Corporate Governance Report

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The corporate governance of Hulic Co., Ltd. is described below.

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

1. Basic Views

(1) Objectives of the Company

The Hulic Group has adopted "creating a society full of security and trust for many years to come" as its corporate philosophy. Reflecting the corporate philosophy, we aim to achieve sustainable growth and medium- and long-term improvements in corporate value.

In addition, the Company formulates, discloses, and implements a concrete management strategy and a management plan that take into account trends in the management environment to achieve steady growth.

(2) Basic stance on corporate governance

The Hulic Group is aware of its responsibilities towards all of its stakeholders, including shareholders, and makes a point of carrying out corporate management in a transparent and sincere manner. At the same time, the Company, under the supervision of the Board of Directors, firmly maintains an autonomous governance system whereby internal controls, risk management, compliance, and disclosure control function adequately.

In addition, the Hulic Group has established the "Basic Stance on Corporate Governance," whereby it strives to comply with social demands through prompt and resolute decision-making from medium- and long-term perspectives, in order to improve its corporate value and enhance the significance of its reason for being.

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

[Principle 1.4, Supplementary Principle 1.4.1] Cross-Shareholdings

Hulic has cross-holdings of shares with other companies if it is deemed necessary to improve its corporate value in the medium and long term.

Meanwhile, the Company regularly verifies the rationality of its major cross-holdings of shares with listed companies by giving comprehensive consideration to factors, such as medium- and long-term profits of the

Group that can be obtained by reinforcing its transactional relationships with such companies, and reports to the Board of Directors. In the interest of ensuring the Board of Directors maintains its effectiveness, the Company verifies the rationality of its other cross-holdings of shares with listed companies by submitting a management circular (Ringi) through the chain of command. If the necessity of such holdings is judged to be poor, sale of the cross-holdings of shares will be considered.

In addition, the Company exercises its voting rights on all agenda items in principle, in order to use its rights as a shareholder.

When exercising its voting rights, Hulic decides to approve or reject each agenda item after comprehensively considering whether issuing companies have established effective corporate governance and make appropriate decisions to improve their corporate value in the medium and long term, as well as by holding dialogues directly with issuing companies on an as-needed basis.

If the agenda item refers to business reorganizations such as company mergers and takeover defense strategies, the Company will examine the issues prudently when exercising its voting rights.

If a shareholder who holds the Company's shares for cross-shareholding purposes informs the Company of its intention to sell those shares, the Company will review the background and reasons for the cross-shareholding and make judgements on a case-by-case basis. Although the Company will not engage in any improper conduct aimed at preventing such sale, etc., the Company believes that it is inappropriate to decide a uniform course of action in advance.

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

We created our "Corporate Governance Guidelines" as a framework for implementing optimal corporate governance, in which disclosure items required by the "Corporate Governance Code" are disclosed, and posted them on the Company website.

Link to the Company website: https://www.hulic.co.jp/en/csr/governance/governance.html

2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Meiji Yasuda Life Insurance Company	47,617,077	7.07
Sompo Japan Nipponkoa Insurance Inc.	44,248,800	6.57
Tokyo Tatemono Co., Ltd.	41,849,033	6.22
Fuyo General Lease Co., Ltd.	40,695,306	6.04
Yasuda Real Estate Co., Ltd.	30,789,331	4.57
Oki Electric Industry Co., Ltd.	29,631,000	4.40
The Yasuda Warehouse Co., Ltd.	28,431,800	4.22
Mizuho Capital Co., Ltd.	25,533,900	3.79
Taisei Corporation	22,400,000	3.33
Tokio Marine & Nichido Fire Insurance Co.,	22,321,759	3.31

Ltd.		

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

Supplementary Explanation

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	December
Type of Business	Real Estate
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥100 billion to less than ¥1 trillion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	From 10 to less than 50

4. Policy on Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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5. Other Special Circumstances which may have Material Impact on Corporate Governance

In order to ensure that the transparency of our governance and the interests of our stakeholders are not compromised, our group established the "Management Advisory Committee" in July 2008, and had been building a system to check our business, borrowing, and personnel relationships with Mizuho Financial Group ("Mizuho FG"). On the other hand, in recent years, as the Group's business volume and performance have expanded significantly, the degree of dependence on Mizuho FG for business, borrowing, and personnel relationships has decreased significantly, and the Group continues to maintain a business execution system that is not dependent on any particular company (Mizuho FG's share of operating revenue for the fiscal year ended December 31, 2019 is 4.5%, compared to 60.6% for the fiscal year ended December 31, 2008). In light of the above situation, the Management Advisory Committee was abolished on January 1, 2021.

