

# Governance

## Corporate Governance

### Management Structure

#### Basic policy

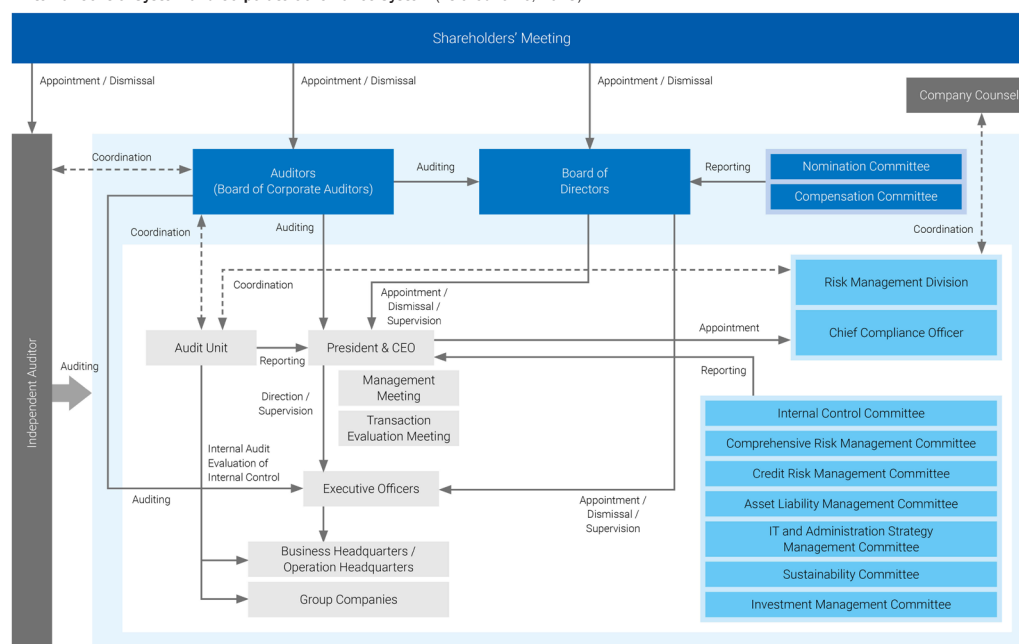
Tokyo Century recognizes that effective corporate governance is an important management issue to be addressed in order to maximize corporate value. We therefore strive to maintain a sound and highly transparent management system that enables swift and accurate decision-making in response to changes in the operating environment. We also work to enhance the soundness and transparency of corporate management through the implementation of effectively functioning internal control and risk management systems.

#### Internal control system and corporate governance system

Tokyo Century's management structure centers on the Board of Directors and the Board of Corporate Auditors. In addition, an executive officer system has been introduced to accelerate management strategy decision-making and strengthen supervisory and operational execution systems.

The Company has two female directors among its 13 directors and one female officer among its 24 executive officers (as of June 26, 2023).

**Internal Control System and Corporate Governance System** (As of June 26, 2023)



#### Corporate Governance Report

Corporate Governance Report (Last Update: June 30, 2023) (234 KB)  
[https://www.tokyocentury.co.jp/assets/pdf/sustainability/governance\\_en230630.pdf](https://www.tokyocentury.co.jp/assets/pdf/sustainability/governance_en230630.pdf)

#### Board of Directors

The Board of Directors deliberates on and makes decisions about the policies, strategies, business plans, and other key management issues of the Company and Group companies as well as matters specified by prevailing laws and regulations, the Articles of Incorporation, and rules governing the Board of Directors. It also supervises the execution of operations by directors and executive officers.

Chairperson	Number of Members (after Shareholders' Meeting held in June 2023)	Meetings Held in Fiscal 2022
Koichi Baba President & CEO, Representative Director	Directors: 13 (including 5 external directors)	15

## Board of Corporate Auditors

The Board of Corporate Auditors meets regularly and executes independent and fair audits of the compliance and appropriateness of corporate activities, including the performance of duties by directors and executive officers.

Chairperson	Number of Members (after Shareholders' Meeting held in June 2023)	Meetings Held in Fiscal 2022
Futoshi Okada Standing Corporate Auditor (External Corporate Auditor)	Corporate auditors: 4 (including 2 external corporate auditors)	8

## Management Meeting

The Management Meeting deliberates on particularly important matters concerning the execution of operations and makes decisions for the Tokyo Century Group.

Chairperson	Number of Members	Meetings Held in Fiscal 2022
Koichi Baba President & CEO, Representative Director	8	Once a week, in principle

## Transaction Evaluation Meeting

The Transaction Evaluation Meeting discusses and makes decisions about major business transactions being considered by Tokyo Century and Group companies as well as transactions that warrant complex risk analysis.

Chairperson	Number of Members	Meetings Held in Fiscal 2022
Ko Nakagawa Managing Executive Officer	8	Once a week, in principle

## Committees

Name	Purpose	Meetings Held in Fiscal 2022
Nomination Committee	As an advisory body to the Board of Directors primarily consisting of external directors, the Nomination Committee deliberates on the nomination of candidates for director and corporate auditor positions and reports to the Board of Directors.	4
Compensation Committee	As an advisory body to the Board of Directors primarily consisting of external directors, the Compensation Committee discusses matters such as director compensation systems and policies and reports to the Board of Directors.	5
Internal Control Committee	The Internal Control Committee discusses general internal control matters, including the evaluation of the effectiveness of the financial reporting system and the scope of evaluation, in order to ensure the internal control system functions effectively, and reports to the Management Meeting.	4
Comprehensive Risk Management Committee	The Comprehensive Risk Management Committee discusses matters such as the construction of the risk management system and approaches to measuring risk while periodically assessing the Company's risk exposure and reporting to the Management Meeting.	4
Credit Risk Management Committee	The Credit Risk Management Committee discusses matters including the Tokyo Century Group's credit portfolio as a whole and credit risk management and reports to the Management Meeting.	2
Asset Liability Management Committee	The Asset Liability Management Committee discusses matters relevant to managing market, liquidity, and other risks—in order to identify and minimize the exposure of assets and liabilities to risks, including fluctuations in interest and foreign currency exchange rates—and reports to the Management Meeting.	4
IT and Administration Strategy Management Committee	The IT and Administration Strategy Management Committee discusses matters including the IT strategies, IT investment plans, and administrative system plans of Tokyo Century and Group companies and reports to the Management Meeting.	3
Sustainability Committee	The Sustainability related to the Tokyo Century Group's sustainability activities to the Board of Directors; plans, promotes, and oversees said sustainability activities; discusses important issues related to sustainability; and reports to the Management Meeting.	3
Investment Management Committee	The Investment Management Committee facilitates appropriate investment management by deliberating on matters related to the development and implementation of investment management structures and the assessment of large-scale investment projects and reports to the Management Meeting.	15

