

# CORPORATE GOVERNANCE REPORT

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The status of the Company's corporate governance is described below.

## I. Basic Policy on Corporate Governance, Capital Composition, Corporate Overview and Other Basic Information

### 1. Basic Policy **UPDATED**

The Company adheres to a code of ethics, set forth by the following five principles:

- (i) The Company shall understand the social responsibilities and public duties which it holds. As a listed company, it shall guarantee transparency in its corporate activities while conducting sound business and strive to be a trusted company.
- (ii) The Company shall follow strict adherence to the law, not only in writing but also in spirit. It shall work to achieve a more plentiful and just society for future generations.
- (iii) The Company shall respect the human rights of all stakeholders, and respect different cultural traditions and customs while at the same time contributing to healthy social and economic development.
- (iv) In conflicts of interest between profit and ethics, the Company shall choose ethics without hesitation. Additionally, it shall take a firm stand against any and all criminal elements.
- (v) When faced with a difficult ethical dilemma, the Company shall resolve to ensure a satisfactory outcome for all parties involved.

Under its corporate philosophy, "For our customers, shareholders and ourselves, we make continuous effort to respond quickly to changing environments and challenge ourselves diligently to create a better future for the world", the Company promotes the following:

- (i) Treat all stakeholders, including customers, shareholders and business partners as our customers and take a customer-oriented approach to meet their expectations;
- (ii) Handle various issues swiftly while pursuing ingenuity and improvements without being satisfied with the status quo;
- (iii) Ensure accurate and timely information disclosure and uphold high ethical standards for business execution;
- (iv) Create new services and value to contribute to economic expansion.

Furthermore, based on its code of ethics, the Company has established its Behavioral Principles, "J / T / R / U / S / T" in order to put its Corporate Philosophy into practice.

“J”	=	“Justice”	Conduct business with integrity
“T”	=	“Teamwork”	Respect individuals to form an organization
“R”	=	“Revolution”	Stimulate a spirit of innovation for new value
“U”	=	“Uniqueness”	Embrace ingenuity
“S”	=	“Safety”	Deliver services with sincerity
“T”	=	“Thankfulness”	Express gratitude.

The Company has adopted an Audit & Supervisory Board system. It is composed of three members, two of whom are Outside Audit & Supervisory Board Members. These outside board members, who previously worked for the Ministry of Foreign Affairs as well as financial institutions, are expected to deliver superior performance in supervising the management. The Company also appointed four outside directors and reinforced the monitoring function of the Board of Directors' meeting.

### **[Reasons why we have not adopted all general principles of the Corporate Governance Code**

**[Supplementary Principle 4.1 (iii)]**

The Company understands that a plan for the Chief Executive Officer's successor is a critical issue, and would like to continue fostering executives as well as supervisors to serve as core members of the Board of Directors.

### **[Disclosure in line with the general principles of the Corporate Governance Code] UPDATED**

#### **[Principle 1.4 Cross-Shareholdings]**

The Company does not own shares of other listed companies as cross-shareholdings. As a holding company, the Company does not intend to own shares for any purpose other than net investments. Consequently, the Company has neither a policy nor a standard with respect to the exercise of voting rights. If the Company owns shares as cross-shareholdings in the future, it will promptly determine a policy and standard as well as provide an explanation.

#### **[Principle 1.7 Related Party Transactions]**

In the event of competing transactions by directors or transactions which pose a conflict of interest, these transactions must be discussed and resolved at a Board of Directors' meeting. Additionally, the Company has decided that in the event that a director is the related party in a competing or conflict-of-interest transaction, the director cannot participate in the resolution. Furthermore, policies and other items regarding the terms & conditions of related party transactions are disclosed in the securities report.

(Securities Report: [https://www.it-corp.co.jp/en/ir/library/ir\\_data\\_04/](https://www.it-corp.co.jp/en/ir/library/ir_data_04/))

#### **[Principle 2.6 Exercising Function as Owners of Corporate Annuity]**

The Company does not manage deposits of corporate annuity, so there is no effect on its financial status.

#### **[Principle 3.1 Full Disclosure]**

- (1) The Company discloses its aims (such as management philosophy) and management strategy through its website and disclosure materials such as securities reports. With regard to the management plan, the Company publishes a single-year profit and loss plan from consolidated financial statements.
- (2) Please refer to “I-1. Basic Policy” above for the Company's basic policy regarding corporate governance.

- (3) The Company does not have any specific policies or procedures in determining the remuneration of the senior management and directors. Within the total amount of remuneration approved at the General Shareholders' Meeting, the amount of remuneration is determined based on the business performance. In addition, the Company also grants stock options so that the amount of cash remuneration and stock option remuneration is well balanced.
- (4) On the occasion of naming candidates for directors and Audit & Supervisory Board Members when conducting flexible and rapid business development, the Company does not have a set policy because the conditions of personnel sought by the Company are varied. In order to achieve the goals in the business plan, the Company considers both the candidate's prior work history and experience when making a selection. Moreover, if a definitive standard is determined to be necessary in the course of future business development, the Company will engage in appropriate discussion.
- (5) Explanations with respect to the nomination of candidates for directors and Audit & Supervisory Board Members, the appointment of the senior management, and outside directors are provided in the notice of the Ordinary General Meeting of Shareholders. As for other reappointed and newly appointed directors as well as senior management, the Company appoints individuals that have enough experience and knowledge to achieve the target set in its aims (such as management philosophy), management strategy, and management plan.

