corporate auditor of the Company conducts an audit of the Company based on the audit plan, and reports and shares information at regular meetings (conducted once) with the representative director. The committee also holds periodic meetings with outside directors (4 times), accounting auditors (3 times), internal audit departments (2 times), full-time auditors of each group company (4 times), our compliance departments (2 times), and compliance officers of each group company (12 times). The committee shares more extensive information and exchanges opinions with them to enhance the effectiveness of audits.

Since reorganization of the group and becoming a holding company in April 2011, the Group Audit Office (including the general manager of the office, total of 16 employees, as of the date of submission) has audited each company of the group in accordance with the annual plans and policies formulated in each fiscal year. In fiscal 2020, 28 audits were conducted for accounting, operations, and labor, 310 were conducted for evaluation of the effectiveness of internal controls, 43 information security review audits and a total of 381 audits were conducted for evaluation of the effectiveness of internal controls. The Internal Audit Committee regularly and as needed stipulates the appropriateness of policies, plans, and procedures related to overall business activities, the effectiveness of business operations, and compliance with laws and regulations, and provides specific advice and recommendations to improve business operations and raise awareness. The audit results are also followed up on an ongoing basis and improvements are confirmed. In addition, audit results are continuously followed up to confirm the status of improvement. The results of internal audits are reported to the president, general managers, division managers, corporate auditors, and internal control departments of each group company, and are shared within the group as necessary. The Auditors and Internal Control Division of each Group company periodically exchange information and opinions with the Group Audit Office and Accounting Auditors to ensure proper business execution.

3. Reasons for Adoption of Current Corporate Governance System [Update]

The Company operate a variety of businesses for 3,100,000 customers and corporate customers, mainly in the

fields of gases, CATV, and ISPs. As a system to supervise these businesses, the Company has adopted a pure holding company system. Each group company is committed to fulfilling its management policies and achieving its objectives, including the expansion of its business and the enhancement of its customer services, by conducting transactions in the places where its customers are familiar with it. The Company strives to improve governance through the Board of Directors of each company by dispatching directors to each group company. In addition, representatives of major group companies concurrently serve as part-time directors of the Company, thereby drawing speedy opinions from each group company and unifying group intentions. The Company has also appointed three outside directors and three outside auditors. Outside directors utilize abundant experiences and insights regarding corporate management to participate in decision-making from a fair and neutral standpoint, and provide appropriate advice and guidance on business management. Outside auditors monitor, make recommendations and provide advice to directors from a fair and neutral standpoint, and strengthen the management supervisory function sufficiently.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Vitalize the General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meeting	The Company is making efforts to send out a convocation notice of the shareholders' meeting and its referential documents early so that shareholders can exercise their voting rights appropriately. Prior to sending the convocation notice, the Company will publish such information electronically on TDnet and its website to ensure the relevant parties have sufficient time to examine those contents.
Scheduling AGMs Avoiding the Peak Day	To ensure attendance of as many shareholders as possible, the general meeting of shareholders will be held on a day that is not a so-called peak day.
Allowing Electronic Exercise of Voting Rights	It has been introduced starting from the Fifth Ordinary General Meeting of Shareholders (2016).
Participation in Platform for Exercise of Voting Rights by Electromagnetic Means and Other Measures to Enhance Environment for Exercise of Voting Rights by Institutional Investors	The "Voting Rights Electronic Exercise Platform" operated by ICJ Co., Ltd., has been used since the Ordinary General Meeting of Shareholders held in June 2016.
Providing Convocation Notice in English	The English version of the convocation notice has been created and published on the website starting from the Fifth Ordinary General Meeting of Shareholders (2016).
Other	After the general meeting of shareholders, a social gathering of shareholders is held as an opportunity to explain the Group's focus projects to shareholders.

