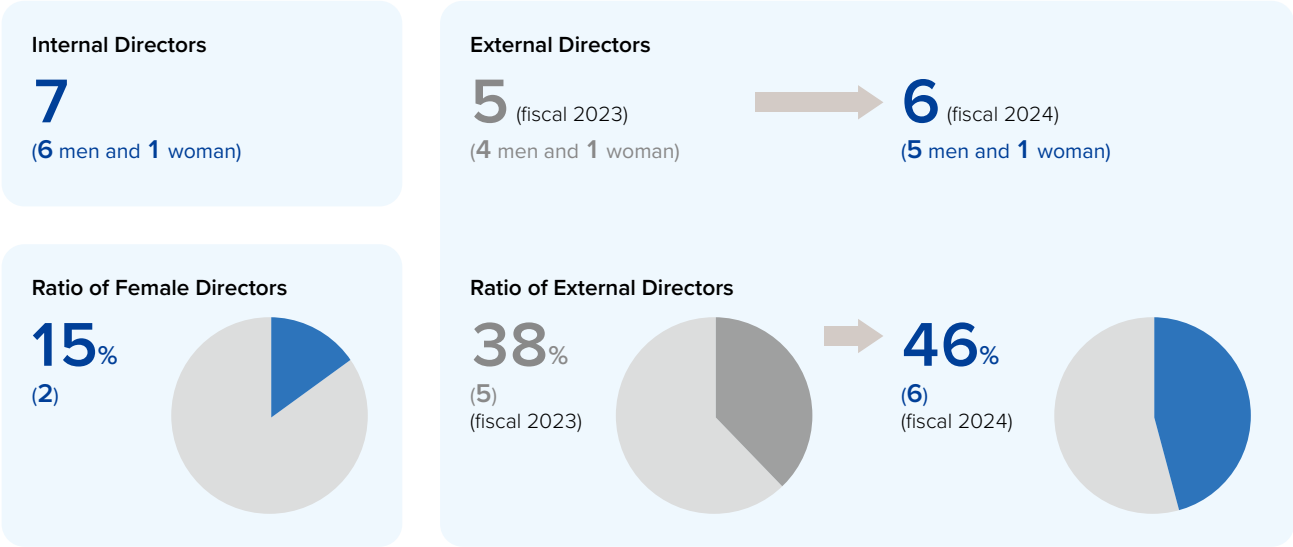


Evolution of Tokyo Century’s Corporate Governance System

Composition of Board of Directors Contributing to Improved Corporate Value (As of June 24, 2024)

Tokyo Century seeks to ensure that its Board of Directors is able to appropriately exercise its management oversight and advisory functions. To this end, we are implementing various diversity-minded initiatives, including increasing the numbers of female and external directors, to strengthen corporate governance.



Major Items Raised at Meetings of the Board of Directors in Fiscal 2023

Medium-term management plan	<ul style="list-style-type: none">Medium-Term Management Plan 2027Profit target formulation and progress management	General Meeting of Shareholders, investor relations, and stocks	<ul style="list-style-type: none">Investor relations activity reportsGeneral meeting of shareholdersStock splitResponse to a request from Tokyo Stock Exchange on disclosure of information regarding management emphasizing cost of capital and stock price
Sustainability	<ul style="list-style-type: none">Reports from Sustainability Committee	Risk management, compliance, and auditing	<ul style="list-style-type: none">Compliance initiative plan and status reportsAudit plan and reportsRisk management status reports
Officers	<ul style="list-style-type: none">Nomination and appointment of officersDirector compensationReports on conflicts of interest among directorsDirectors and officers liability insurance policiesAllocation of stock options	Individual items, etc.	<ul style="list-style-type: none">Stock acquisitions/sales and investments exceeding predetermined amountInvestment management framework monitoring reportSystem investmentFund procurement in fiscal 2024
Governance	<ul style="list-style-type: none">Evaluation of Board of Directors’ effectiveness and report thereonDetails of meetings of the Nomination Committee and the Compensation CommitteeVerification of holding rationale of cross-shareholdings		

Evaluation of the Effectiveness of the Board of Directors and Issues

Tokyo Century has established the Board Effectiveness Review Council as an advisory body to the Board of Directors. The council is membered by external directors designated as independent directors and corporate auditors and conducts an analysis and review of the effectiveness of the Board of Directors once a year, in principle, on aspects such as the effectiveness of its supervisory functions, status of deliberations, systems, and meeting proceedings, taking into account the self-evaluations submitted by all directors.