II. Business Management Organization and Other Corporate Governance Systems regarding Decision-making, Execution of Business, and Oversight in Management

1. Organizational Composition and Operation

Organization Form	Company with *Kansayaku* Board

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	12
Term of Office Stipulated in Articles of Incorporation	2 years
Chairperson of the Board	President
Number of Directors	10
Appointment of Outside Directors	Appointed
Number of Outside Directors	4
Number of Independent Directors	4

Outside Directors' Relationship with the Company (1)

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Tsukasa Miyajima	Academic								△			
Hideo Yamada	Lawyer								△			
Atsuko Fukushima	Other								△			
Kaoru Takahashi	From another company								△			

* Categories for "Relationship with the Company"

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

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiaries
b. Non-executive director or executive of a parent company of the Company
c. Executive of a fellow subsidiary company of the Company
d. A party whose major client or supplier is the Company or an executive thereof
e. Major client or supplier of the listed company or an executive thereof
f. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a director/*kansayaku*
g. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier company of the Company (which does not correspond to any of d, e, or f) (the director himself/herself only)
i. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the director himself/herself only)

j. Executive of a company or organization that receives a donation from the Company (the director himself/herself only)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Tsukasa Miyajima	○	Mr. Miyajima was a Management Advisory Committee member until the end of 2020. He and the Company were engaged in transactions involving the payment of compensation for relevant activities. In the light of the nature and scale of the transactions, however, the Company believes that there is no risk that the transactions could affect decisions of shareholders and investors.	Mr. Miyajima has exceptional insights developed as a university professor, and has expressed valuable opinions as External Director at meetings of the Board of Directors. He has been appointed as an independent officer as he satisfies the Company-established criteria for judging independence of independent outside officers (disclosed in the Company's Corporate Governance Guidelines), which are in accordance with the Tokyo Stock Exchange rules.
Hideo Yamada	○	Mr. Yamada was a Management Advisory Committee member until the end of 2020. He and the Company were engaged in transactions involving the payment of compensation for relevant activities. In the light of the nature and scale of the transactions, however, the Company believes that there is no risk that the transactions could affect decisions of shareholders and investors.	Mr. Yamada has exceptional insights developed as a lawyer, and has expressed valuable opinions as External Director at meetings of the Board of Directors. He has been appointed as an independent officer as he satisfies the Company-established criteria for judging independence of independent outside officers (disclosed in the Company's Corporate Governance Guidelines), which are in accordance with the Tokyo Stock Exchange rules.
Atsuko Fukushima	○	Ms. Fukushima was a Management Advisory Committee member until the end of 2020. She and the Company were engaged in transactions involving the payment of compensation for relevant activities. In the light of the nature and scale of the transactions, however, the Company believes that there is no risk that the transactions could affect decisions of shareholders and investors.	Ms. Fukushima has exceptional insights developed as a journalist, and has expressed valuable opinions as External Director at meetings of the Board of Directors. She has been appointed as an independent officer as she satisfies the Company-established criteria for judging independence of independent outside officers (disclosed in the Company's Corporate Governance Guidelines), which are in accordance with the Tokyo Stock Exchange rules.
Kaoru Takahashi	○	Mr. Takahashi served as Representative Director and Executive Vice President of Sompo Japan Nipponkoa Insurance Inc. until March 2015. Sompo Japan Nipponkoa Insurance Inc. is a shareholder of the Company, and lends business funds to the Company, both of	Mr. Takahashi has deep insight as a business manager, and has expressed valuable opinions as External Director at meetings of the Board of Directors. He has been appointed as an independent officer as he satisfies the Company-established criteria for

		which satisfy the Company-established criteria for judging independence of independent outside officers.	judging independence of independent outside officers (disclosed in the Company's Corporate Governance Guidelines), which are in accordance with the Tokyo Stock Exchange rules.