## Director skills Matrix

**Director Skills Matrix** (As of June 26, 2023)

Position	Name	Age	Background	Areas of expertise and expected contributions					
				Corporate Management	Global Operations	Finance / Risk Management	Legal Affairs / Accounting / Taxation	Sustainability	IT / Digital Transformation
Chairman & co-CEO, representative director	Masataka Yukiya	67		●		●		●	●
President & CEO, representative director	Koichi Baba	62		●	●	●		●	●
External director	Masao Yoshida	74	Former president and representative director of Furukawa Electric Co., Ltd.	●	●	●	●		
	Akio Nakamura	67	Former director-general of the Financial Bureau, Ministry of Finance	●		●	●		
	Toshio Asano	70	Former president and representative director of Asahi Kasei Corporation	●	●			●	
	Miho Tanaka	48	Partner of Shiba & Tanaka Law Offices			●	●	●	
	Tsuyoshi Numagami	63	Professor of Graduate School of Business Administration, Hitotsubashi University	●	●			●	
Deputy president, director and executive officer	Akihiko Okada	63		●	●	●			
	Hiroshi Sato	63		●	●			●	●
Director and senior managing executive officer	Toshio Kitamura	60			●	●		●	●
	Mahoko Hara	58			●	●		●	●
Director and managing executive officer	Tatsuya Hirasaki	55				●	●	●	●
Director	Shunichi Asada	74		●	●	●			

## Policies and method for determining officer compensation

Director compensation is decided by a resolution of the Board of Directors based on recommendations from the Compensation Committee, primarily consisting of independent external directors, on the policy for determining the content of compensation for individual directors. The board also receives advice from outside experts.

Regarding director compensation, the Company maintains a framework linked to sound incentives toward its sustainable growth and the medium- to long-term development of its businesses. It has established a director compensation system to align the interests of the directors with those of the shareholders, raise the awareness of directors regarding enhancing shareholder value, attract outstanding talent, and secure and develop human resources who can drive the improvement of the Company's corporate value.

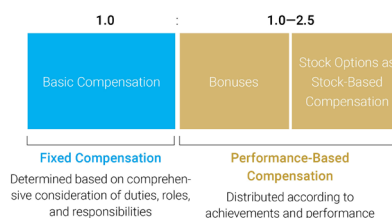
Draft proposals on matters such as the policy, systems, and levels of officer compensation are referred to the Compensation Committee, and the Board of Directors makes the final decision based on the committee's recommendations.

Officer compensation comprises basic compensation, officer bonuses, and stock options as stock-based, non-monetary compensation. Basic compensation, which is fixed compensation, is determined through a comprehensive consideration of the duties, roles, and responsibilities and other factors of each officer.

Compensation for directors responsible for business execution comprises performance-based compensation including basic compensation, officer bonuses, and stock options as stock-based compensation. The ratio for the amount of basic compensation to performance-based compensation is set at approximately 1.0 to 1.0-2.5, determined by comprehensively accounting for achievements and performance based on each director's expected duties.

The content of compensation for each director is referred to the Compensation Committee, which deliberates on aspects including adherence to the policy on determining officer compensation, and the president, CEO, and representative director approves the content due consideration for the committee's recommendations; and with this final decision, the content is formally deemed to adhere to the policy by the Board of Directors.

The compensation of external directors and corporate auditors, who are in a position independent from business execution, consists entirely of basic compensation based on their roles, and the compensation of corporate auditors is determined through deliberations by the corporate auditors within the prescribed limits.



Compensation and Eligible Officers in Fiscal 2022

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)	498	267	79	151	11
Corporate auditors (excluding external corporate auditors)	41	41	—	—	3
External directors and corporate auditors	132	132	—	—	8

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. Although the total number of directors and the total number of corporate auditors as of March 31, 2023, were 13 and 4, respectively, the above compensation amounts also include payments to four directors and one corporate auditor who retired on June 27, 2022.

## Major Items Raised at Meetings of the Board of Directors in Fiscal 2022

### General Management

Policies of Medium-Term Management Plan 2027, profit target formulation and progress management, discussions on stock acquisitions and sales and investments exceeding predefined amounts, reports on results of investment management framework monitoring, and investor relations activity reports

### ESG

Evaluation of Board of Directors' effectiveness and report on evaluation, details of meetings of the Nomination Committee and the Compensation Committee, progress and results of medium- to long-term sustainability management initiatives (Sustainability Road Map), and carbon-neutrality initiatives

### Other Matters

Compliance initiative plans and progress reports, audit plans and implementation reports, and risk management reports

### 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 conducts an analysis and review 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 proceedings, taking into account the self-evaluations submitted by each director.

#### Important Themes and Evaluation in Fiscal 2022

Medium- to Long-Term Discussions Looking toward 10 to 15 Years in the Future	Lively discussions are taking place on the Tokyo Century Group's medium- to long-term vision and management strategies based on the circumstances surrounding the Group and its operating environment.
	Discussions were held as part of the process of formulating Medium-Term Management Plan 2027, which began in fiscal 2023, at meetings of the Board of Directors as well as at free discussion forums arranged as a facet of officer training sessions and on other occasions.
Risk Management and Group governance	Improvements with regard to risk management and internal control systems are being seen with each passing year, and discussions are taking place at meetings of the Board of Directors based on appropriate reporting.
	The Investment Management Committee is engaging in brisk discussions while identifying issues, thereby advancing the implementation of investment management frameworks.
	Business expansion and significant losses are creating a need for more rigorous Groupwide management of geopolitical and other risks.

#### Important Themes for Fiscal 2023

### Overall Business Portfolio Structure and Vision

Discussions will 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 our vision for this portfolio with consideration paid to factors such as allocations of management resources and capital efficiency.