Issues Identified in Fiscal 2022	Overall Business Portfolio Structure and Vision Discussions need to be advanced from a medium- to long-term perspective at free discussion and other forums on the overall structure of the Company’s business portfolio and its vision therefor with consideration paid to factors such as allocations of management resources and capital efficiency.
Evaluation in Fiscal 2023	The Board of Directors was deemed to have engaged in comprehensive and spirited discussions on management strategy in line with Medium-Term Management Plan 2027. Specifically, free discussions were conducted on the topics of practicing management emphasizing cost of capital and share prices as well as of implementing human resource and organizational transformation, with the intention of linking management and human resource strategies to maintain a competitive advantage and achieve management goals.
Initiative Policy for Fiscal 2024	The Board of Directors should engage in more in-depth discussions on portfolio transformation (pursuing a highly profitable and stable portfolio) and human resource and organizational transformation for enhancing medium- to long-term corporate value.

Training for Directors and Corporate Auditors

To fulfill their expected roles and responsibilities as members of a body that oversees corporate governance, directors and corporate auditors, including newly appointed officers, are required to deepen their understanding of their roles and responsibilities as well as strive to acquire and appropriately build on their knowledge of necessary issues. Upon their appointment, directors and corporate auditors, including external directors and external corporate auditors, receive a briefing providing the necessary knowledge on matters such as the Company’s business, finances, and organization to help them develop a sufficient understanding to fulfill their roles and responsibilities (including legal responsibilities). Tokyo Century also organizes training sessions and information-sharing meetings for officers as opportunities for receiving continuous updates after they are appointed.

Officer training sessions	Officer training sessions are held twice a year, in principle, as opportunities to discuss management issues pertaining to the medium-term management plan, management emphasizing cost of capital, digital transformation, and other matters in order to gain a better understanding of the matters necessary to make future management decisions.
Free discussions	Free discussions on various management issues are arranged as necessary after meetings of the Board of Directors. In fiscal 2023, discussions took place from the perspective of human resource and organizational transformation, and the following issues were identified. <ul style="list-style-type: none">Need to clarify roles of mid-level employees and enhance training programs and support systems accordinglyImportance to corporate growth of recruiting desired human resources and having each employee generate value
Others	In addition to the above, meetings of division and branch heads and other opportunities are used to confirm conditions and management issues in specific operating segments, and information-sharing meetings for external directors are also organized.

Management Team (As of June 24, 2024)

*1 "Outside director" as stipulated by Article 2-15 of the Companies Act of Japan
*2 "Outside company auditor" as stipulated by Article 2-16 of the Companies Act of Japan
*3 Designated independent director or auditor as stipulated by the Tokyo Stock Exchange

Representative Directors



Masataka Yukiya

Chairman & Co-CEO,
Representative
Director



Koichi Baba

President & CEO,
Representative
Director

External Directors*1



Akio Nakamura

External Director*3
Representative Executive
Officer, President and
CEO of Japan Securities
Depository Center, Inc.



Toshio Asano

External Director*3
Special Advisor of
Asahi Kasei Corporation



Miho Tanaka

External Director*3
Partner, Shiba &
Tanaka Law Offices



Tsuyoshi Numagami

External Director*3
Professor Emeritus,
Hitotsubashi University



Hiroshi Ogasawara

External Director*3
Representative Director
and Chairman of the Board,
YASKAWA Electric Corporation



Koji Fujiwara

External Director
Special Advisor of
Mizuho Financial Group, Inc.