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

Committee's Name, Composition, and Attributes of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Remuneration Committee
Committee's Name	Nominating Committee	Remuneration Committee
All Committee Members	3	3
Full-time Members	0	0
Inside Directors	0	0
Outside Directors	3	3
Outside Experts	0	0
Other	0	0
Chairperson	Outside Director	Outside Director

Supplementary Explanation

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[*Kansayaku*]

Establishment of *Kansayaku* Board	Established
Maximum Number of *Kansayaku* Stipulated in Articles of Incorporation	7
Number of *Kansayaku*	5

Cooperation among *Kansayaku*, Accounting Auditors and Internal Audit Departments

Audit & Supervisory Board Members cooperate with the Accounting Auditor by means such as receiving reports on audits on a timely basis and exchanging information.
Audit & Supervisory Board Members establish the timing for performing audits and face-to-face meetings with the management team, and collaborate with the internal audit division, etc., to ensure the Accounting Auditor performs high-quality audits. The Board of Directors responds promptly through Audit & Supervisory Board Members to wrongdoing detected as well as deficiencies and problems pointed out by the Accounting Auditor.
Audit & Supervisory Board Members regularly receive reports on the activities of the Accounting Auditor

from the responsible department, evaluate audit quality and audit fees, and check the independence and capabilities of the Accounting Auditor.
In addition, Audit & Supervisory Board Members receive reports on the results of audits performed by the Corporate Audit Department and exchange information regularly to enhance the effectiveness and efficiency of audits by both Audit & Supervisory Board Members and the Corporate Audit Department, which performs internal audits.

Appointment of Outside *Kansayaku*	Appointed
Number of Outside *Kansayaku*	3
Number of Independent *Kansayaku*	3

Outside *Kansayaku*'s Relationship with the Company (1)

Name	Attribute	Relationship with the Company*												
		a	b	c	d	e	f	g	h	i	j	k	l	m
Koichi Nezu	From another company										△		○	
Nobuyuki Kobayashi	Accountant										△			
Kenichi Sekiguchi	From another company										△			

* Categories for "Relationship with the Company"

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

* "●" when a close relative of the director presently falls or has recently fallen under the category;
"▲" when a close relative of the director fell under the category in the past

a. Executive of the Company or its subsidiary
b. Non-executive director or accounting advisor of the Company or its subsidiaries
c. Non-executive director or executive of a parent company of the Company
d. *Kansayaku* of a parent company of the Company
e. Executive of a fellow subsidiary company of the Company
f. A party whose major client or supplier is the Company or an executive thereof
g. Major client or supplier of the Company or an executive thereof
h. Consultant, accountant or legal professional who receives a large amount of monetary consideration or other property from the Company besides compensation as a *kansayaku*
i. Major shareholder of the Company (or an executive of the said major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier company of the Company (which does not correspond to any of f, g, or h) (the *kansayaku* himself/herself only)
k. Executive of a company, between which and the Company outside directors/*kansayaku* are mutually appointed (the *kansayaku* himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the *kansayaku* himself/herself only)
m. Others

Outside *Kansayaku*'s Relationship with the Company (2)

Name	Designation as Independent *Kansayaku*	Supplementary Explanation of the Relationship	Reasons of Appointment
Koichi Nezu	○	Mr. Nezu was a Management Advisory Committee member until the end of 2020. He and the Company were engaged in transactions involving the payment of compensation for relevant activities. In addition, Mr. Nezu provides funding to Musashi Academy of the Nezu Foundation where he serves as President, for the purpose of supporting the development of future generations. In the light of the nature and scale of the transactions, however, the Company believes that there is no risk that the transactions could affect decisions of shareholders and investors.	Mr. Nezu manages a major department store and has a wealth of business management experience and broad insight into management in general. He was appointed because he expresses useful opinions at the Board of Directors and the Audit & Supervisory Board, objectively from a neutral position, as an External Audit & Supervisory Board Member. He has been appointed as an independent officer as he satisfies the Company-established criteria for judging independence of independent outside officers (disclosed in the Company's Corporate Governance Guidelines), which are in accordance with the Tokyo Stock Exchange rules.
Nobuyuki Kobayashi	○	Mr. Kobayashi was a Management Advisory Committee member until the end of 2020. He and the Company were engaged in transactions involving the payment of compensation for relevant activities. In the light of the nature and scale of the transactions, however, the Company believes that there is no risk that the transactions could affect decisions of shareholders and investors.	Mr. Kobayashi has specialized knowledge of accounting and taxation as a certified public accountant and tax accountant. He was appointed because he expresses useful opinions at the Board of Directors and the Audit & Supervisory Board, objectively from a neutral position, as an External Audit & Supervisory Board Member. He has been appointed as an independent officer as he satisfies the Company-established criteria for judging independence of independent outside officers (disclosed in the Company's Corporate Governance Guidelines), which are in accordance with the Tokyo Stock Exchange rules.
Kenichi Sekiguchi	○	Mr. Sekiguchi served as Chairman of the Board and Executive Officer of Meiji Yasuda Life Insurance Company until July 2013. Meiji Yasuda Life Insurance Company is a shareholder of the Company, and is engaged in business transactions including lending business funds to the Company, both of which satisfy the Company-established criteria for judging independence of independent outside officers.	Mr. Sekiguchi manages a major life insurance company, and has a wealth of business management experience and broad insight into management in general. He was appointed because he expresses useful opinions at the Board of Directors and the Audit & Supervisory Board, objectively from a neutral position, as an External Audit & Supervisory Board Member. He has been appointed as an independent officer as he satisfies the Company-established criteria for judging independence of independent outside officers (disclosed in the Company's Corporate Governance Guidelines), which are in accordance with the Tokyo Stock Exchange rules.