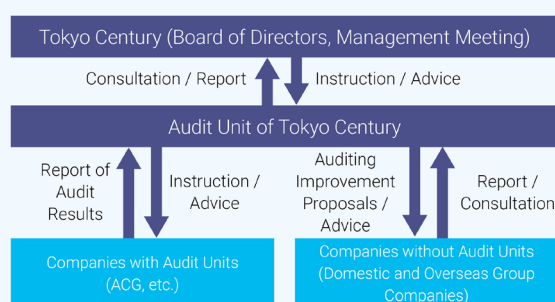
### Objective and Independent Audit System

The Audit Unit has been established as an independent organization under the direct control of the president and is tasked with performing internal audits of Tokyo Century and Group companies. Internal audits are aimed at ensuring the appropriateness of the Company's systems, organizations, and rules; whether all business activities comply with relevant laws and regulations and internal rules; and whether operating processes and the risk management system work appropriately and rationally. Based on these audits, improvements are proposed and advice is provided as necessary. As the Group expands its areas of business, risk profiles are becoming more diversified and complex. Accordingly, Tokyo Century aims to conduct internal audits that are effective as part of a risk-based approach. Timely and appropriate audits are also conducted of companies newly consolidated through investment or acquisition. Through such auditing activities, we strive to enhance the risk management capabilities and improve the corporate value of the Company and Group companies. Annual internal audit plans are reported to the Board of Directors after approval by the president (Management Meeting), and the results of the audits are reported to the president (Management Meeting) and to the Board of Directors.

### Audit System for Major Group Companies

Major domestic Group companies as well as major overseas Group companies Aviation Capital Group LLC and CSI Leasing, Inc., have in place independent audit units that perform audits at their respective companies. Audit plans and results are reported to the Audit Unit of the Company, which provides instruction and support as necessary. The Audit Unit directly audits subsidiaries that do not have their own auditing functions.

### The Tokyo Century Group's Audit System



### Basic Audit Policies

#### Reliable Third Line of Defense Supporting Quest for Growth Furnished by Audit Unit

1. Identification of latent risks to provide proposals and advice for improving operations and preventing misconduct
2. Enhancement of risk identification, analysis, and verification capabilities through ongoing skills improvement by Audit Unit staff
3. Support for and coordination among Group companies to strengthen the Groupwide audit system

## Policies

The Tokyo Century Group has established the Basic Risk Management Policy for its risk management activities. In addition, we have defined the Comprehensive Risk Management Rules for comprehensive risk management activities as well as various other individual risk-specific rules based on the Basic Risk Management Policy. Risk management is promoted in accordance with these rules. Our risk management approach focuses on strengthening visual risk management, controlling non-financial risks, and enhancing consolidated Group governance in Japan and overseas through the use of consolidated enterprise risk management (ERM) and management information system (MIS) measures.

## Management

### Comprehensive Enterprise Risk Management

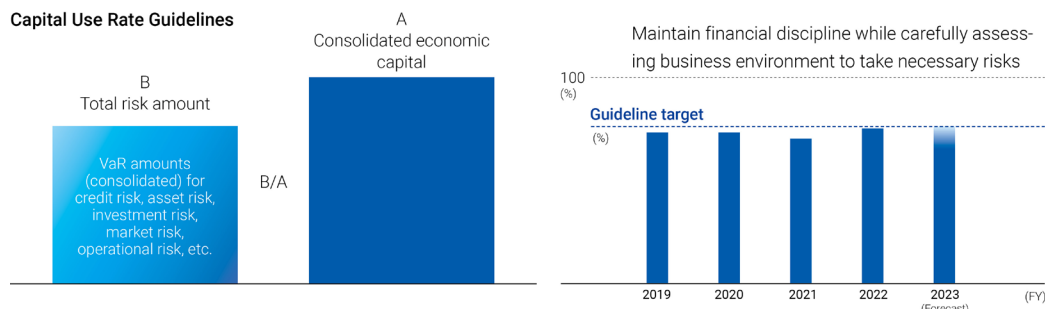
The Tokyo Century Group will continue to practice comprehensive ERM in accordance with its management guidelines for capital use rates based on quantitative risk control on a consolidated basis. The capital use rate is used to assess risk resilience, an important criterion for rating financial institutions. We have therefore sought to keep the risk amount within a certain level of capital buffers by adhering to the aforementioned management guidelines. As our business domain continues to expand, the relationship between the amount of capital and level of risk receives greater attention from investors and other interested parties. For this reason, the capital use rate has become a key indicator for objectively determining prospects for our sustainable growth and investment capacity.

We refer to the targeted level of the capital use rate only as a guideline, since the regulations regarding capital use levels for financial institutions are not applied to us. In operating a business, seizing business opportunities, such as the opportunity to take part in M&A activities, is also an important factor considered under the risk management framework. Rather than adopting a passive approach to the soundness of corporate management, we pay due consideration to the magnitude of increase in the amount of risk over a medium-term period of about three years, the projection for organic increases in the shareholders' equity ratio from profit growth, and the level of tolerance of our capital policy.

Medium-Term Management Plan 2027 prescribes the enhancement of our risk control framework aimed at the efficient allocation of management resources through an ERM approach. In fiscal 2023, the first year of the plan, we will introduce, on a trial basis, risk exposure guidelines (soft limits) for the categories that account for a large portion of our risk profile (aviation, investment, and real estate). These guidelines will be used to drive the diversification of the Company's business portfolio and otherwise enhance portfolio management (portfolio transformation).

The main objective of risk management at the Tokyo Century Group is to support growth and value creation by allowing for bold risk taking. We will continue to control the capital use rate to maintain it at the appropriate guideline level. At the same time, we will constantly improve on the level of our risk management framework in conjunction with the expansion of our business domain and changes in the operating environment in order to sustainably improve corporate value.

Capital Use Rate Guidelines



### Visual Risk Information Tracking at the Management Level

In addition to measuring risks on a consolidated basis and controlling the capital use rate, we implement a visual management information system (MIS). Under the system, the Credit Risk Management Committee and the Comprehensive Risk Management Committee take the lead in regularly monitoring risk information on multiple criteria and report the results to the Management Meeting and the Board of Directors.\*

In our global operations, we pay particular attention to Aviation Capital Group LLC (ACG) and CSI Leasing, Inc. (CSI), our U.S.-based subsidiaries that specialize in leasing and for which the scale of investments and assets is quite large. ACG has achieved success as a textbook example of a resilient company made so through a unique risk management approach that includes introducing a risk appetite framework to clarify the risks to be accepted, such as aircraft asset risks, and the risks to be avoided (mitigated or transferred), such as interest, liquidity, and foreign exchange rates. In light of the extraordinary losses recorded in relation to operations in Russia, ACG has implemented a new risk management framework to be used in dispersing previously concentrated risks on a country and airline basis and ensuring an appropriate risk and return balance based on the characteristics of a given project. This framework will be introduced for managing individual projects on a trial basis in fiscal 2023.