2. IR Activities Updated

	Supplementary Explanations	Explanation by Representative
Regular Investor Briefings for Analysts and Institutional Investors	A financial results briefing is held semiannually to explain financial results, the mid-term business plan and future business development to institutional	Yes

	investors and analysts.	
Regular Investor Briefings for Overseas Investors	The representative and directors in charge visit each overseas institutional investor regularly.	Yes
Posting of IR Materials on Website	The website was launched on April 1, 2011 to publish 1) statements of accounts; 2) materials for the financial results briefings; 3) securities reports; 4) communications to shareholders; and 5) materials for the general meetings of shareholders (notices of convocation and resolutions) in “IR Resources” inside “Investor Relations.” The English website was also published for overseas investors.	
Establishment of Department and/or Manager in Charge of IR	The Investor Relations Office is in charge, arranging financial results briefings or individual meetings and responding to inquiries.	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Implementation of Environmental Activities, CSR Activities etc.	The TOKAI Group Policy on the Environment prescribes the following action guidelines: 1. Harmony of environmental preservation and social development 2. Compliance with environmental laws and regulations 3. Reduction in greenhouse effect gases and environmental burdens of customers 4. Reduction in environmental burdens of TOKAI Group 5. Enhancement of the awareness of environmental issues and continuous improvement of environment management activities 6. Coexistence with local communities
Others	1. Women Achievement Promotion The Company is promoting the following initiatives as an opportunity to promote career advancement and awareness raising of female employees. (1.) Implementation of "Women's Achievement Promotion Project"-Formulation of action plan in the Women's Achievement Promotion Act, etc. (2.) Implementation of "Women Careers Promotion Education Program"-Create awareness of promoting female employees (3.) Implementation of "Women Employee Training" 2. Health Management Recognizing that "health of employees" is an important asset of the TOKAI group and society, we announced the "TOKAI Group Health Declaration" in June 2016. And, in June 2018, in order to promote health management more actively, the Company established the "TOKAI Group Health Management Policy" which is consists of three pillars: "Health promotion," "Health and safety," and "Work style reform." The Company is promoting various measures based on this general policy. The Group's health management efforts were selected as "Health Management Brands 2020" in March 2020 and for five consecutive years, winning "Health management excellence companies (large-scale corporations) 2017, 2018, 2019, 2020 and 2021". In March 2021, the Development Bank of Japan, Ltd. received high praise such as the highest rank certification in the "DBJ Health Management Rating

	(Health Management)". 3. Work Style Reform The Company has introduced "flex time system", "at-home work system", "coexistence support of treatment and work" etc., and will continue to realize work-life balance and support coexistence of childcare / care and work etc. We will work actively to create an environment in which each employee can work, lively, and work brilliantly, and aim to achieve the corporate philosophy "For the lives of customers. We will continue to grow and develop together with the region and the earth."

IV. Matters Related to the Internal Control System

1. Basic Views on Internal Control System and the Progress of System Development [Update]

(1) The system to ensure that directors, executive officers and employees of the Group exercise their duties in accordance with law and the articles of incorporation:
a. The Company will establish a corporate culture in which directors, executive officers and employees of the Group comply with law, the articles of incorporation and social norms. It will do so by developing regulations for compliance of the Group and always maintaining/operating them effectively based on the common charter of corporate behavior of the Group and TOKAI-WAY, the common philosophy of the Group.
b. In order to achieve it, the Group Compliance & Risk Management Committee horizontally administers compliance effort of the Group as a whole, and each group company's compliance promotion organization under the Committee provides compliance education and training to its directors, executive officers and employees.
c. The Group Audit Office of the Company audits the compliance effort and its implementation in each group company in cooperation with the Group Compliance & Risk Management Committee, and reports the audit results to the Group Compliance & Risk Management Committee.
d. In accordance with the Group's regulations on internal control, the Company decides policies regarding construction, establishment and assessment of internal control for the Group as a whole. The internal control promotion organization of each group company assesses the establishment and operation of its internal control based on those policies, and reports the assessment results and the assessment process to the Compliance & Risk Management Office.
e. If directors, executive officers and employees find a material violation of law in business execution and other significant facts related to compliance, they shall report the fact to the Compliance & Risk Management Office or a corporate auditor. The Office or the corporate auditor shall inspect the fact in cooperation with the Group Audit Office of the Company and report the results to the Group Compliance & Risk Management Committee as well as the board of directors and the audit and supervisory board of each company.
f. The Compliance & Risk Management Office works to effectively operate the whistle-blowing system in accordance with the Group Internal Communication System. The whistle-blowing shall be generally based on the help line system. The regulations explicitly state that the whistle-blower will not suffer a disadvantage due to the whistle-blowing, and this has been made known to directors, executive officers and employees of the Group. The content of whistle-blowing via this system shall be shared with corporate auditors as necessary.
g. If corporate auditors of each group company find a problem in the operation of the compliance system or the whistle-blowing system in their own company, they may provide an opinion and request developing improvement measures.
h. In accordance with the code of corporate behavior, the Group establishes a system to take organizational measures to eliminate anti-social forces and strengthens cooperation with the police and other relevant agencies.