[Independent Directors/*Kansayaku*]

Number of Independent Directors/*Kansayaku*	7

Matters relating to Independent Directors/*Kansayaku*

Matters regarding Independent Directors/Kansayaku are described in the Corporate Governance Guidelines posted on the Company website.
Linked URL: https://www.hulic.co.jp/en/csr/governance/governance.html

[Incentives]

Incentive Policies for Directors	Performance-linked Remuneration

Supplementary Explanation

The Company has adopted a performance-linked remuneration and implemented a stock remuneration system, aiming to boost the motivation for improving business performance and to increase the Company's corporate value.

Recipients of Stock Options	

Supplementary Explanation

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[Director Remuneration]

Disclosure of Individual Directors' Remuneration	Selected Directors

Supplementary Explanation

Hulic Co., Ltd. paid the following remuneration to Directors and Audit & Supervisory Board Members for the Fiscal Year 2019 (from January 1, 2019 to December 31, 2019).
Six Directors (excluding External Directors): Total remuneration: 821 million yen (Base pay of 448 million yen, stock remuneration of 186 million yen and bonus of 186 million yen)
Two Audit & Supervisory Board Members (excluding External Audit & Supervisory Board Members): Total remuneration: 72 million yen (Base pay of 72 million yen)
Seven Outside Officers: Total remuneration: 126 million yen (Base pay of 126 million yen)

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

The Company set the upper limit of total remuneration for Directors during a single fiscal year at 900 million yen at the 90th period general meeting of shareholders held on March 24, 2020 and set the upper limit of total remuneration for Audit & Supervisory Board Members during a single fiscal year at 150 million yen at the 85th period general meeting of shareholders held on March 24, 2015.
Also, at the 90th period general meeting of shareholders held on March 24, 2020, apart from the remuneration

upper limit written above for directors excluding outside directors, share remuneration was set within 250,000 points (1 point is 1 share converted).
Details of Directors' remuneration are described in the "Corporate Governance Guidelines" posted on the Company website.
Linked URL: https://www.hulic.co.jp/en/csr/governance/governance.html
Audit & Supervisory Board Members have different remuneration structures from Directors, which are determined through discussions by the Audit & Supervisory Board within limits determined at the general meeting of shareholders.

[Supporting System for Outside Directors and/or *Kansayaku*]

External Directors and/or External Audit & Supervisory Board Members receive support and messages, etc. from Corporate Planning Department staff. In addition, the Company set up the Audit & Supervisory Board Department as an organization to assist audits by Audit & Supervisory Board Members whenever necessary.

[Status of Retired President, Representative Director, etc.]

Names of Advisors or Counselors Who Were Formerly President, Representative Director, etc.

Name	Position	Business description	Employment form/conditions (full-time, part-time, compensated/not compensated, etc.)	Date of retirement as President, etc.	Term of office
—	—	—	—	—	—

Total number of advisors or counselors, etc., who were formerly President, Representative Director	0

Other Matters

The Company has an advisor and counselor system, but currently there are no advisors or counselors.

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

The Board of Directors comprises 10 Directors (of which four are External Directors), makes decisions on matters prescribed in laws and ordinances and the "Articles of Incorporation" as well as on important matters regarding business execution, in accordance with the "Regulations of the Board of Directors," and supervises the overall execution of duties by Directors and Executive Officers. The Board of Directors holds a meeting once a month in principle, as well as extraordinary meetings whenever necessary. The Company is strengthening the supervisory function of the Board of Directors on overall business execution by Directors and Executive Officers to ensure sound management such as by adopting the executive officer system, whereby Executive Officers, appointed by the Board of Directors, take charge of business execution.
In addition, the Company believes effective corporate governance is ensured by reinforcing the structure of

the Internal Audit Department and developing the internal control system.