**[Supplementary Principle 4.1 (i) ]**

Based on the Board of Directors' rules and regulations, the Board of Directors establishes concrete standards which must be subject to a vote and passes resolutions regarding important managerial issues or individual conditions. The Board of Directors appoints executive officers and separates managerial decision-making and supervision from task execution. Every month, the Company holds management meetings attended by representative directors, directors concurrently serving as executive officers and executive officers as well as executives from subsidiaries and affiliate companies and conducts evaluations regarding the progress of results and duties of each department. Additionally, based on the rules and regulations of the Board of Directors, the Company determines concrete standards for what must be reported to the Board.

**[Principle 4-9 Standards and Qualities for Determining Independence of Outside Directors]**

The Company selects those who do not have any possible conflict of interest with the Company as outside independent directors, subject to the qualifications for outside directors under the Companies Act and the independent standards set by relevant financial instruments exchanges. In addition, the Company selects candidates by taking their career and relationship with the Company into consideration so that outside executives will have sufficient independence from the Company's management in order to perform their tasks.

**[Supplementary Principles 4.11 (i)]**

The Company's Articles of Incorporation stipulates that the number of directors including independent outside directors is fifteen or fewer, and that of Audit & Supervisory Board Members including outside members is six or fewer. The appointment of directors concurrently serving as executive officers is decided at the board meeting by taking the expertise in the responsible area, as well as the knowledge, experience, and skills of the person into consideration. As for outside directors, who are not directly involved in the execution of duties,

the Company appoints professionals such as attorneys, former members of the Ministry of Finance, former members from the National Police Agency, individuals with experience in the financial industry and others so that the board is well balanced in knowledge, experience, and skills in order to provide appropriate opinions and make proper judgement regarding the group's business, compliance, risk management and other issues.

**[Supplementary Principles 4.11 (ii)]**

The list of the executives concurrently serving other positions is available in the section "Member of Executives" in the Securities Report along with their career profiles. There is one director who concurrently serves as a director at another listed company. However, the Company believes that he is capable of spending sufficient time and effort to fulfill his role and responsibilities as a director. He has gained approval by the Company's Board of Directors for his concurrent position in accordance with the Company's regulations of the Board of Directors' Meeting.

**[Supplementary Principle 4.11 (iii)]**

In order to improve the efficacy of the Board of Directors, the Company conducts an anonymous survey of all directors, including outside directors, based on the directors' own self-evaluations. As a result, the Company has determined that the Board of Directors is fulfilling its role sufficiently and effectively.

**[Supplementary Principle 4.14 (ii)]**

The Company provides support to directors and Audit & Supervisory Board Members proactively by covering expenses when directors and Audit & Supervisory Board Members participate in educational programs including workshops organized by external bodies or join an external organization.

**[Principle 5.1 Policy for Constructive Dialogue with Shareholders]**

In order to engage in dialogue with shareholders, the Company has established a PR & IR Division in its Finance Department, thereby putting in place a structure to guarantee sufficient response to shareholders' inquiries. In addition, the Company holds earnings presentations two times a year in principle and also arranges one-on-one meetings with institutional investors and analysts in order to facilitate dialogue with shareholders.

## 2. Capital Composition **UPDATED**

Shareholding ratio of foreign entities	Over 10%, under 20%
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### [Principal Shareholders] **UPDATED**

Name or Company Name	Number of shares owned	Percentage (%)
NLHD Kabushiki Kaisha	26,697,872	25.22
Nobuyoshi Fujisawa	14,907,272	14.08
TAIYO HANEI FUND, L.P.	5,100,500	4.82
STATE STREET BANK AND TRUST COMPANY 50519	4,153,600	3.92
TAIYO FUND, L.P.	3,806,200	3.60
SAIKYO LEASING CORPORATION	2,890,000	2.73
JAPAN POCKET Co., Ltd.	1,780,000	1.68
GOLDMAN SACHS INTERNATIONAL	1,620,967	1.53
Japan Trustee Services Bank, Ltd. (Trust Account 9)	1,458,500	1.38
Japan Trustee Services Bank, Ltd. (Trust Account)	1,203,900	1.14

Is there a controlling shareholder (excluding parent company)?	-
Is there a parent company?	No

### [Supplementary Explanation] **UPDATED**

Taiyo Fund Management Company LLC and its joint owners submitted the Report of Possession of Large Volume (Change Report) on October 11<sup>th</sup>, 2018. Although their shareholdings as of October 3<sup>rd</sup>, 2018 are listed below, the Company has no means to confirm the actual number of shares held as of March 31<sup>st</sup>, 2019. For this reason, they are not included in the above list of principal shareholders.

Name	Number of shares owned	Shareholding ratio (%)
Taiyo Fund Management Company LLC	3,896,600	3.46
Taiyo Hanei GP, LTD	5,526,900	4.91
Taiyo Pacific CG LLC	6,211,700	5.51
Taiyo Maki GP, LTD	639,000	0.57
Taiyo Hinata GP LLC	491,200	0.44

### 3. Corporate Overview

Stock Exchange and Market Segment	Tokyo Stock Exchange, 2nd Section
Fiscal Year End	March
Industry	Other Financial Business
Number of Employees as of Preceding Fiscal Year End (consolidated)	Over 1,000
Sales as of Preceding Fiscal Year (consolidated)	Over 10 billion yen, under 100 billion yen
Number of Consolidated Subsidiaries as of Preceding Fiscal Year End	Over 10, under 50

### 4. Policy on protection of minority shareholders in performing transactions with controlling shareholder

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### 5. Other special circumstances that may have a major effect on corporate governance

KeyHolder, Inc., a consolidated subsidiary of the Company, is listed on the Tokyo Stock Exchange JASDAQ (Standard). The Company and KeyHolder have a cooperative relationship based on mutual respect for the other's expertise and position in the industry. The companies operate business in different industries. Therefore, the Company has decided that it does not adversely affect the subsidiary's management decisions or business activities and that a certain degree of independence is maintained.