Directors



Akihiko Okada

Deputy President,
Director and
Executive Officer



Hiroshi Sato

Deputy President,
Director and
Executive Officer



Mahoko Hara

Director and
Senior Managing
Executive Officer



Tatsuya Hirasaki

Director and
Senior Managing
Executive Officer



Shunichi Asada

Director

Corporate Auditors



Katsuya Amamoto

Standing Corporate Auditor



Yoshio Nomura

Standing Corporate Auditor



Masao Fujieda

Corporate Auditor

External Corporate Auditor*2 *3



Maiko Chihara

Corporate Auditor

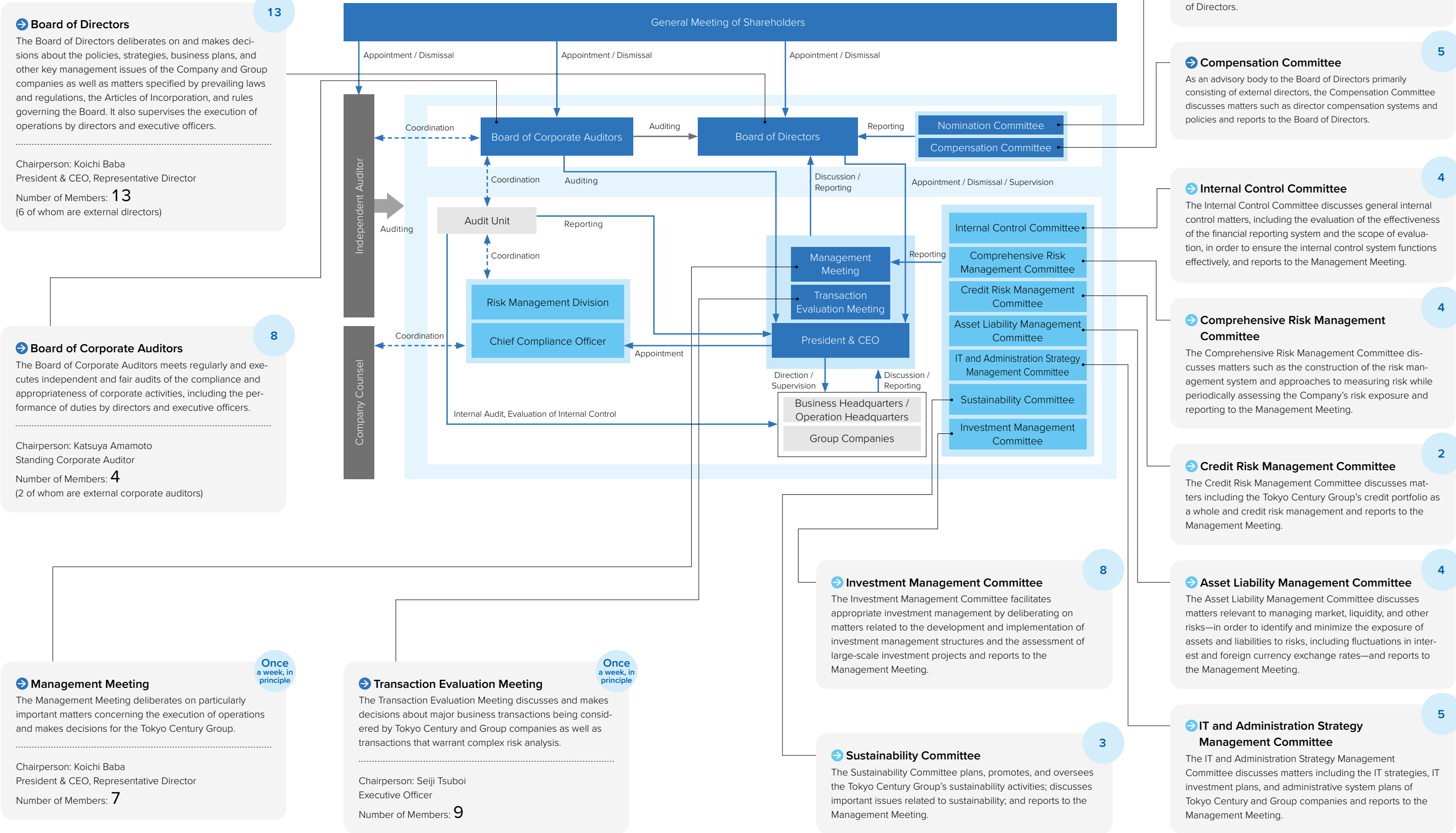
External Corporate Auditor*2 *3

Directors (As of June 24, 2024)