Analysis and assessment of the effectiveness of the Board of Directors in Fiscal 2019 showed that outside directors, who each have diverse expertise, comprise 40% of the total, an environment where directors can easily state opinions is fostered, and that appropriate risk-taking and risk management is being carried out. Therefore, it is assessed that governance is functioning effectively.
However, the following points were confirmed as ongoing issues recognized for the Board of Directors to work on.
• Work on more efficient operations such as by presenting documents that clarify discussion points, and work on deeper deliberations of important resolutions including medium- and long-term management policy.
• Present a wide range of various risks related to business and further enhance the level of appropriate risk determination.
• Considering the company's role in SDGs, work on deeper discussions on ESG.

Details of how candidates for Directors and Audit & Supervisory Board Members are nominated and how Directors' remuneration is determined are described in the "Corporate Governance Guidelines" posted on the Company website.
Linked URL: https://www.hulic.co.jp/en/csr/governance/governance.html

[Status of internal audit, audit by Audit & Supervisory Board Members, and accounting audit]
An internal audit is carried out independently from other business activities by the Corporate Audit Department, which is under the direct control of the President. The internal audit basic plan is finalized by the Board of Directors based on "Corporate Audit Regulations," and the internal audit is carried out systematically by the Corporate Audit Department. The results of the internal audit are reported to the President and fed back to audited departments.
An internal audit is carried out by five employees as of the date of submission of the report.
The Audit & Supervisory Board comprises five Audit & Supervisory Board Members (two are full-time Audit & Supervisory Board Members), of which three are outside company auditor as stipulated in the "Companies Act" and "Ordinance for Enforcement of the Companies Act." In accordance with the audit basic policy and the audit basic plan formulated by the Audit & Supervisory Board, the Audit & Supervisory Board audits the execution of duties by Directors, Executive Officers, and each department through interviews on attendance at Board of Directors meetings and other meetings and committees, as required, and execution of duties by Directors and Executive Officers, and by reviewing important documents, approval documents, and accounting documents. In addition, Audit & Supervisory Board Office has been established as an organization supporting the duties of Audit & Supervisory Board Members.
Audit & Supervisory Board Members cooperate with the Accounting Auditor by means such as receiving reports on audits on a timely basis and exchanging information. Audit & Supervisory Board Members secure the timing for performing audits, face-to-face meetings with the management team, and collaboration with the

Internal Audit Department, etc., in order to ensure the Accounting Auditor performs a high-quality audit. In addition, the Board of Directors responds promptly through Audit & Supervisory Board Members to wrongdoing detected as well as deficiencies and problems pointed out by the Accounting Auditor. Audit & Supervisory Board Members regularly receive reports on the activities of the Accounting Auditor from the responsible department, evaluate audit quality and audit fees, and check the independence and capabilities of the Accounting Auditor.

Audit & Supervisory Board Members also receive reports on the results of audits performed by the Corporate Audit Department and exchange information regularly in order to enhance the effectiveness and efficiency of audits by both Audit & Supervisory Board Members and the Corporate Audit Department.

The Company has signed an audit contract with Ernst & Young ShinNihon, LLC to serve as Accounting Auditor and to perform audits. The names of certified public accountants, who undertake accounting audit duties of the Company and composition of assistants for audit duties, are as follows.

Managing Partners: Nobuko Kubo, Satoshi Abe (number of years engaged continuously in audit is seven years or less for both persons)

Composition of assistants: Six certified public accountants and twenty-six others

3. Reasons for Adoption of Current Corporate Governance System

Corporate Governance structure of the Company shall comprise the Board of Directors, the Audit & Supervisory Board, Nominating Committee, Remuneration Committee, Accounting Auditor, and Internal Control System. The Company believes that adopting the Executive Officer System, appointing Outside Officers and establishing various committees have enabled it to build a corporate governance system that is sound and highly efficient, as well as one that has an optimal structure.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary Explanations
Early Notification of General Shareholder Meeting	Notification of General Shareholder Meeting is sent out early.
Scheduling AGMs Avoiding the Peak Day	General Shareholder Meeting was held on March 24, 2020.
Allowing Electronic Exercise of Voting Rights	Exercise of voting rights by electronic means has been adopted.
Participation in Electronic Voting Platform	Electronic voting platform has been used.
Providing Convocation Notice in English	Providing