## II. Status of Corporate Governance Structure including Management Organization Pertaining to Decision Making, Execution and Supervision by Management

### 1. Matters pertaining to organization structure and organization management

Form of Organization	Company with Audit & Supervisory Board
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#### [Concerning Directors]

Number of Directors Pursuant to Articles of Incorporation	15
Term of Office Pursuant to Articles of Incorporation	1 year
Chairman of the Board of Directors	President
Number of Directors <b>UPDATED</b>	12
Are Outside Directors appointed?	Yes
Number of Outside Directors	4
Number of Independent Officers among Outside Directors	4

#### [Relationship with the Company (1)]

Name	Type	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k		
Norio Igarashi	Attorney													
Ryuji Mizuta	Other													
Masanori Kaneko	Formerly employed by "other company"													○
Masami Ishizaka	Other													

\* Matters concerning relationship with the Company

\* If the person in question has or has had any relationship "currently or recently," mark "○" in the corresponding box. If there was any relationship "in the past," mark "△."

\* If his/her close relatives have or have had any relationship "currently or recently," mark "●" in the corresponding box. If there was any relationship "in the past," mark "▲."

- Employed by a listed company or its subsidiaries
- Employed by a parent company of a listed company or appointed as a non-executive Director at a parent company of a listed company
- Employed by fellow subsidiaries
- Person whose main trading counterparty is a listed company or a person employed by a company whose main trading counterparty is a listed company
- A main trading counterparty of a listed company or a person employed by a main trading counterparty of a listed company
- Consultant, accounting specialist or legal specialist who receives large amount of money and other assets from a listed company other than remuneration as an officer
- Principal shareholder of a listed company (if such principal shareholder is a corporation,

- person employed by a corporation, or principal shareholder)
- h. Employed by a trading counterparty of a listed company (does not fall under d, e or f) (only the person himself or herself)
  - i. Person employed by a company which sends outside director(s) to a listed company and to which a listed company sends outside executive(s) (only the person himself or herself)
  - j. Employed by a company to which a listed company makes contributions (only the person himself or herself)
  - k. Other

**[Relationship with the Company (2)]**

Name	Independent Officer	Supplementary Explanation	Reason for Appointment
Norio Igarashi	○	-	<p>Mr. Norio Igarashi has been involved in corporate legal affairs as an attorney at law after he held prominent positions at the Public Prosecutors Office.</p> <p>The Company determined that he will be able to provide valuable guidance and instruction to the management of the Company, leveraging his abundant experiences, expertise and sufficient function as an independent executive who has no conflict of interest with general shareholders.</p>
Ryuji Mizuta	○	-	<p>Mr. Ryuji Mizuta has a wide range of insight and knowledge in crisis management, etc., including elimination of anti-social forces as well as a wealth of experiences in important positions at the National Police Agency. The Company judged that he will be able to provide valuable guidance and instruction in these respects to the management of the Company and sufficient function as an independent officer who has no conflict of interest with general shareholders.</p>
Masanori Kaneko	○	<p>Mr. Masanori Kaneko is an advisor of THE SAIKYO BANK LTD. The Group has a business relationship with the bank including loans payable and credit guarantee services. Mr. Kaneko also serves as an Audit &amp; Supervisory Board</p>	<p>Mr. Masanori Kaneko has held prominent positions at financial institutions. The Company judged that he will be able to provide valuable guidance and instruction to the management of the Company, leveraging his abundant experiences,</p>

		Member of SAIKYO LEASING CORPORATION, with which the Company has a capital relationship. SAIKYO LEASING CORPORATION owns 2,890,000 shares of the Company's common shares.	expertise and sufficient function as an independent officer who has no conflict of interest with general shareholders.
Masami Ishizaka	○	-	Mr. Masami Ishizaka held prominent positions such as Director-General of the Financial Bureau at the Ministry of Finance and Administrative Vice Minister at an environmental government agency and has been engaged in corporate management as Outside Director and Outside Corporate Auditor of listed companies since retiring from public office. He has abundant experience and extensive knowledge. The Company proposes that Mr. Ishizaka be elected as Outside Director in the hope that he will provide valuable guidance and instruction for the management of the Company.

Are there committees such as a nomination committee or remuneration committee?	No
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#### [Audit & Supervisory Board]

Is there an Audit & Supervisory Board?	Yes
Number of Audit & Supervisory Board Members Pursuant to Articles of Incorporation	6
Number of Audit & Supervisory Board Members <b>UPDATED</b>	3

#### [Collaboration between Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Team] **UPDATED**

Audit & Supervisory Board Members and accounting auditors discuss and exchange views whenever necessary to gather information and to maintain the auditing environment.

Also, in close cooperation with the Internal Audit Team, the Audit & Supervisory Board ascertains whether duties are being performed in accordance with laws and regulations.

The Company has established a "Corporate Ethics Consultation Desk" within the Internal Control Division which serves as a consultation service to receive reports and advice related to corporate ethics from executives and employees. Through close cooperation between the Internal Control Division and Audit & Supervisory Board, the Company endeavors to prevent any acts that the Company finds disadvantageous.

Do you appoint Outside Audit & Supervisory Board Members?	Yes
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Number of Outside Audit & Supervisory Board Members	2
Independent Officers among Outside Audit & Supervisory Board Members	0

**[Relationship with the Company (1)]**

Name	Type	Relationship with the Company*													
		a	b	c	d	e	f	g	h	i	j	k	l	m	
Hideki Yamane	Formerly employed by "other company"														○
Takaaki Kojima	Other														

\* Matters concerning relationship with the Company

\* If the person in question has or has had any relationship "currently or recently," mark "○" in the corresponding box. If there was any relationship "in the past," mark "△."