\* For information on the monitoring activities by the Company's committees, please refer to page 60 "Major Risks and Management Approaches"

### Non-Financial (Non-Quantitative) Risks

As our business domain grows and we branch out from the financial sector to provide business services, it is becoming increasingly important to account for non-financial operational risks that cannot be measured quantitatively. Based on this recognition, Tokyo Century has established key risk indicators (KRIs) for non-financial risks. Regular monitoring of these KRIs is performed, and the results are reported to the Board of Directors and other relevant bodies. KRIs have been set pertaining to human resources, information security, accidents, compliance, climate change, legal affairs, and corruption. We are also expanding our range of environmental KRIs in relation to renewable energy, CO<sub>2</sub> emissions, and the portion of our portfolio accounted for by fuel-efficient aircraft and electrified vehicles and have broadened the scope of personnel and labor risk (from non-consolidated to consolidated) amid the rising importance of tracking and managing human rights and climate change risks. Nevertheless, stakeholder concern for non-financial risks is constantly rising. From the perspective of sustainability, Tokyo Century will continue to bolster its range of effective indicators related to human rights and climate change risks as well as to other environmental, social, and governance (ESG) factors and to the United Nations Sustainable Development Goals (SDGs).

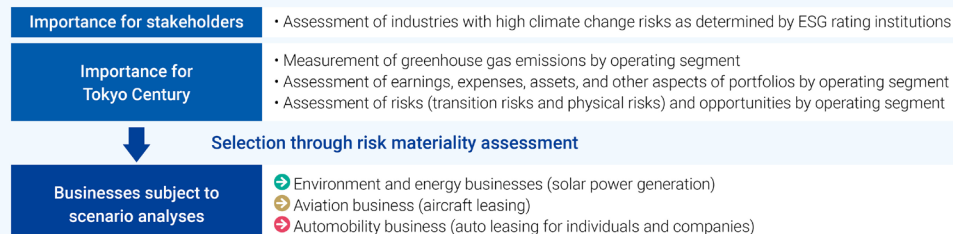
### Environmental and Climate Change Risks

The Tokyo Century Group recognizes that responding to climate change is an important task. We have therefore endorsed the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) and are advancing climate change response measures including scenario analyses and information disclosure based on these recommendations.

### Scenario Analyses through Risk Materiality Assessments

Given that it operates in five business fields, the Tokyo Century Group has chosen an approach for selecting businesses subject to scenario analyses entailing risk materiality assessments. These assessments involve industry-specific evaluations of the impacts of climate change risks and comparative analyses of the greenhouse gas emissions and asset portfolios of different operating segments. To date, scenario analyses have been conducted targeting environment and energy businesses (solar power generation), the aviation business (aircraft leasing), and the automobility business (auto leasing for individuals and companies). Going forward, the Company will continue to examine the appropriate risk countermeasures and related opportunities by expanding the scope of businesses subject to scenario analyses and improving the accuracy of said analyses based on risk materiality assessments.

#### Risk Materiality Assessments



\* For more information, please refer to "Climate-related risks and opportunities" in the Climate Change Response Strategy section on page 31.



## Major Risks and Management Approaches



With respect to Group risk management, we mainly manage the following risks based on the characteristics of our business operations.

Relationship between Major Group Companies and Main Risk Categories

● High-weight risk category

Risk Category	Tokyo Century	Nippon Car Solutions	FLCS	Nippon Rent-A-Car Service	Orico Auto Leasing*	TC Kobelco Real Estate	Shunan Power	Orico Business Leasing*	IHI Finance Support	Aviation Capital Group	CSI Leasing	Tokyo Century (USA)	TC Skyward Aviation
Credit risk	●	○	○	○	○		○	○	○	●	○	○	○
Country risk	●									●	○	○	○
Market risk	●	○	○	○	○		○	○	○	○		○	
Interest rate risk	●	○	○	○	○		○	○	○	○		○	
Foreign exchange risk	●									○			
Liquidity risk	●	○	○						○	●	○	○	
Investment risk	●	○		○									
Equity investment risk	●	○		○									
Business investment risk	●												
Asset risk	●	● Automobile	○ General residual value	○ Automobile	○ Automobile	● Real estate	● Biomass co-firing power generation		○ General residual value	● Aircraft	● General residual value	○ General residual value	● Aircraft
Operational risk	●	○	●	●	○	●	●	○	○	●	○	○	

Note: The scope of management extends to all consolidated subsidiaries. The table above only lists Tokyo Century's significant subsidiaries subject to internal control under Japan's Financial Instruments and Exchange Act.

\* Effective October 1, 2023, Orico Auto Leasing and Orico Business Leasing were excluded from the scope of management following a transference of equity in these companies to a non-Group entity resulting in their conversion into equity-method affiliates.



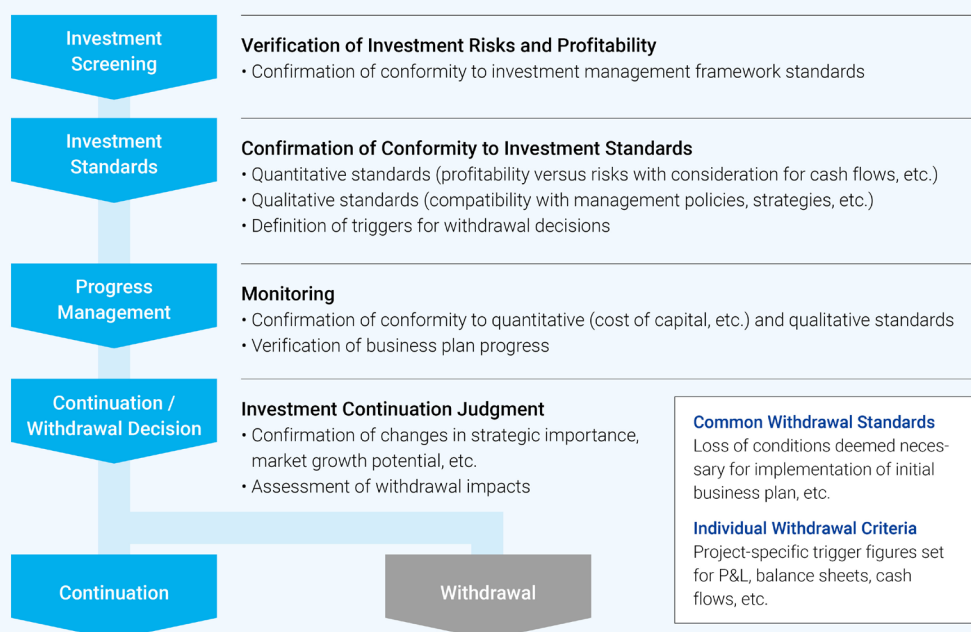
## Investment management framework

For the purposes of effectively controlling diversifying investment risks and optimizing its business portfolio, the Tokyo Century Group has instituted an investment management framework. Primary focuses of this framework include clarifying investment screening, continuation, and withdrawal standards and developing standardized monitoring processes.