2. IR Activities

	Supplementary Explanations
Preparation and Publication of Disclosure Policy	Disclosed on the Company website.
Regular Investor Briefings for Individual Investors	Investor briefings for individual investors are held regularly at various investor relations' events.
Regular Investor Briefings for Analysts and Institutional Investors	Investor briefings are held regularly when announcing full-year and second-quarter financial results.
Regular Investor Briefings for Overseas Investors	Investor briefings for overseas investors are held at investor briefings organized by securities companies. In addition, investor relations' activities are conducted by visiting individual institutional investors.
Posting of IR Materials on Website	Information on financial results and other timely information to be disclosed are posted on the Investor Relations' pages of the Company website.
Establishment of Department and/or Manager in Charge of IR	Corporate Communications & Investor Relations Department has been established.
Other	The Company website is available in English.

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The model for the manner of Hulic Group Officers and employees, etc. is stipulated in the "Code of Conduct" in the "Compliance Manual." In accordance with it, the Company has declared its respect for the positions of all stakeholders, including customers and shareholders.
Implementation of Environmental Activities, CSR Activities etc.	The Company has formulated the "Sustainability Vision" and aims to actively address environmental issues through corporate activities, create shared value with society, contribute to society through providing high value-added products and services, and emphasize compliance. The Company has set up the Sustainability Committee chaired by the President to promote those goals, and discloses information in the "CSR Report (Integrated Report on Sustainability)" and on the Company website to disseminate its CSR activities widely. The Integrated Report is scheduled to be published in June 2020.
Development of Policies on	The Company continues to appropriately provide information through

Information Provision to Stakeholders	disclosures on the Company website and at regular investor briefings, etc.
Other	[Status of appointment of women as Officers] The number of Directors of the Company is 10, and the breakdown is nine male Directors and one female Director. [Appointment of women to managerial positions] Aiming to positively support female career development, we have declared the targets of having women occupy at least 20% of managerial positions and having at least three women serving in a position of general manager or higher.

IV. Matters Related to the Internal Control System

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

The Company has made the following decisions at meetings of the Board of Directors regarding systems to ensure the appropriateness of the Company's operations.

1. Systems to ensure that duties of Directors, Executive Officers, and employees of the Company and its subsidiaries are implemented in compliance with laws and ordinances and the "Articles of Incorporation."

Hulic and its subsidiaries (the "Hulic Group") position compliance as one of the top management priorities, and have stipulated in the "Basic Principles of Corporate Conduct" that the Hulic Group complies strictly with all laws and ordinances and rules, and carries out corporate activities sincerely and fairly in conformance with social norms.
In addition, Hulic operates its businesses, while bearing in mind compliance, by have the Compliance Committee formulate and revise the compliance program.
Furthermore, the Hulic Group regards eliminating anti-social forces as one of the responsibilities of internal controls, and stipulates in the "Compliance Manual" that "the Hulic Group takes a resolute stance against and avoids any involvement with anti-social activities and forces."
The Hulic Group develops the compliance system by formulating rules and regulations, training employees, and establishing a Compliance Hotline internally and externally in accordance with the "Basic Principles of Corporate Conduct." The Hulic Group also maintains a system to ensure that Directors, Executive Officers, and employees execute their duties in compliance with laws and regulations and the "Articles of Incorporation" under the supervision of the Board of Directors and the Audit & Supervisory Board, and audits are performed by Audit & Supervisory Board Members and the Accounting Auditor.

2. Systems for preserving and managing information on the execution of duties by Directors of the Company

The Company has established and maintains systems for preserving and managing information on the execution of duties by Directors by creating important documents, such as minutes of meetings of the Board of Directors and approval documents, and preserving them for a specified period in accordance with the "Articles of Incorporation" and internal rules and regulations, etc. specified separately.
The Company formulates various rules and regulations, such as the **"**Information Handling Regulation," to manage information appropriately from the viewpoint of preserving and managing information handled or obtained in the course of business.
In addition, the Company formulates and appropriately operates the "Basic Policy for the Development, Operation, and Assessment of Internal Controls over Financial Reporting."

3. Regulations and other systems for managing risk of losses of the Company and its subsidiaries

By establishing the “Basic Regulations for Risk Management” and through meetings of the Risk Management Committee held quarterly, the Company collects and analyzes the Group’s risk management indicators regularly and implements appropriate risk management in response to changes in risk.
The Company has also developed regulations and other systems for managing the risk of losses of the Group by formulating various regulations regarding information management and the “Business Continuity Basic Plan” to prepare for a large-scale disaster, etc. At the same time, the Company continues to strengthen the Group’s risk management system under the leadership of the Risk Management Committee, in order to respond to various risks that could occur following changes in the external environment and the management climate in a timely and appropriate manner.