\* If his/her close relatives have or have had any relationship "currently or recently," mark "●" in the corresponding box. If there was any relationship "in the past," mark "▲."

- a. Employed by a listed company or its subsidiaries
- b. Non-executive director or accounting advisor of a listed company or its subsidiaries
- c. Employed by a parent company of a listed company or non-executive director of a parent company of a listed company
- d. Audit & Supervisory Board Member of a parent company of a listed company
- e. Employed by a fellow company of a listed company
- f. Person whose main trading counterparty is a listed company or a person employed by a company whose main trading counterparty is a listed company
- g. A main trading counterparty of a listed company or a person employed by a main trading counterparty of a listed company
- h. Consultant, accounting specialist or legal specialist who receives large amount of money and other assets from a listed company in addition to remuneration as an officer
- i. Principal shareholder of a listed company (if such principal shareholder is a corporation, person employed by a corporation, a principal shareholder)
- j. Employed by a counterparty of a listed company (does not fall under f, g or h) (only the person himself or herself)
- k. Employed by a company which sends outside director(s) to a listed company and to which a listed company sends outside director(s) (only the person himself or herself)
- l. Employed by a company to which a listed company makes a donation (only the person himself or herself)
- m. Other

**[Relationship with the Company (2)]**

Name	Independent Officer	Supplementary Explanation	Reason for Appointment
Hideki Yamane		Mr. Hideki Yamane was formerly employed by THE SAIKYO BANK LTD. (as a former auditor). The Group has a business relationship with the bank including loans payable and credit guarantee service.	Mr. Hideki Yamane held prominent positions at financial institutions and possesses abundant experience and knowledge. Therefore, the Company determined that the appointment of Mr. Yamane will reinforce the Company's audit function.
Takaaki Kojima		----	Mr. Takaaki Kojima held prominent positions at the Ministry of Foreign Affairs, including Ambassador Extraordinary and Plenipotentiary and has high level insights related to such things as international affairs, economy, and culture. The Company determined that he will be able to provide recommendations, views and advice from an objective perspective and carry out appropriate supervision of the management of the Group as a whole.

**[Independent Officers]**

Number of Independent Officers	4
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**[Other Matters pertaining to Independent Officers]**

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**[Incentives]**

Status Pertaining to Implementation of Measures Regarding Granting of Incentives to Directors	Introduction of Stock Option
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**[Supplementary Explanation]**

Stock option is granted based on job titles.

Individuals Eligible for Stock Option	Directors, Outside Directors, Audit & Supervisory Board Members, Outside Audit & Supervisory Board Members, employees, Directors and employees of subsidiaries
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**[Supplementary Explanation]**

To further improve employees' motivation and willingness to contribute to the improvement of long-term corporate value.

## [Directors` Compensation

Situation Pertaining to Disclosure of Compensation of Individual Directors	Undisclosed
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### [Supplementary Explanation]

During the 43<sup>rd</sup> business year (from April 1<sup>st</sup>, 2018 to March 31<sup>st</sup>, 2019), compensation paid to executives was as follows:

Compensation for Directors: 274 million yen

Compensation for Audit & Supervisory Board Members: 40 million yen

315 million yen in total

[Note] Amount of compensation for directors does not include the compensation received as employees (with regard to directors who concurrently serve as employees).

Is there a policy and calculation method to determine the amount of compensation?	No
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[Disclosure regarding the policy to determine amount of compensation and calculation method]

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## [Structure to Support Outside Directors (Outside Audit & Supervisory Board Members)]

**UPDATED**

Although there are no staff members devoted solely to outside executives, a representative from the General Affairs Department handles schedule adjustments for board member meetings and provides guidance. Depending on the situation, the General Affairs representative will give an explanation beforehand to clarify the purpose of the meeting.

Directors and employees report operational execution at the request of Audit & Supervisory Board Members. In addition, at the request of the Audit & Supervisory Board, the Company appoints two employees to help with the board members` duties, thereby creating a support system.

## 2. Matters Pertaining to Functions including Execution of Duties, Audit, Supervision, Nomination and Decision on Remuneration (Overview of Current Corporate Governance Structure) **UPDATED**

Resolutions on important management issues and individual projects are adopted at a monthly Board of Directors` meeting as well as ad-hoc meetings, as needed. The Board of Directors also oversees business performance and monitors the status of operational execution.

In the previous business year, there were 21 meetings held. The number of times each executive participated are as follows: Nobuyoshi Fujisawa – 21, Nobuiku Chiba – 21, Nobiru Adachi – 19, Ryuichi Atsuta – 21, Taiji Hitachi – 21, Yukihiro Nishikawa – 21, Yoshihide Iimori – 20, Fumio Iguchi – 21, Norio Igarashi – 18, Ryuji Mizuta – 20, Masanori Kaneko – 20, Masami Ishizaka – 15 (after being appointed in June 2018), Hideki Yamane – 20, Masato Inoue – 19, Takaaki Kojima – 20.

Additionally, the Company holds “Management Meetings” which are attended by executives from the Company and its subsidiaries. At both the scheduled Management Meetings every month and ad-hoc Management Meetings which are held as needed, the Company discusses the operation and performance of each department.

With regard to the execution of duties based on decision, executives in charge shall give

instructions to each person in charge for execution, according to Organization Rules, Policies of Division of Duties and Policies of Administrative Authority, etc. If the issue concerns multiple departments, necessary coordination is made between directors in charge of the departments to ensure a system of efficient implementation.