Name	Years of Service	Attendance at Board of Directors' Meetings	Number of Shares of the Company's Stock Held	Areas of Expertise and Expected Contributions						Committee Appointments
				Corporate Management	Global Operations	Finance / Risk Management	Legal Affairs / Accounting / Taxation	Sustainability	IT / Digital Transformation	
Masataka Yukiya	13	13/13 (100%)	36,600	●		●		●	●	N C ALM IT
Koichi Baba	6	13/13 (100%)	30,100	●	●	●		●	●	N C ALM IT
Akio Nakamura	8	13/13 (100%)	13,000	●		●	●			N C
Toshio Asano	5	13/13 (100%)	8,400	●	●			●		N C
Miho Tanaka	3	13/13 (100%)	700			●	●	●		N C
Tsuyoshi Numagami	2	13/13 (100%)	4,600	●	●			●		N C
Hiroshi Ogasawara	Newly Appointed	—	—	●	●			●	●	N C
Koji Fujiwara	Newly Appointed	—	—	●	●	●		●		
Akihiko Okada	5	13/13 (100%)	19,700	●	●	●				ALM IC CR
Hiroshi Sato	2	13/13 (100%)	5,700	●	●			●	●	ALM
Mahoko Hara	2	13/13 (100%)	11,200		●	●		●	●	
Tatsuya Hirasaki	3	13/13 (100%)	15,700			●	●	●	●	ALM IC CR CRM IT S IM
Shunichi Asada	17	13/13 (100%)	122,980	●	●	●				

Committee membership legend:
N : Nomination Committee C : Compensation Committee ALM : Asset Liability Management Committee IC : Internal Control Committee
CR : Comprehensive Risk Management Committee CRM : Credit Risk Management Committee IT : IT and Administration Strategy Management Committee
S : Sustainability Committee IM : Investment Management Committee ● : Chairperson

Management Structure Comprising Ideal Committees



Evolution of Tokyo Century’s Corporate Governance System

Officer Compensation

Officer Compensation System Policies

As part of the officer compensation system, director compensation policies call for the provision of healthy incentives to contribute to the ongoing growth of the Company and frameworks for linking compensation to the medium- to long-term development of its businesses. The system for director compensation is designed to raise directors’ awareness regarding the enhancement of shareholder value by aligning the interests of directors with those of shareholders. Moreover, this system aims to attract outstanding talent in order to allow the Company to recruit and cultivate individuals who can drive the improvement of the Company’s corporate value.

Revision of Officer Compensation System and Goals Thereof

The Company resolved to revise its officer compensation system and to introduce a performance-linked stock compensation plan at the 55th Annual General Meeting of Shareholders on June 24, 2024. The new plan further clarifies how compensation paid to directors and officers is linked to the business performance and stock value of the Company by having them share both the benefits of stock price increases and the risk of stock price declines with shareholders, in order to raise the awareness of directors and officers so they will contribute to improving business performance over the medium to long term and to enhancing corporate value.

Overview of Revision

- ➔ Transition from quantitative and qualitative evaluation based on ordinary income when determining performance-based compensation to evaluation based on indicators prescribed by Medium-Term Management Plan 2027
- ➔ Abolition of stock options as portion of performance-based compensation and introduction of new Board Benefit Trust-Restricted Stock (BBT-RS) system
- ➔ Evaluation under new system in fiscal 2024 and commencement of compensation based on evaluation under new system in fiscal 2025

Key Points of Revision

- 1 Adoption of net income attributable to owners of parent, consolidated ROA, and consolidated ROE, indicators for which targets have been set in the medium-term management plan, as financial indicators for determining performance-based compensation
- 2 Definition of “Achievement in TCX (TC Transformation)—Promotion of ESG Initiatives/Value Creation Process—” as non-financial indicator for determining performance-based compensation