Under this framework, meetings of Investment Management Committee are held prior to discussions by the Management Meeting as part of the process for screening investments of a predetermined scale, in order to confirm the anticipated level of profitability after considering capital costs based on the inherent risks (quantitative standards) and the compatibility with Tokyo Century's strategies (qualitative standards). In addition, multifaceted evaluations are conducted by business divisions with regard to business plans, investment structures, and projected risk exposure and environmental impacts. Shared standards for determining when withdrawal from an investment should be discussed (withdrawal standards) are applied to all projects, and clear numerical values for financial indicators are defined on an individual project basis to serve as the trigger for commencing the withdrawal process. By clarifying the standards for withdrawal in this manner, the Company is practicing effective portfolio management.

After investment, projects will continue to be monitored through standardized processes, and the status of projects and their conformity to the scenarios formulated at the time of their selection will be confirmed regularly. Should a project become applicable under withdrawal standards, the Investment Management Committee will provide opinions and assess the appropriateness of continuation, and the Management Meeting will determine whether or not investment should be continued based on a comprehensive evaluation of such factors.

### Overview of Investment Management Framework



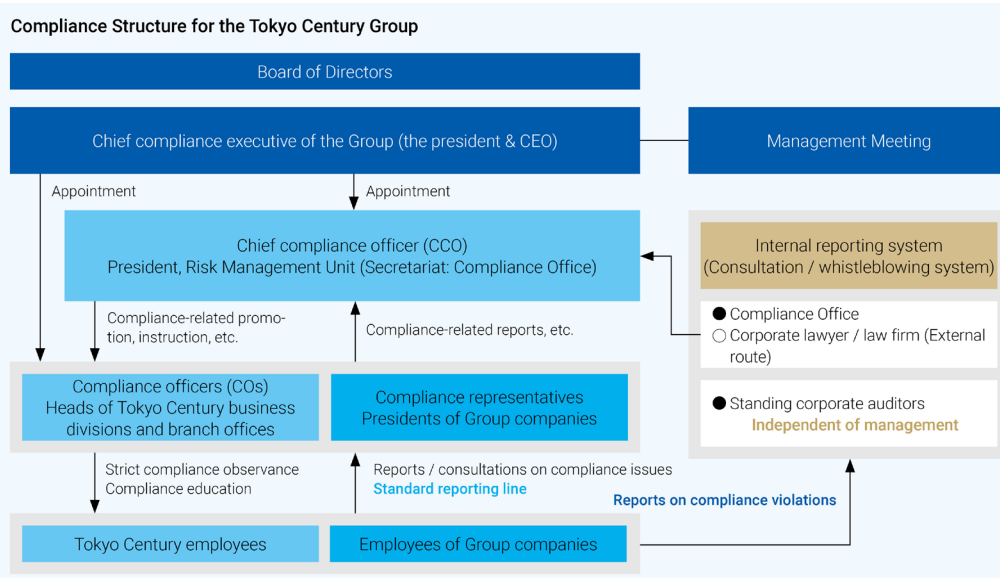
## ROIC monitoring in five operating segments

Tokyo Century regularly monitors the return on invested capital (ROIC) spread (ROIC less weighted average cost of capital [WACC]) as a cost-of-capital-based indicator of the risk-and-return balance of specific business areas. Business and risk characteristics are accounted for in this monitoring. Moreover, this timing-based monitoring approach is used to promote management that emphasizes cost of capital along with sound financial discipline. Factors examined through this monitoring include whether an appropriate balance is being maintained between risks and returns in different operating segments and whether the necessary risks are being taken to generate value and stimulate growth. Under Medium-Term Management Plan 2027, the Company will continue its approach toward managing risks and returns with an emphasis on cost of capital. At the same time, enhancements to this approach will be pursued by reviewing methods for managing the ROIC spread by operating segment and incorporating this indicator into performance evaluations and portfolio allocation.

### Management

At the Tokyo Century Group, the Compliance Office promotes compliance measures under the supervision of the chief compliance officer (CCO) appointed by the president & CEO, who is also the chief compliance executive. The heads of each business division and branch office of the Company, along with the presidents of Group companies, act as compliance officers (COs) with the responsibility of coordinating with the Compliance Office to guarantee compliance with all relevant laws and regulations and ensure that business activities are kept in line with social norms.

### Compliance structure



### Compliance activities

We report and review the Group's compliance structure and operation as well as identified compliance violations at the meetings of the Management Meeting and the Board of Directors every six months. Based on the results of these reviews, which look at effectiveness, we formulate and implement compliance promotion plans.

Specific compliance activities include e-learning programs, face-to-face and online training sessions, distribution of compliance-related information, and compliance awareness surveys. We also arrange Groupwide forums for sharing compliance information.

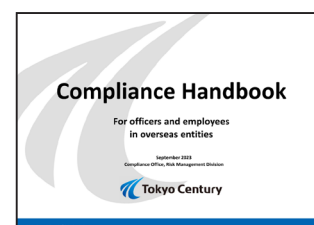
In addition to the above, we oblige all officers and employees to submit a compliance pledge once every year in order to underscore their commitment to adhering to our compliance regulations.

In fiscal 2022, there were no major compliance violations, including human-rights violations, deserving of public announcement.

### Compliance handbooks

The Tokyo Century Group has prepared a Compliance Handbook that lays out the basics of compliance and makes it available on its corporate portal at all times. Themes include our Management Philosophy, Corporate Code of Conduct, compliance-related internal regulations, the Group's stance toward respect for human rights, prohibition of harassment, prevention of insider trading, and prevention of corruption, and all officers and employees can review and look back at them at any time to deepen their understanding of compliance and to share their awareness.

The Group also strives to improve the compliance mindset at its local subsidiaries overseas and has created an English and Chinese edition of the handbook for these subsidiaries.