(2) Matters regarding storage and management of information on the execution of duties by directors and executive officers of the Group
a. The Group records and stores information on the execution of duties by directors and executive officers in the form of documents (including electronic records) in accordance with the regulations on document

management of each company.
b. The Group defines retention periods of documents and specific methods to access them, including places and time, in the regulations on document management of each company, and always keeps those documents accessible in preparation for access requests from directors, executive officers or corporate auditors.

(3) Regulations and other systems regarding the Group's management of risks of loss
a. In the Company, the Compliance & Risk Management Office administers and manages risk information of the Group as a whole in accordance with the regulations on group risk management. Each group company assesses its own risks based on its regulations on risk management that were separately established, and regularly reports the results to the Compliance & Risk Management Office. The Compliance & Risk Management Office regularly reports the risk situation of the Group as a whole to the Group Compliance & Risk Management Committee as well as the board of directors and the audit and supervisory board of the Company.
b. When an important risk event is revealed, each group company takes organizational countermeasures in accordance with the regulations on risk management or the regulations on emergency response, including the establishment of a task force. The risk management and response organization of each company reports the progress of such countermeasures to the Compliance & Risk Management Office.
c. The Group Audit Office of the Company audits the existence of risks and the countermeasures taken in each group company, and reports the audit results to the Group Compliance & Risk Management Committee.

(4) Systems to ensure the efficient and proper execution of duties by directors and executive officers of the Group
a. Because important matters affecting the Group as a whole need to be decided carefully by considering them from diverse points of view, such matters shall be referred to the management strategy meeting, the investment committee or the business management committee hosted by the Company for adequate discussion prior to the board of directors meeting of each company.
b. Based on the discussion results of the management strategy meeting or other meetings, the Company optimally distributes management resources of the Group as a whole so that each company's business is executed reasonably and efficiently, and supports business reorganization of each company as necessary.
c. The Company manages business execution of each company based on the mid-term business plan and an annual budget of the Group as a whole. The Company also assesses profitability and risks of each company's important investment proposals and assigns necessary management resources to each company appropriately in a timely manner for the proposals that are regarded as proper.
d. Each group company utilizes the IT system, summarizes the progress of business performance appropriately in a timely manner, and regularly reports it to the board of directors of the Company. The board of directors of the Company appropriately assesses the business performance of each group company in accordance with the regulations on business performance assessment of each group company.
e. For the business management of each group company, effectiveness shall be ensured by requesting reporting to and obtaining approval from the Company in accordance with the group management guideline, the regulations on group business management and the regulations on the procedure for approval and reporting of each group company. The administration division of the Company monitors the business execution of each group company as necessary.
f. The Compliance & Risk Management Office assesses the effectiveness of internal control of the Group as a whole at the end of every business year in accordance with the regulations on group internal control based on the assessment and audit results of internal control by the Group Audit Office in order to ensure reliability of figures in financial reports of the Group as a whole.