As an independent body entrusted by shareholders, the Audit & Supervisory Board recognizes its responsibility to contribute to the healthy and continual growth of the “J Trust Group” as well as increased corporate value by examining the execution of duties by directors. In conducting the audit, the Board focuses on the establishment of a solid corporate governance structure that can be trusted by society.

The internal audit team reviews and evaluates systems for regulating and operating all management activities as well as the status of duties from the perspective of legality and reasonability and works to maintain company assets as well as improve operational efficiency by providing information based on the results as well as offering advice and proposals for improving and streamlining as a means to develop the company’s business.

The accounting audit is conducted by Grant Thornton Taiyo LLC based on regulations under the Companies Act and Financial Instruments and Exchange Act. There is no conflict of interest requiring mention as per the Certified Public Accountant Act between the Company, Grant Thornton Taiyo LLC and its engagement partners.

The names of the auditors from Grant Thornton Taiyo LLC who conducted the Company’s accounting audit for the 43<sup>rd</sup> fiscal year (from April 1<sup>st</sup>, 2018 to March 31<sup>st</sup>, 2019) are as follows:

Name of certified public accountant who conducted the Company’s accounting audit	Audit corporation to which the accountant belongs	Years of continuous audit
Ryouichi Komatsu, Designated Limited Liability Partner, Engagement Partner	Grant Thornton Taiyo LLC	Three years
Takeshi Iwasaki Designated Limited Liability Partner, Engagement Partner	Grant Thornton Taiyo LLC	One year
Takuya Ishigami, Designated Limited Liability Partner, Engagement Partner	Grant Thornton Taiyo LLC	Three years

12 certified public accountants, 5 CPA exam passers and 17 others assist the accounting audit.

The amount paid by the Company to Grant Thornton Taiyo LLC during said fiscal year for the business specified by Article 2, Paragraph 1 of the Certified Public Accountant Act (Number 103 of 1948) was 220 million yen.

### 3. Reason for Adoption of Current Corporate Governance Structure **UPDATED**

In order to maintain flexible corporate governance based on its basic policy, the Company has adopted the following system:

- (i) The Company adopts an Audit & Supervisory Board.
- (ii) There are currently 12 Directors and 3 Audit & Supervisory Board Members. The Board consists of 12 men, 4 of whom are Outside Directors. The Audit & Supervisory Board consists of 3 men, 2 of whom are outside members.

- (iii) Although there are no staff members devoted solely to Outside Executives, a representative from the General Affairs Department handles schedule adjustments for board member meetings and provides guidance. Depending on the situation, the General Affairs Department representative may give an explanation beforehand to clarify the purpose of the meeting.
- (iv) The Company has established company agencies in the form of a Board of Directors, an Audit & Supervisory Board, Management Meetings and Compliance & Risk Management Committees.

### III. Status Pertaining to Implementation of Measures regarding Stakeholders including Shareholders

#### 1. Status Pertaining to Initiatives to Energize Shareholders' Meeting and Facilitate Voting by Shareholders

	Supplementary Explanation
Exercise of voting rights via electronic method	The Company adopts electronic voting via the Internet, etc. by using a PC, smartphone, or mobile phone.
Initiatives to encourage institutional investors to exercise their voting rights including participation in electronic voting rights platform.	The Company adopts the electronic voting rights exercise platform (operated by ICJ, Inc.) for institutional investors
Provision of Summarized Notice of Shareholders' Meeting in English	The Company posts an English version of the shareholders' meeting notice and notice of resolutions adopted at the shareholders' meeting on its website.
Other	The Company posts the shareholders' meeting notice and notice of resolutions adopted at the shareholders' meeting on its website.

#### 2. IR Activities UPDATED

	Supplementary Explanation	Presentation by Representative
Periodically holding earnings presentations for individual investors.	The Company covers company overview, details of business, management strategy, business results, performance forecasts and changes in share price at earnings presentations for individual investors. During the fiscal year ended March 2019, the Company held three presentations which were attended by a total of approximately 540 people.	Yes
Periodically holding earnings presentation for analysts and institutional investors	The Company covers management strategy, business result and performance forecast at earnings presentations for institutional investors. During the fiscal year ended March 2019, the Company held four presentations which were	Yes

	attended by a cumulative total of approximately 250 people.	
Posting IR-related materials on the Company's homepage.	Materials such as financial information, other timely disclosure materials, securities reports, quarterly reports, annual shareholder newsletter, interim reports, notices of shareholders' meetings, supplementary materials, annual reports, and monthly financial data are posted on the Company's website. URL <a href="https://www.jt-corp.co.jp/en/ir/">https://www.jt-corp.co.jp/en/ir/</a>	
Establishment of department (supervisor) related to IR	The Finance Department is in charge.	

### 3. Status Pertaining to Initiatives to Respect Stakeholders' Standpoints

	Supplementary Explanation
Internal rules pertaining to respect for stakeholders' standpoints	The Company cultivates a spirit of mutual development through activities to disseminate a code of ethics, corporate philosophy and behavioral principles.
Carrying out CSR activities and activities for environmental preservation	<p>&lt;Social Welfare Activities&gt; The Group participates in activities including an "eco-cap campaign", which promotes donations of profits from the sale of bottle caps to purchase vaccines for children in developing countries; donations to children's orphanages; support and donations to women who have difficulty taking a balance between work and housework; blood donations; activities supporting normalization.</p> <p>&lt;Community Engagement Activities&gt; The Group is involved in activities to support and return profits to local communities. As a part of this initiative, the Group supports sports activities in local communities.</p> <p>&lt;Environmental Activities&gt; The Group promotes "Cool Biz" and "Warm Biz" to reduce greenhouse gas emissions and tackle global warming.</p>
Other	<p>&lt;Policy and Initiatives for Women to Take Active Roles&gt; The Group has reinforced various rules regarding birth, child-rearing and nursing and promotes the operation of each system in line with various rules and regulations. Specifically, the Group offers employees' maternity leave, shortened working hours while raising a young family or looking after relatives, leave to look after relatives, and training when employees come back from leave. Moreover, the Group has established the compliance manual and guidelines to prevent sexual harassment and conducts training regularly as it makes efforts to improve work environments.</p>