Achievement in TCX (TC Transformation)—Promotion of ESG Initiatives/Value Creation Process—

Portfolio Transformation	■ Assessment of qualitative improvements not reflected by financial indicators of ROA and ROE ■ Evaluation of growth investments that contribute to improvements in future profitability
Human Resource and Organizational Transformation	■ Revision of training, career development support, compensation, and evaluation systems; reevaluation of organizational roles and positioning; and promotion of reforms to organizational culture ■ Reflection of Companywide employee engagement survey results in evaluations
Green Transformation	■ Creation of carbon-neutrality-related businesses and promotion of cross-organizational coordination
Digital Transformation	■ Utilization of digital technologies to improve operational efficiency, streamline and increase profitability in existing businesses, and create new businesses

- 3 Implementation of provisions to align officers’ interests with those of stakeholders and to heighten awareness for improvements in shareholder value

Discussions by the Compensation Committee

Overview of the Compensation Committee

Tokyo Century has established the Compensation Committee as an advisory body to the Board of Directors in order to ensure the independence of its functions. This committee comprises a majority of external directors designated as independent directors and is chaired by an external director designated as an independent director. The Compensation Committee discusses matters such as compensation amounts, systems, and policies and reports to the Board of Directors on these matters. In fiscal 2023, the committee met five times.

Major Topics of Discussions

As the next step in the reviews of basic compensation amounts for which reports were submitted in fiscal 2022, the Compensation Committee undertook a review of performance-based compensation. This review looked at potential performance indicators and stock-based compensation schemes that could be adopted based on the financial and non-financial targets of the newly launched Medium-Term Management Plan 2027.

Topics of Reports Submitted in Fiscal 2023

The Compensation Committee determined that a scheme for performance-based compensation that was consistent with the Company’s medium- to long-term value creation process was indispensable. Based on this judgment, a report was submitted to the Board of Directors advising that both financial and non-financial indicators be incorporated into the evaluation indicators used when determining performance-based compensation.

Officer Compensation System

	Basic Compensation	Bonuses	Stock-Based Compensation (BBT-RS)											
Fixed / variable compensation	Fixed Compensation Determined based on comprehensive consideration of duties, roles, and responsibilities	Short-Term Performance-Based Compensation Determined according to achievements and performance	Medium- to Long-Term Performance-Based Compensation Number of shares determined based on medium- to long-term business performance, including initiatives that contribute to the enhancement of the Company's corporate value and its business performance over the medium to long term											
	Ratios of compensation (Basic compensation indexed to 1)	<table><tr><td>Representative directors</td><td>0–0.8</td><td>0–1.2</td></tr><tr><td>Directors</td><td>0–1.0</td><td>0–1.0</td></tr></table>		Representative directors	0–0.8	0–1.2	Directors	0–1.0	0–1.0					
Representative directors	0–0.8	0–1.2												
Directors	0–1.0	0–1.0												
Process for determining individual compensation amounts	Decision by president based on authority delegated by the Board of Directors and with reference to report submitted by the Compensation Committee, input from external experts, and research data on compensation levels by third-party institutions													
Evaluation / payment standards	Rank (Duties, roles, responsibilities, etc.)	<table><tr><td>Net income attributable to owners of parent</td><td>1</td></tr></table>	Net income attributable to owners of parent	1	<table><tr><td>Financial</td><td>Consolidated ROA and ROE</td><td>1</td></tr><tr><td>Non-financial</td><td>TCX initiatives</td><td>2</td></tr><tr><td>Market evaluation</td><td>Stock price growth rate</td><td>3</td></tr></table>	Financial	Consolidated ROA and ROE	1	Non-financial	TCX initiatives	2	Market evaluation	Stock price growth rate	3
Net income attributable to owners of parent	1													
Financial	Consolidated ROA and ROE	1												
Non-financial	TCX initiatives	2												
Market evaluation	Stock price growth rate	3												
Payment form / timing	Monetary / monthly	Monetary / once a year	<table><tr><td>Stock / once a year</td></tr><tr><td>Transfer restriction applied for a set period after resignation</td></tr><tr><td>Note: Monetary payments equivalent to a predetermined amount of issued stock are made after retirement. Malus clauses are applied.</td></tr></table>	Stock / once a year	Transfer restriction applied for a set period after resignation	Note: Monetary payments equivalent to a predetermined amount of issued stock are made after retirement. Malus clauses are applied.								
Stock / once a year														
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Annual compensation limits	Upper limit of ¥1 billion (¥100 million for external directors)		<table><tr><td>Upper limit of 281,300 points (equivalent to 281,300 shares)</td></tr><tr><td>Not including executive officer compensation</td></tr></table>	Upper limit of 281,300 points (equivalent to 281,300 shares)	Not including executive officer compensation									
Upper limit of 281,300 points (equivalent to 281,300 shares)														
Not including executive officer compensation														
Date of resolution at General Meeting of Shareholders	June 24, 2016		<table><tr><td>June 24, 2024</td></tr></table>	June 24, 2024										
June 24, 2024														
Note: External directors are only paid basic compensation.			<div>Provisions introduced as part of revision</div>											