(5) Matters regarding applicable employees in the case that corporate auditors request employees to be assigned to them to assist them in their duties, and matters regarding the independence of those employees from directors
a. The Company shall appoint assistants for corporate auditors as employees to assist the duties of corporate auditors, from employees of the Company when the corporate auditors require such personnel in order to improve the effectiveness of auditing and facilitate audit activities.
b. Corporate auditors' assistants shall be assessed by corporate auditors, and the appointment, dismissal, transfer and change of wages of corporate auditors' assistants shall be decided by the board of directors with the consent of the audit and supervisory board, in order to ensure their independence from directors and executive officers. Corporate auditors' assistants shall not concurrently assume positions related to business

execution.

(6) Systems for reporting to corporate auditors by directors, executive officers and employees of the Group, and other systems regarding reporting to corporate auditors
a. Each group company promptly reports important matters affecting each group company's business or business performance to the audit and supervisory boards of the Company and each group company in accordance with the Regulations concerning the Procedure for Matters to Be Reported to the Audit and Supervisory Board by Directors, Executive Officers and Employees. Note that, as described in (1) e., matters regarding compliance may be reported directly to corporate auditors of each group company.
b. Regardless of the above, corporate auditors of each group company may request reporting from directors, executive officers or employees of their own company anytime as necessary.

(7) Other systems to ensure effective audit by corporate auditors
a. The Company ensures corporate auditors' effective auditing by reporting results of auditing by the Group Audit Office and results of monitoring by the Compliance & Risk Management Office to the audit and supervisory board appropriately in a timely manner to share information.
b. If corporate auditors submit a claim to the Company for advance payment of expenses for the execution of their duties, the payment shall be processed promptly whenever its purpose is regarded as proper.

* An overview of the operations of the internal control system is described in the business report attached to the convocation notice of the general meeting of shareholders and disclosed on our website.
(http://tokaiholdings.co.jp/ir/library/meeting.html)

2. Basic Views on Eliminating Anti-Social Forces

Based on the charter of corporate behavior, the Company and each group company are establishing a system to take organizational measures to eliminate anti-social forces and strengthening cooperation with the police and other relevant agencies.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

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2. Other Matters Concerning to Corporate Governance System

The Company has defined the following in the articles of incorporation:
(1) The Company's Articles of Incorporation stipulate that the number of Directors of the Company shall be ten (10) or less.
(2) Resolution of election of director
With regard to the resolution for the election of directors, the Company's Articles of Incorporation stipulate that the shareholders with one-third or more of the shareholders who can exercise the voting rights attend and that a majority of the voting rights be exercised.In addition, the articles of incorporation stipulate that the election of directors shall not be made by cumulative voting.

(3) Matters that may be resolved at a general meeting of shareholders by the board of directors