## Compliance education

Aiming to thoroughly instill a compliance-oriented mindset, the Tokyo Century Group provides systematic and continuous compliance education through such means as rank-based training programs; e-learning-based training targeting all officers, managers, and employees (including contractors and temporary staff); and workplace compliance training conducted by compliance officers (heads of divisions and branch offices) based on compliance information

Targets (Training Methods)	Major Subjects	No. of Training Sessions per Year
New employees	<ul style="list-style-type: none"> <li>Introduction to Compliance</li> <li>Meaning and nature of compliance</li> <li>Impacts of compliance violations</li> <li>Daily attitude based on compliance</li> <li>Compliance in conducting business</li> <li>Details and purposes of the internal reporting system</li> <li>Importance of information security measures and defense against cyberattacks</li> <li>Management systems, rules, and important points for information security, etc.</li> </ul>	1
New heads of divisions and branch offices	<ul style="list-style-type: none"> <li>Roles and responsibilities of heads of divisions and branch offices concerning risk management and compliance</li> <li>Organizational risk and compliance management system and promotion thereof</li> <li>Responses to crises, incidents, and accidents</li> <li>Business continuity measures</li> <li>Information security and information management (personal information, insider information, etc.)</li> <li>Prevention of bribery and corruption (non-association with antisocial organizations; prevention of money laundering and of provision of funds for terrorism; appropriate means of offering entertainment to public officials, political contribution control, etc.)</li> <li>Environmental initiatives</li> </ul>	1
All officers and employees (e-learning)	<ul style="list-style-type: none"> <li>Internal reporting system</li> <li>Prohibition of harassment (sexual harassment; abuses of power; harassment for pregnancy, childbirth, childcare leave, family care leave, etc.; harassment associated with teleworking)</li> <li>Points to note on entertainment and the exchange of gifts with people working at private companies, domestic public officials, overseas public officials, etc.</li> <li>Non-association with antisocial organizations</li> <li>Prevention of money laundering and of provision of funds for terrorism</li> <li>Appropriate management of personal information, My Number (social security and tax numbers in Japan), information assets, and insider information</li> <li>Attendance management (workhours, teleworking, annual paid leave, etc.)</li> <li>Fraud triangle (motivation, opportunity, and rationalization)</li> <li>Appropriate use of copyrighted works</li> <li>Prohibition of misuse of subsidies from the government and local governments</li> <li>Compliance with fair trade practices</li> <li>Self-checking of basic actions and behavior pertaining to Corporate Code of Conduct, Our Action Guidelines, etc.</li> </ul>	2
Employees at divisions and branch offices (workplace compliance training conducted by compliance officers / heads of divisions and branch offices)	<ul style="list-style-type: none"> <li>Internal reporting system (details, purposes, and appropriate use)</li> <li>Prohibition of harassment—relevant laws and regulations and prevention guidelines, basic stance toward prevention, etc.</li> <li>Prohibition of excessive offering of entertainment and exchange of gifts</li> <li>Prevention of money laundering and of provision of funds for terrorism</li> <li>Act on the Protection of Personal Information</li> <li>Insider trading regulations</li> <li>Act on Prohibition of Private Monopolization and Maintenance of Fair Trade (Antimonopoly Act)</li> <li>Intellectual property rights</li> <li>Political contribution control</li> <li>Risks associated with entertainment and the exchange of gifts to public officials and quasi-public servants</li> <li>Unfair Competition Prevention Act (trade secrets, misleading acts, damage to credibility, etc.)</li> </ul>	About 4
Employees at overseas bases (training for overseas assignees, training conducted by the heads of compliance (base heads), e-learning)	<ul style="list-style-type: none"> <li>Training for overseas assignees (regulations related to compliance and risk management at overseas bases, management systems, internal reporting system and other systems, features of assigned bases, etc.)</li> <li>Workplace compliance training conducted by heads of compliance (base heads) (internal reporting system, prohibition of harassment, prevention of bribery and corruption, non-association with antisocial organizations, prevention of money laundering and of provision of funds for terrorism, appropriate means of offering entertainment to public officials, personal information protection, information security, insider trading regulations, fraud triangle, etc.)</li> <li>E-learning (same as above)</li> </ul>	<p>As needed</p> <p>4 or more</p> <p>As needed</p>

## Compliance training

	Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022
No. of Training Sessions per Year <sup>1</sup>	Sessions	9	9	9
No. of Participants in e-Learning Programs <sup>2</sup>	Participants	5,213	4,532	4,751

<sup>1</sup> Training sessions conducted by Tokyo Century head office and e-learning programs (excluding those conducted by branch offices and Group companies)

<sup>2</sup> Aggregate number of participants in abovementioned e-learning programs

The Tokyo Century Group strives to detect and address risks at the earliest possible stage, improve its organizational corrective capabilities, and reinforce its compliance management by operating an internal reporting system (Consultation / Whistle-Blowing System) that allows officers and employees who become aware of a compliance violation to directly report the matter without the intervention of their superiors.

### 1. Outline of Internal Reporting System

All officers and employees of Tokyo Century Group companies in Japan and overseas are eligible to use this internal reporting system—including directors, officers, permanent employees, contractors, temporary staff, seconded employees, part-time staff, and others—as well as those who have retired within the past year. In order to ensure independence, we have set up three contact points: the Compliance Office inside the Company; the legal counsel's office outside the Company, which is well informed in this field; and full-time corporate auditors. Reports can be submitted through any of these channels, irrespective of content, and be submitted in any form, such as by email or in writing as well as by phone or otherwise verbally, to the contact points listed on the Company's intranet. Submitted reports are included in the Group's Compliance Handbook. Moreover, reports can be submitted in either English or Japanese.

The system covers a wide range of issues, including violations of the Antimonopoly Act that impede fair competition; bribery and other acts of corruption; violations of the Financial Instruments and Exchange Act that undermine the interests of investors; harassment; violations of any laws concerning business operations, including human rights violations; and misconduct that violates corporate ethics or internal rules. Furthermore, the internal reporting system is open for consultation when an individual becomes aware of or is concerned about a compliance violation or when they have a question about compliance in the course of executing business.

Whistleblowers are given stringent protection. We strictly prohibit any disciplinary action, retaliation, or other disadvantageous treatment of whistleblowers by the Company and strive to thoroughly protect anonymity and maintain confidentiality concerning their reports. Personnel involved in responding to these reports are designated as being in charge of whistleblowing, as stipulated in Japan's Whistleblower Protection Act, and are obliged to maintain complete confidentiality with regard to the identity of the whistleblower and to eliminate the risk of their being recognized.