Payment of Officer Compensation Amounts

Compensation and Eligible Officers in Fiscal 2023

Officer Category	Total Compensation (Millions of Yen)	Total Compensation by Type (Millions of Yen)			Number of Eligible Officers
		Fixed Compensation	Performance-Based Compensation	Non-Monetary Compensation	
Directors (excluding external directors)	595	350	226	19	8
Corporate auditors (excluding external corporate auditors)	48	48	—	—	2
External directors and external corporate auditors	132	132	—	—	7

Notes:

1. Stock options provided as stock-based compensation are accounted for under “Non-monetary compensation,” although they constitute performance-based compensation. Accordingly, amounts of stock options provided as stock-based compensation are not included under “Performance-based compensation.”
2. The total number of directors and the total number of corporate auditors as of March 31, 2024, were 13 and 4, respectively.

Evolution of Tokyo Century's Corporate Governance System

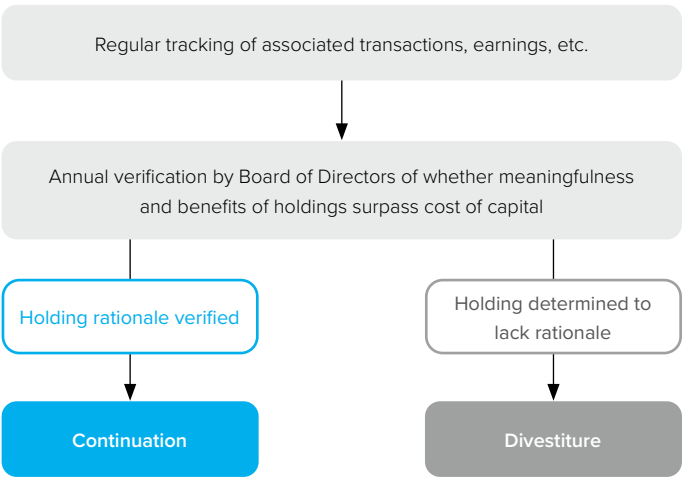
Cross-Shareholdings

The Company holds investment securities for purposes other than pure investment. These securities are the shares of the stock issued by important stakeholders of the Tokyo Century Group, including business partners, shareholders, and borrowers, and are held based on their necessity to the medium- to long-term business activities of the Company.

Policy on the Exercise of Voting Rights

The decision to approve or reject agenda items is made by the division in charge of exercising voting rights (the Corporate Planning Unit) after consultation with the Business Headquarters, Credit Supervision Unit, and other divisions. The Company has also established internal procedures regarding the exercise of voting rights to provide a checklist and clarify the related process. With regard to items that may damage the corporate value of the issuer of the shares or Tokyo Century's interests as a shareholder, approval or rejection is determined after confirming the content and impact.