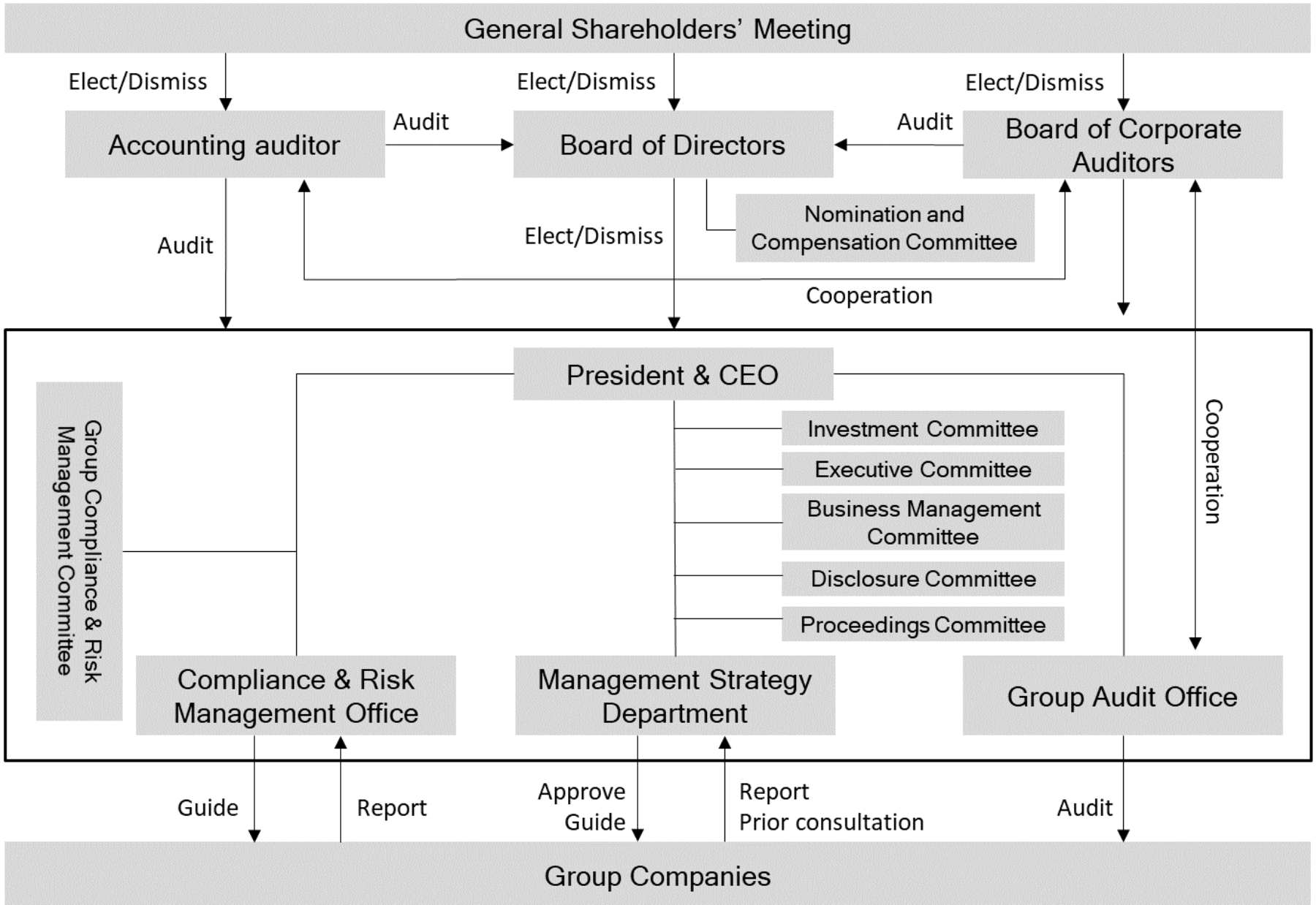
1. Acquisition of treasury stock

   Pursuant to Article 165, Paragraph 2 of the Companies Act, the Articles of Incorporation of the Company stipulate that the Company may acquire its own shares through market transactions by resolution of the Board of Directors in order to implement flexible capital policies.

2. Interim dividend

   In order to enable agile redistribution of profits to shareholders, the Company may provide dividends of surplus (interim dividends), as prescribed in Article 454 (5) of the Companies Act and based on a resolution of the board of directors meeting, to shareholders listed or recorded on the final shareholder list as of September 30 of every year.

(4) Special resolution requirements for general meeting of shareholders

Regarding the requirement for special resolutions of the general meeting of shareholders as prescribed in Article 309 (2) of the Companies Act, the Company defines that the meeting shall require the attendance of shareholders holding one-third or more of voting rights of shareholders who can exercise voting rights and votes equivalent to two-thirds or more of those voting rights. The purpose of this is to ensure smooth operation of the general meeting of shareholders by relaxing the quorum of special resolutions at the general meeting of shareholders.

TOKAI Group's Corporate Governance System