#### IV. Matters Regarding Internal Control System and Others

##### **1. Basic policy on Internal Control System and its Status**

At the Board of Directors' Meeting, the Company shall deliberate over the necessity and effectiveness of bills planned at the Management Meetings and various committees from the perspective of compliance and independence as a listed company and make a decision. In addition, in order to achieve another objective of ensuring management transparency, the Company shall hold discussions based on the fundamental principle of cross monitoring.

- (i) A system to ensure the appropriateness of operations of the corporate group (hereinafter "the Group") consisting of the Company and its subsidiaries.
  - (1) The Group will ensure the appropriateness of its own operations by providing managerial guidance and support properly, while each group company independently develops a structure to ensure the appropriateness of their own.
  - (2) Establish "Affiliated Company Management Regulations". The Group mandates periodic reports and approval of the important information of each subsidiary.
  - (3) In order to review the appropriateness of operations at each subsidiary, the Group appoints employees or full-time equivalent employees as directors or auditors who are deemed to be able to review the appropriateness of operation of the subsidiary. In addition, the Company's internal auditing department will audit subsidiaries, and the Auditors and the Board of Corporate Auditors will investigate it as well. It is reported directly to the Representative Director and President of the Company.
  - (4) General Accounting Department is in charge of management of accounting figures of subsidiaries and supervises the preparation of the consolidated financial statements.
  - (5) Hold management meetings attended by directors from each company in the Group and review the performance, progress in business operation and the status of the execution of duties of each department
  - (6) Those of the Group's subsidiaries which are corporations will be established with their own Board of Directors.
- (ii) A system to ensure that the execution of duties by directors and employees of the Group's companies conforms to laws, regulations and the Articles of Incorporation
  - (1) The Company shall stipulate the "Code of Ethics" "Corporate Philosophy" and "Behavioral Principles" as the basis of management. The Company and its subsidiaries, in accordance with its size and business characteristics, shall reinforce efficiency in business operation, accuracy of information, and compliance system in pursuit of sound corporate assets. To put these policies into practice, the Company shall strictly adhere to a code of conduct and ethics based on separately prescribed "Compliance Rules," and others as well as complying with laws, regulations and the Articles of Incorporation. Moreover, directors and employees of the Company and its subsidiaries shall take the initiative in compliance with and spread these social norms, ethics, laws and regulations, etc. in order to carry out fair and appropriate corporate activities and attain harmony with society.
  - (2) The Company shall further reinforce the compliance system through "Compliance and Risk Management Committee" established to oversee, review, and improve the internal compliance system stated above.
  - (3) The Company shall establish an internal control system regarding financial reporting

to ensure reliability of financial reporting. The Company shall maintain and improve said system through regular assessment of the development and implementation status.

- (4) The Company shall take appropriate actions regarding the violation of laws, regulations and compliance issues by establishing a point of contact for corporate ethics consultation and external compliance reporting.
  - (5) Regarding the above (4), the name and the information of the person who makes the report shall be kept secret and the Company explicitly prohibit disadvantageous treatment who has reported to the corporate auditors.
- (iii) A system concerning storage and management of information pertaining to execution of duties by directors of the Company and system concerning reporting to the Company pertaining to execution of duties by directors and other relevant personnel of its subsidiaries
- (1) Based on “Document Management Rules,” the relevant department of the Company properly stores and manages legal minutes, minutes of the Management Meetings and other documents pertaining to execution of important duties, together with their appendices as prescribed by internal rules. Directors and Audit & Supervisory Board members of the Company can access these documents at any time.
  - (2) Based on “Document Management Rules for Affiliates,” directors and other relevant personnel of the Company’s subsidiaries shall report matters concerning the execution of duties by directors and other relevant personnel of subsidiaries by submitting copies of legal minutes and other documents to the Company. Directors and Audit & Supervisory Board members can access these documents at any time.
- (iv) Rules and system pertaining to management of potential loss at the Group.  
Risk management shall be addressed with the following:
- (1) Based on “Risk Management Rules,” the Company shall prescribe basic policy and structure concerning operational risk management to raise employee awareness toward risks at all times.
  - (2) Based on the rules stated above, the Company shall establish a “Risk Management Manual” which covers detailed procedures and extract and assess information pertaining to potential risks, so that it can address such risks promptly and practically.
  - (3) The main tasks of Risk Management Team are to accurately forecast, organize, and take measures in advance against expected future risks inside and outside of the Company. Risk Management Team leads in further strengthening risk management structure at each department of the Company and its subsidiaries.
  - (4) Should any contingencies arise despite the above initiatives, the Company shall establish a task force with Chief Risk Supervisor as general manager for prompt investigations and countermeasures.
- (v) A system to ensure effective execution of duties by directors of the Company and its subsidiaries
- (1) The Board of Directors of the Company passes resolutions on important management

issues and individual projects at regular monthly meetings of the Board of Directors and extraordinary meetings of the Board of Directors that are held as needed. The Board of Directors of subsidiaries also passes resolutions on important management issues and individual projects at regular meetings of the Board of Directors and extraordinary meetings of the Board of Directors that are held as needed. Moreover, a management meeting, attended by executives of the Company and its subsidiaries, is held to track the performance and progress of each department, to examine the execution of duties and to implement appropriate measures.