### 2. Response to Issues Raised by Internal Reports

When an issue is reported, the chief compliance officer (CCO) is consulted to determine a response with due consideration to the whistleblower's wishes and, if deemed necessary, an investigation is promptly conducted to establish the facts. The Company is obliged to notify the whistleblower (within no more than 20 days following the submission of a report) as to whether an investigation will be conducted and to provide reasons for the decision, except when the report has been submitted anonymously. During this process, we impose strict confidentiality on those involved in or subject to any investigation and prohibit any disadvantageous treatment of those under investigation or cooperating therewith, as is the case with a whistleblower.

Timely reports on the status of an investigation are made to the CCO, who, in the event of a confirmed compliance violation, will implement corrective measures and seek to prevent further damage based on the advice of a legal counsel while also taking action to prevent a recurrence. The CCO will take remedial action if the case is related to a violation of human or other rights.

Serious compliance violations will be reported to the chief compliance executive of the Tokyo Century Group (president & CEO of Tokyo Century Corporation) and corporate auditors.

### 3. Status of Reports Received by Internal Reporting Contact Points

The types of cases received by the contact points for internal reporting are roughly classified into such categories as rule violations, harassment, workplace environment, and other cases. The number of cases received over the years, including those reported by Group companies in Japan and overseas, are summarized in the graph below. There was a total of 17 cases reported in fiscal 2022. Appropriate corrective measures are being taken in accordance with the content in all types of cases.

For more information, please refer to the following website.

[https://www.tokyocentury.co.jp/en/sustainability/esg/governance/compliance.html#anc\\_whistleblower](https://www.tokyocentury.co.jp/en/sustainability/esg/governance/compliance.html#anc_whistleblower)

	Unit	Fiscal 2020	Fiscal 2021	Fiscal 2022
Number of reports received (consolidated basis)	Number of Reports Received	17	16	17
	Rule violations	0	1	0
	Harassment	9	6	8
	Workplace environment issues	7	3	9
	Other cases	1	6	0

### 4. Revision of the Internal Reporting System and Measures to Promote Use

Use of the internal reporting system and responses to individual cases are reported once every six months to the Management Meeting and Board of Directors and are regularly checked and evaluated by our legal counsel to make any necessary improvements.

We also encourage all officers and employees to use the internal reporting system through an annual compliance survey to ascertain their awareness of how contact points have been used, biannual e-learning sessions on the purpose and significance of the system, and various training programs that include sessions on the system.

## ● Prevention of Money Laundering

### Initiatives for preventing money laundering

In accordance with its Corporate Code of Conduct and Our Action Guidelines, Tokyo Century recognizes the importance of taking action against money laundering, the financing of terrorism, and proliferation financing (ML/FT/PF) and thus strives to prevent the Tokyo Century Group, its employees, and its customers from becoming involved in such acts.

The Group therefore works to prevent regulatory violations associated with ML/FT/PF while continuously strengthening its countermeasures to fulfill the requirements of international organizations such as the United Nations and the Financial Action Task Force on money laundering as well as to adhere to the laws and regulations of Japan and other countries, including those imposed by the U.S. Office of Foreign Assets Control.

A specific internal control framework and operation provisions are stipulated in our Regulations for Anti-Money Laundering and Financing of Terrorism.

#### **1. Establishment of a Framework to Prevent Money Laundering and the Financing of Terrorism**

The Company recognizes that implementing measures against ML/FT/PF is an important management issue and will establish and maintain an effective control framework.

#### **2. Commitment by Management**

The Company's management takes a leadership role in preventing ML/FT/PF.

#### **3. Identification, Assessment, and Mitigation of Risks Associated with Money Laundering and the Financing of Terrorism**

The Company adopts a risk-based approach to identifying and verifying risks related to ML/FT/PF that are relevant to the Company, assesses the risks identified, and takes appropriate action to mitigate said risks in light of the assessment results.

#### **4. Customer Verification**

To ensure public security and sound economic practices, the Company takes "Know Your Customer" measures in a timely and appropriate manner to prevent ML/FT/PF that encourages organized crime and to block any relationships with anti-social forces. To this end, we make use of databases and other tools to perform pre-transaction screening and conduct checks during transactions in addition to monitoring contractual procedures based on internal rules.

#### **5. Notification of Suspicious Transactions**

The Company will promptly notify the authorities in the event that it detects suspicious transactions based on checks and monitoring conducted during transactions or through reporting by sales and other divisions.

#### **6. Training of Officers and Employees**

The Company provides ongoing training so that its officers and employees can deepen their knowledge regarding the prevention of ML/FT/PF and take appropriate action at any time necessary.

#### **7. Compliance Auditing**

To ensure appropriate operations regarding the prevention of ML/FT/PF, the Company conducts internal audits on a regular basis and strives to improve its internal framework.

**Initiatives for preventing corruption**

The Tokyo Century Group is committed to preventing corruption by conducting fair, equitable, and transparent transactions in all of its business activities.

**1. Initiatives for Preventing Corrupt Practices**

The Group makes a concerted effort to ensure compliance and prevent corruption while addressing issues such as the prevention of money laundering, the financing of terrorism, and proliferation financing; the blocking of any relationships with anti-social forces; prohibition of insider trading; and compliance with the Antimonopoly Act, including provisions related to cartels and bid-rigging, as well as with the competition laws of other countries.

**2. Prohibition of Bribery**

Except when permitted by the relevant rules, the Group prohibits offering entertainment, cash, or any other benefits to domestic and foreign public officials\* and engaging in behavior such as receiving, demanding, or promising illicit or unjustifiable business profits with the intention of obtaining favors, rewarding public officials for favors obtained, or gaining illicit profit, either directly or indirectly through agents, consultants, or any other third party.

\* "Public officials" is understood hereafter to include public officials, quasi-public officials, foreign public officials, and officials and employees of special-status companies.

In our international business, we remain particularly committed to acting prudently and appropriately with regard to entertainment and gifts to and from foreign public officials in stringent compliance with the laws and regulations of Japan and those of other countries and regions.

(1) Key considerations for providing entertainment and gifts to public officials

- i. Entertainment and gifts should not be given with the intention of obtaining favors or rewarding public officials for favors obtained.
- ii. Cost and other expenses must be within the scope of typical social norms.
- iii. The location of meetings and handling of expenses must be open and transparent.
- iv. Confirmation with the recipient must be made that the provided entertainment or gift does not violate any internal rules nor any public laws or regulations.
- v. If the recipient is a foreign public official, in addition to meeting the above requirements from i. to iv., it must be clear that the purpose is not to obtain illicit business profits, and the expenses must be kept within the customary and socially acceptable range of the country of the foreign public official.

(2) Prohibition of entertainment and other benefits that violate social norms

Exercise caution and refrain from frequently offering entertainment or gifts to specific business partners and related parties as well as those regarded as expensive according to some social norms or industry practices.