Process for Reviewing Holdings



Divestitures

(Number of holdings reduced and sales amounts)

	Number of Holdings Reduced	Sales Amounts (Billions of yen)
FY2019	20	4.4
FY2020	9	2.9
FY2021	4	0.5
FY2022	15	5.6
FY2023	5	1.1
5-year aggregate	53	14.4

Protection of Minority Shareholders

ITOCHU Corporation holds 29.99% of the voting rights in Tokyo Century, and the Company is thus an equity-method affiliate of ITOCHU. No officers of ITOCHU hold concurrent positions as officers of the Company. However, ITOCHU has seconded 11 individuals to the Company who have immediately applicable skills necessary for supplementing the Company's operational execution capabilities (as of April 1, 2024).

The Company engages in business transactions with ITOCHU and ITOCHU Group companies. Negotiations regarding said transactions are conducted with these companies on an individual basis, as would be done with a standard transaction counterparty, and the Company's own decision criteria are applied to these transactions. Accordingly, ITOCHU does not impose any restrictions on the business activities of the Company, and the Company maintains a certain degree of independence from ITOCHU. We are determined to ensure that this relationship does not threaten the interests of minority shareholders.

Messages from New External Directors



Hiroshi Ogasawara

External Director

Representative Director and Chairman of the Board, YASKAWA Electric Corporation

In discussions regarding medium- to long-term management and business strategies, I endeavor to provide appropriate advice from my perspective as a manager of a business-to-business manufacturer. I also look to actively take part in discussions on important themes pertaining to Tokyo Century's TCX concept, such as workstyle reforms and digital transformation strategies. In the manufacturing industry, I have experience managing a global supply chain that spans the entire product life cycle, from development and production to sales and maintenance. This experience is highly applicable to Tokyo Century's business model focused on asset value.

An important role of an external director is to help bring consistency to a company's vision. This can entail clarifying the positioning of medium- to long-term management plans and single-year plans and revising medium- to long-term plans when necessary. Rather than getting deeply involved in the business operation activities of the executive team, I think it is prudent for external directors to focus on verifying whether a company's businesses are in line with its medium- to long-term management policies and whether adequate progress is being made. It is particularly crucial to monitor operations to ensure that they coincide with a company's long-term management vision.

Tokyo Century operates in an industry that is different from the one I am familiar with. However, regarding themes applicable to any industry, I will actively highlight the trends seen in the manufacturing industry with the aim of contributing to the reinforcement of Tokyo Century's operating foundation. I also hope to make proposals that go beyond the traditional boundaries of the Board of Directors in order to contribute to more lively Board meetings.



Koji Fujiwara

External Director

Special Advisor of Mizuho Financial Group, Inc.

The development of human resources who can drive value creation is a theme that Tokyo Century must focus on to guide its management in a favorable direction. Human resources are a very important asset to a company and a fundamental form of capital for management. My experience managing a bank has made me well aware of just how significant the growth of individual employees can be for the growth of a company as a whole. As Tokyo Century turns its attention to the shared goal of contributing to the resolution of social issues, it should also devote efforts to developing a free and open corporate culture that inspires ambition and to fostering well-rounded people with a robust individuality. I am confident that this approach will help Tokyo Century create value as it advocates its "Finance × Services × Business Expertise" concept.

It is also important to engage in exhaustive discussions on overarching themes such as business model and governance reforms. In today's era of great uncertainty, it is difficult to form a precise image of the future. This is why it is crucial for a company to clearly define its purpose—the *raison d'être* that is central to its business—and to rebuild its organizations to be more capable of flexibly responding to operating environment changes. As it continues its existing businesses, I think that Tokyo Century should also expand into new fields and encourage flexible decision-making. Together with Tokyo Century's other external directors, who boast broad-ranging insight, I want to examine whether the Company is sufficiently poised to do this from a variety of perspectives.

I can really get behind the sentiment of Tokyo Century's corporate slogan of "Solutions to your Pursuits." In line with this slogan, I will aspire to supply solutions to help advance Tokyo Century in its pursuits. We are currently in a time of great change, and the social issues faced around the world are countless. Tokyo Century is thus pressed to fulfill its mission of helping resolve such issues to become a leading company in terms of its contributions to society. These expectations can also be a great source of motivation. In my capacity as an external director, I will work together with the executive team to support the Board of Directors in effectively exercising its advisory and monitoring functions.