- (2) The Company uses an electronic approval system, which allows access from outside the Company for browsing and approval purposes, to realize faster decision-making and better operational efficiency.
  - (3) With regard to the execution of duties based on decisions, directors in charge shall give instructions to relevant supervisors according to "Organization Rules," "Policies of Division of Duties," "Policies of Administrative Authority," etc. If such execution of duties involves multiple departments, necessary coordination is made between directors in charge of the departments to ensure efficient implementation system.
- (vi) A system to ensure proper operation as a corporate group constituted by the Company and its subsidiaries
- (1) If Audit & Supervisory Board members find it necessary, employees shall be appointed as their assistants. In such case, personnel matters such as appointment, transfer and evaluation of the assistants shall be decided in consideration of opinions by the Audit & Supervisory Board to ensure the independence and effectiveness of instruction by Audit & Supervisory Board members.
  - (2) Employees who assist Audit & Supervisory Board members' duties only follow the instructions of those people.
- (vii) A system to ensure the employees' independence from directors and effectiveness of instruction to such employees in case Audit & Supervisory Board members request the assignment of employees who assist Audit & Supervisory Board members' duties.
- (1) Directors and employees of the Company and its subsidiaries (including people who received reports from those: hereinafter collectively referred to as "Directors and Employees of the Company and Subsidiaries") report the status regarding the execution of duties upon request by Audit & Supervisory Board members of the Company.
  - (2) Directors and Employees of the Company and Subsidiaries shall immediately report to Audit & Supervisory Board members of the Group when there is a possibility of causing damage to the Group or when serious violations by Directors and Employees of the Group and its Subsidiaries are discovered.
  - (3) Audit & Supervisory Board members of the Company may request clarification directly from Directors and Employees of the Group and Subsidiaries at any time as needed.
  - (4) Audit & Supervisory Board members of the Company may attend Committee

Meetings, etc. at any time for their understanding of the decision-making process and status of execution, in addition to the Board of Directors' meeting and Management Meeting of the Group and its subsidiaries. Audit & Supervisory Board members of the Company shall endeavor to facilitate mutual understanding on matters such as confirmation of management policy through regular exchange of views with the President & CEO.

- (5) The Company shall ensure prompt reporting to Audit & Supervisory Board members of the Company when there is an internal report through a point of contact for corporate ethics consultation and external compliance reporting regarding violations of the laws and regulations and other compliance issues.
- (6) A person who submits reports applicable to (1) and (2) above shall not receive any disadvantageous treatment for filing such reports. The Group's internal reporting system shall stipulate prohibiting any disadvantageous treatment for filing internal report and ensure the proper operation thereof.
- (viii) System concerning settlement of expenses, etc. pertaining to execution of duties by Audit & Supervisory Board Members

The Company shall set procedures for the settlement of expenses pertaining to execution of duties by Audit & Supervisory Board members. If Audit & Supervisory Board Members request prepayment or repayment, the Company shall accept such requests in accordance with the prescribed procedures, except when deemed unnecessary for execution of their duties.

## 2. Basic policy on exclusion of anti-social forces and its development status

<Basic policy on exclusion of anti-social forces>

The Company and its subsidiaries adopt the following basic policy to prevent damage inflicted by group or individuals (so-called "anti-social forces") who pursue economic profits through the use of violence, threat and fraud.

- (i) The Company and its subsidiaries shall not have any relationships with anti-social forces.
- (ii) The Company and its subsidiaries shall closely work with external specialized organizations such as the police, the Center for Elimination of Organized Crime Groups and outside counsel to prevent the damage inflicted by anti-social forces and deal with anti-social forces systematically and appropriately.
- (iii) The Company and its subsidiaries shall not yield to unreasonable demands by anti-social forces and take legal actions resolutely.
- (iv) The Company and its subsidiaries shall not provide fund to or engage in secret transactions with anti-social forces.
- (v) The Company and its subsidiaries shall ensure the safety of individuals encountering anti-social forces in person.

<Development status regarding exclusion of anti-social forces>

With the "Code of Ethics", "Corporate Philosophy" and "Behavioral Principles" as the basis of management, the Company and its subsidiaries shall aim to become one of the most trusted

companies in Japan. In addition, the Company shall take a resolute stance against and stay away from anti-social forces to prevent any damage from them and ensure sound execution of duties. To this end, it has set rules for eliminating anti-social forces and developed the following structure for control purposes:

- (i) The General Affairs Department is responsible for handling anti-social forces-related issues. To prevent any damage from anti-social forces, the Company has developed the control structure as shown below.
  - (1) In response to unreasonable demands by anti-social forces, the relevant departments shall promptly report to and consult with the General Affairs Department. The Company shall contact the police immediately when it faces the imminent prospect of being threatened or becoming the target of an act of violence.
  - (2) Based on the report/consultation in the above (1), the Company shall ensure the safety of individuals encountering anti-social forces in person as the first priority and instruct relevant divisions to respond appropriately.
  - (3) The Company shall develop a database of available information on anti-social forces and use it to evaluate the attributes of customers and shareholders.
  - (4) The Company shall cooperate closely with the prefectural police within the jurisdiction, the Center for Elimination of Organized Crime Groups, and legal counsels.
  - (5) To operate the above structure properly, the Company shall establish a manual for dealing with unreasonable demands and acts of violence and provide relevant training for officers/employees to raise their awareness.
- (ii) If the Company enters into an agreement with a third party for the first time (irrespective of name, format, etc.), the head of the division in charge of signing the agreement shall check in advance if the counterparty falls into anti-social forces or not. In addition, the agreement stipulates that: (a) the counterparty is not anti-social forces; and (b) this contract shall be cancelled when the counterparty is found to fall into anti-social forces. Furthermore, the Company checks annually, in principle, to see if its existing customers, etc. do not become members of anti-social forces.
- (iii) If the check stated in the above (ii) proves that the counterparty falls into anti-social forces, the Company shall not conduct a transaction. Likewise, if the annual review shows that an existing customer falls into anti-social forces, the Company shall take an immediate step to dissolve the relationship.
- (iv) When appointing or recruiting an officer/employee, the Company shall conduct background checks to confirm that the person has no relationship with anti-social forces, and then ask the person to submit a written pledge stating that he/she has nothing to do with anti-social forces. In addition, as a rule, if an officer/employee promotes to a position with important roles and responsibilities in the corporate governance structure, the Company shall perform background checks to confirm that he/she has no ties with anti-social forces. These checks are required when an entity joins the Group.
- (v) If receiving any unreasonable demands from anti-social forces, the Company shall report to and consult with relevant parties as specified below, depending on individual cases, and takes necessary actions.