**3. System and Response**

We ensure whistleblower protection so that no disadvantageous actions are directed toward any officer or employee who reports on, or who provides information concerning violations or potential violations of laws, regulations, or internal rules on preventing corrupt practices.

**4. Education and Training**

To ensure that these anti-corruption initiatives are thoroughly understood and implemented by officers and employees across the Group, they are clearly laid out in our compliance handbook in Japanese, English, and Chinese, and they are also incorporated into e-learning and other in-house training as necessary. We have compiled Guidelines on Offering Entertainment to Public Officials in Japanese, English, and Chinese that state the points to be noted to ensure that they are well understood by officers and employees of overseas Group subsidiaries.

**5. Reporting**

The progress and status of initiatives for preventing corrupt practices are reported to and reviewed by the Management Meeting and Board of Directors as part of the implementation of the Group's compliance system. In fiscal 2022, no fine was imposed on the Group and no officers or employees were dismissed or disciplined for corruption.

**Policy on political funds**

The Tokyo Century Group's Corporate Code of Conduct stipulates that we should act from a global perspective that is highly transparent and sincere, by respecting the cultures and customs of the countries and regions in which the Group operates and complying with all laws, regulations, and rules, in addition to conducting sound and fair corporate activities in accordance with social norms.

Our policy on political funds prohibits donations to political parties, political fundraising groups, other political organizations, and candidates for public office (e.g., politicians).

Therefore, no political contributions are recorded each year.

### Acquisition of ISO 27001 certification

The Tokyo Century Group has acquired certification under the ISO/IEC 27001 international information security management system standards, with the goal of protecting the information assets of its clients and those of the Group from threats such as unauthorized access, loss, leakage, revision, and destruction. With this certification, we practice the appropriate protection and management of information assets on a Groupwide basis. Aiming to always be a company trusted by society, the Group will strive to ensure information security by working to further entrench adherence to ISO/IEC 27001 standards and by engaging in continuous improvement efforts (certification was received from BSI Group Japan K.K.).

#### Scope of ISO 27001 Certification

ISO 27001 certification has been acquired for the following Tokyo Century Group entities.

- Tokyo Century Corporation (head office, Okachimachi office, Akihabara UDX office)
- TRY Corporation
- TC Business Services Corporation

In addition, the following consolidated subsidiary has received certification on an individual basis.

- FLCS Co., Ltd. (all offices)



**IS 91018 / ISO 27001**

### Basic Information Security Policy

Tokyo Century Group seeks to protect the information assets of business partners and of the Group from various security risks by laying out guidelines and related rules and regulations to carry out the following initiatives.

#### 1. Protection of Information Assets

We will protect all information assets related to our business activities. In particular, we will designate information concerning our business partners and confidential information concerning the Group as vital information, and we will appropriately handle such information to protect it against illegal access, loss, leaks, falsification, and destruction.

#### 2. System of Information Security Management

We will clarify the roles and responsibilities for information security through the Information Security Committee, as the organization for deliberating on information security, and a Chief Information Security Officer, as the person responsible for implementing related measures, and we will pursue these activities Group-wide.

#### 3. Information Security Education

We will consistently conduct education and training on information security for officers and employees to maintain and deepen awareness of information security.

#### 4. Response to Incidents and Accidents

We will strive to prevent incidents and accidents related to information security, and in the event of such an incident or accident, we will promptly respond with appropriate action, including preventive measures.

#### 5. Legal Compliance

We will comply with laws and regulations on information security as well as rules and contractual security requirements.

#### 6. Initiatives for Continuous Improvement

We will evaluate the security risks of information assets based on appropriate risk assessment to promote effective security measures. In addition, we will respond to changes in the management environment and progress in information technology by regularly reviewing our policies, rules, and measures to make continuous improvements.



## Information security initiatives

The Tokyo Century Group views information security as a crucial issue affecting corporate management. The Company has accordingly obtained certification under ISO 27001, the international standard for information security management systems. Under the leadership of the Information Security Committee, we periodically revise regulations and rules regarding information management, conduct regular risk assessments to address information security risks, and carry out security training for employees and officers.

The TC-CSIRT (computer security incident response team) has been set up within the IT Unit as a dedicated cybersecurity organization. Under normal circumstances, the TC-CSIRT will take steps to prevent the recurrence of past incidents and the occurrence of new incidents by monitoring security systems, assessing the security of cloud services, and educating officers and employees. As cyberattacks grow more sophisticated and complex, we endeavor to enhance our response capabilities by periodically having our cybersecurity measures assessed by third-party institutions, sharing information with external partners through membership in the Nippon CSIRT Association, and participating in drills for exercising the knowledge acquired in this manner.

Developing a global business means that actions must be taken to protect personal information and strengthen information security measures considering various cultures and regulatory environments. In 2022, the services of external experts were enlisted to revise the security guidelines that act as the minimum standard for security at Group companies with the aim of reinforcing global security governance. Based on the revised guidelines, assessments of overseas subsidiaries are performed to identify issues and implement response measures.

In addition, we encourage closer collaboration with Group companies by strengthening management of outside subcontractors, providing information on information security, and holding regular liaison meetings. In addition to these efforts, we conduct email drills targeting the Company and domestic and overseas Group companies with emails in Japanese, English, and Chinese several times a year. These drills have proved to be an effective training method for improving the information security awareness of officers and employees.

## Personal Information Protection

### Personal information protection initiatives

Tokyo Century recognizes that protecting personal information, including Personal Identification Number and specific personal information, is a vital social responsibility, and we will appropriately handle personal information in accordance with our Privacy Policy.

The personal information of customers and shareholders will be used appropriately as required for the intended uses.

#### Privacy Policy

[https://www.tokyocentury.co.jp/en/sustainability/esg/governance/personal-information.html#anc\\_privacy](https://www.tokyocentury.co.jp/en/sustainability/esg/governance/personal-information.html#anc_privacy)

#### Handling of Customers' Personal Information

[https://www.tokyocentury.co.jp/en/sustainability/esg/governance/personal-information.html#anc\\_privacy-customer](https://www.tokyocentury.co.jp/en/sustainability/esg/governance/personal-information.html#anc_privacy-customer)

#### Handling of Shareholders' Personal Information

[https://www.tokyocentury.co.jp/en/sustainability/esg/governance/personal-information.html#anc\\_privacy-shareholder](https://www.tokyocentury.co.jp/en/sustainability/esg/governance/personal-information.html#anc_privacy-shareholder)