4. Systems to ensure the efficient execution of duties by Directors of the Company and its subsidiaries

The Company maintains and improves systems to ensure the efficient execution of duties by its Directors and Directors, etc. of Group companies by taking measures, such as adopting the executive officer system, implementing budget management based on the overall Group’s annual plan, and continuing the development of the authority over business execution and the decision-making rules, which are based on internal rules.

5. Systems for reporting matters to the Company on the execution of duties by Directors, etc. of its subsidiaries

The Company maintains and improves systems to ensure the appropriateness of operations of the Corporate Group, comprising the Company and its subsidiaries, by establishing and operating systems whereby consultations or reports on certain important matters are received from subsidiaries based on the “Regulations for Business Management of Affiliated Companies” and ensuring that its Internal Audit Department performs audits of its subsidiaries, while audits of subsidiary SPCs are performed by applying mutatis mutandis various regulations on real estate operations.

6. Matters regarding assistant employees if audit & supervisory board members request assignment of such employees to assist the execution of their duties
The Company assigns employees who give priority to carrying out the operations of Audit & Supervisory Board Office if requested by Audit & Supervisory Board Members to assist in the execution of their duties.

7. Matters for ensuring the independence of employees in the preceding paragraph from Directors and the effectiveness of instructions from Audit & Supervisory Board Members

Employees who are assigned to assist the duties of Audit & Supervisory Board Members shall follow instructions and orders from Audit & Supervisory Board Members when they provide assistance in accordance with requests from them.
Regarding personnel changes in the Audit & Supervisory Board Office, the Company shall take the necessary measures, such as obtaining the approval of Audit & Supervisory Board Members, in order to secure independence from Directors.
The Company prohibits employees from being treated disadvantageously in terms of personnel evaluations and personnel changes on the ground that they give priority to carrying out operations of the Audit & Supervisory Board Office.

8. Systems to ensure reporting to the Company's Audit & Supervisory Board or Audit & Supervisory Board Members by the Company's Directors, Executive Officers, and employees and the Company's subsidiaries' Directors, Audit & Supervisory Board Members, Executive Officers, and employees, or other persons who receive a report from them and other systems for reporting to Audit & Supervisory Board Members

The Company's Directors, Executive Officers, and employees and the Company's subsidiaries' Directors, Audit & Supervisory Board Members, Executive Officers, and Employees, or other persons who receive reports from them shall report the following to the Company's Audit & Supervisory Board or Audit & Supervisory Board Members:

A A fact detected that could significantly damage the Company or its subsidiaries;
B If Directors, Executive Officers, or employees are in material breach of laws and ordinances or the "Articles of Incorporation," or are deemed to commit such an act.
C In addition, promptly and appropriately report important matters regarding management or matters required by laws and ordnances or the Company's Audit & Supervisory Board Members or Audit & Supervisory Board; and,
D Report regularly on the status of operations and reporting to the Compliance Hotline.

The Company prohibits a person who has reported to Audit & Supervisory Board Members from being treated unfavorably on the ground of the said reporting, and ensures that everyone is informed of such.

9. Matters regarding payment of expenses necessary for executing duties by Audit & Supervisory Board Members and other systems to ensure effective audits by Audit & Supervisory Board Members

If Audit & Supervisory Board Members request the Company to pay expenses necessary for executing their duties, the Company shall pay them promptly unless it is clear that the expenses are deemed unnecessary for executing duties by Audit & Supervisory Board Members.
The Company maintains systems to ensure effective audits by Audit & Supervisory Board Members through

attendance at the Board of Directors meetings, regular discussions with Directors, and circulation of important approval documents, and enhances systems on an as-needed basis.

2. Basic Views on Eliminating Anti-Social Forces

1. Basic stance

The Company has established a basic policy that it takes a resolute stance against and avoids any involvement with anti-social activities, and enforces the “Basic Principles of Corporate Conduct” and “Our Code of Conduct” from the viewpoint of preventing the involvement in its management activities of anti-social forces and damage incurred thereby.

