

## Corporate Governance

### Basic Stance on Corporate Governance

The CTC Group's basic stance on corporate governance is grounded in the overarching philosophy of "Challenging Tomorrow's Changes." This represents the execution of a clear mission and accepting the ongoing challenge of achieving our vision founded on a firm sense of values. In this way, we at CTC endeavor to implement our philosophy of changing society for the better through business activities. It is based on this corporate philosophy that we are further enhancing management transparency and fairness and striving to reinforce corporate governance.

### Corporate Governance System and Structure

The Board of Directors, which consists of 12 members, including one outside director, convened meetings on a total of 18 occasions during the previous fiscal year. The Board of Directors makes decisions on important management-related issues and supervises the execution of duties by directors in accordance with various laws, the Company's Articles of Incorporation, General Meeting of Shareholders' resolutions, Board of Directors' regulations, CTC's corporate philosophy and the Group Code of Conduct.

The Board of Corporate Auditors is composed of four members, three of whom are appointed from outside the Group. In the previous fiscal year, the Board of Corporate Auditors met on 11 occasions. Within the limits of their legal authority, Corporate Auditors cooperate with the Audit Division and Independent Auditor and audit the execution of duties by directors for appropriateness.

Furthermore, CTC has adopted an executive officer system. This system is intended to delegate authority and responsibility for businesses in specific fields and encourage quick decision making. Executive officers perform their duties within a defined scope of authority and in accordance with the instructions of the representative director. Directors responsible for the execution of specific duties hold the concurrent position of executive officer.

### Internal Control and Risk Management Systems

In an effort to enhance the efficacy of its corporate governance systems, CTC places considerable emphasis on developing a robust structure that encompasses compliance, risk management and internal control.

Internal control is indispensable for the survival and continuous development of a company, and we believe that it should be integrated into our daily work. On this basis, CTC has promoted the

framework of a system required by law, and in 2006 we formulated our "Basic Policy on the Internal Control System" and established the Internal Control Preparation Committee, which, after fiscal 2008, became known as the Internal Control Committee.

Based on the Corporate Law of Japan, the system of internal control assures the appropriateness of operations, with the Corporate Planning Department tasked as the principal authority to conduct oversight and review, with the results being reported to the Internal Control Committee. A framework exists whereby upon determination of points for improvement, approval for their implementation from the Board of Directors is obtained. The "Basic Policy on the Internal Control System" also undergoes a review by the Board of Directors once every year.

The CTC Group's compliance system includes the "CSR Committee," an advisory institution to the President (Management Committee) that plans, implements and makes judgments on compliance, and the CSR and Security Team as a unit for supervision. A committee meeting is held five times a year, and non-scheduled meetings are also held as necessary. Decisions made at committee meetings are reported to the Management Committee meeting held twice a year. In addition, for each business group, administration unit and subsidiary company, we assigned an "Ethics and Compliance Leader" who provides communication and education on and implementation of compliance-related matters and who also monitors the compliance status at his or her unit or company. Furthermore, in order to disseminate information and enlighten workers regarding compliance issues, we conduct compliance education as part of our employee training, and we also refer to compliance matters in our personnel evaluations. Based on this education, we require each employee of the CTC Group to submit a statement concerning the observance of ethics, compliance and information security once a year. By doing so, we help to prevent the occurrence of accidents and, in case an accident does occur, we appropriately respond to it and take countermeasures.

The Company has established various internal committees and a control division, in addition to the Risk Control Committee, to respond to diverse risks. In addition, we have created various management regulations, business continuity plans, investment standards, credit limits and a reporting and supervisory structure, and established necessary risk management systems and management methods to control risks throughout the Group.

### Corporate Governance System