- (1) The Company shall report to the management through the General Affairs Department, which is responsible for handling anti-social forces-related issues, and receive instruction as appropriate.
  - (2) The Company shall consult with the prefectural police within the jurisdiction, Center for Elimination of Organized Crime Groups, legal counsels, etc. depending on the situation and needs.
  - (3) In the case of the above report/consultation, the Company shall consider taking any civil action. Above all, when facing an imminent prospect of being threatened or becoming the target of an act of violence, the Company shall prepare for a criminal case determinedly such as prompt filing of a damage report.
- (vi) To avert any damage from anti-social forces appropriately, the division in charge of education at each company shall make relevant executives/employees fully understand the structure of reporting on and responding to unreasonable demands from anti-social forces as well as the steps required for preventing damage from anti-social forces.

**V. Others**

**1. Implementation of anti-takeover measures**

Have measures been introduced to prevent a takeover?	No
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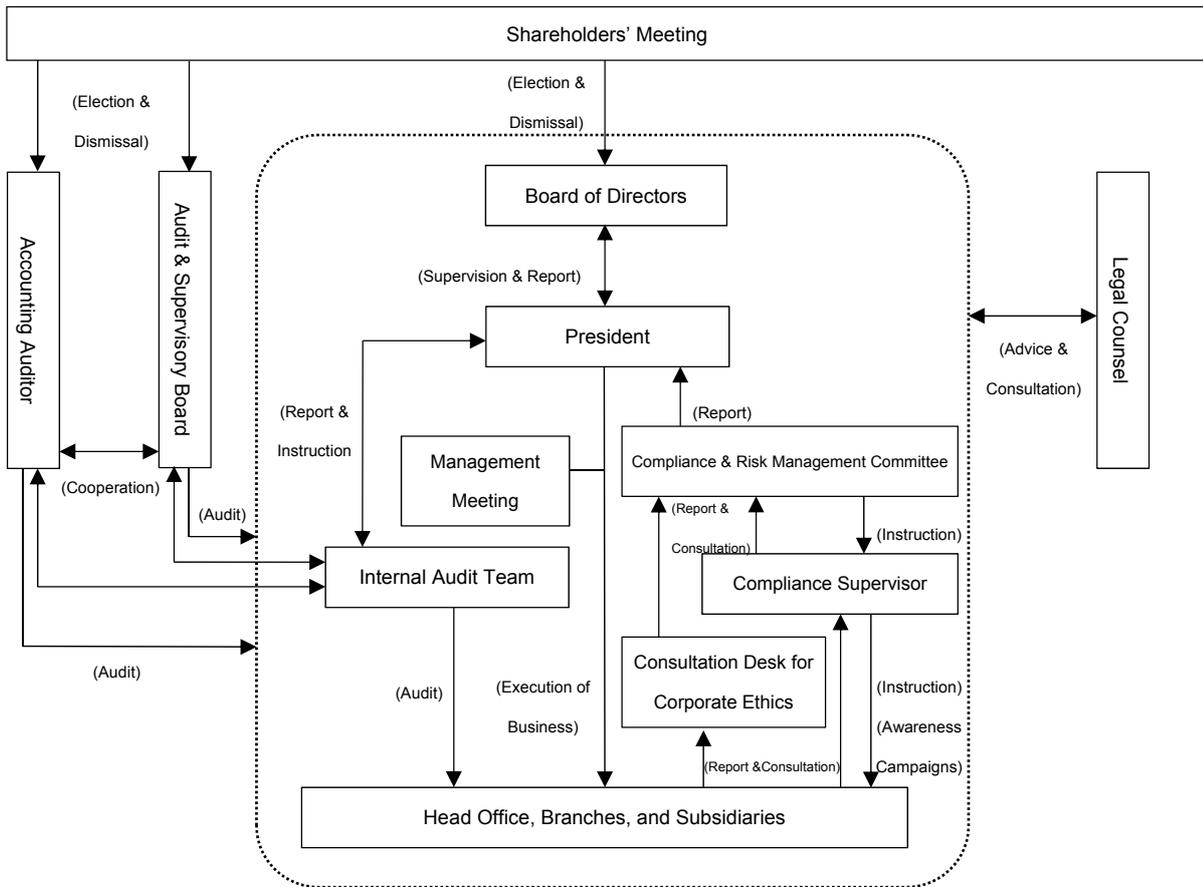
**[Supplementary Explanation]**

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**2. Other Matters Pertaining to Corporate Governance Structure and Others UPDATED**

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## <Corporate Governance Structure>



## <Structure for Timely Disclosure>