2. Status of development

The Company has positioned the handling of anti-social forces as part of the compliance assurance activities of the Group, and has set up an internal supervisory department and appointed a manager in charge of dealing with unreasonable demands. In addition, the Company has established systems to handle anti-social forces, such as developing a manual for addressing anti-social behavior, providing training regularly, gathering broad-based information, and cooperating with the Tokyo Metropolitan Police Department and other external specialized agencies.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation
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2. Other Matters Concerning to Corporate Governance System

The Company ensures prompt, accurate, and fair disclosure of important company information that would affect investment decisions of investors in accordance with the "Timely Disclosure Rules" prescribed by the Tokyo Stock Exchange and relevant laws and ordinances.

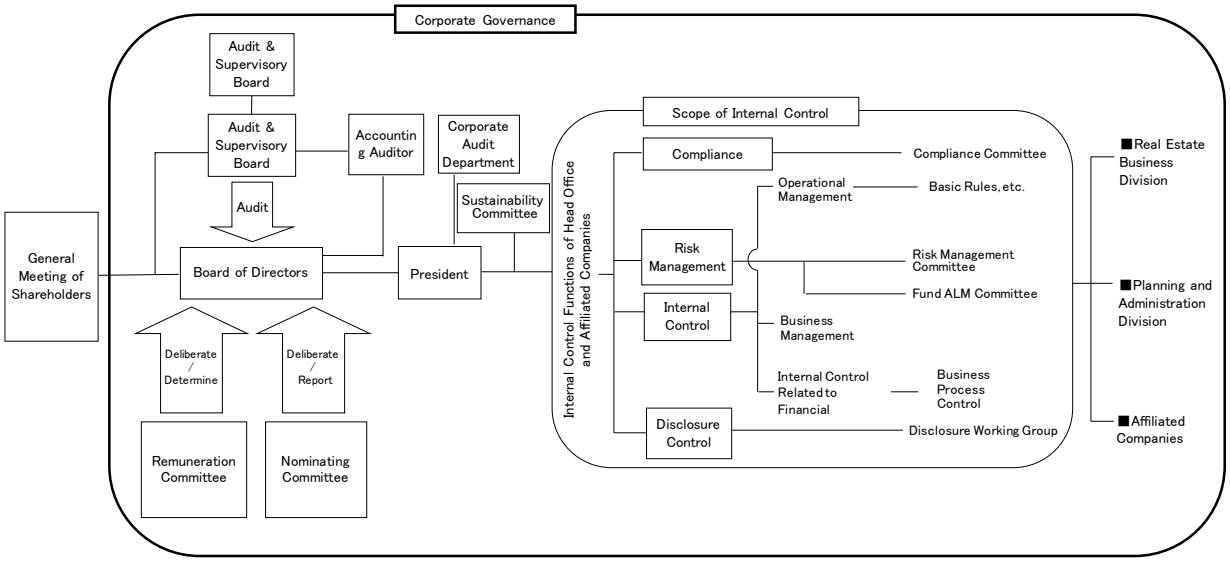
Specifically, the Company has formulated the "Disclosure Control Regulations" and the "Regulations regarding Insider Trading Management and Disclosure Information Management," in order to facilitate an accurate understanding and evaluations of the Company by all of its stakeholders, including shareholders and investors.

In addition, the Company has its Information Handling Manager manage important information regarding internal controls and financial information in a unified manner, which enables the Company to ensure the comprehensiveness of information and timely and appropriate disclosure, and to clarify where responsibility lies.

Specifically, in the case of determined facts, important company information regarding resolutions by the Board of Directors and important information of subsidiaries are centralized at the Business Planning and Management Department, and Information Handling Manager determines whether or not said information falls under timely disclosure rules based on the opinions of the Disclosure Working Group. In such case, information is managed strictly until disclosure, with the Legal & Compliance Department serving as the department in charge of its management. Business Planning and Management Department serves as the secretariat of the Board of Directors, as well as the department controlling the management of affiliated companies. It cooperates with each department of the Group to gather information. If the said information is determined to be important, Information Handling Manager reports it to the President promptly. After receiving the approval of the Board of Directors, the Legal & Compliance Department and Corporate Communications & Investor Relations Department, etc. follow procedures for disclosure.

The Legal & Compliance Department, which has obtained information from each department, cooperates with Information Handling Manager to handle facts on what has occurred. The said information is reported to the President if it is deemed to require disclosure, and the Legal & Compliance Department and Corporate Communications & Investor Relations Department, etc. follow procedures for disclosure.

Corporate Governance System



Situation of the corporate system according to the timely disclosure

