

CORPORATE GOVERNANCE GUIDELINES

PARK24 CO.,LTD.
Revision May 30, 2019

1. Purpose of Enactment and Policy

The PARK24 GROUP (hereinafter “the GROUP”) seeks to increase its value over the medium and long terms and achieve sustainable growth by adopting the PARK24 Corporate Governance Guidelines as a framework for stronger corporate governance and by acting to strengthen and enhance corporate governance.

■ Basic Concept of Corporate Governance

The GROUP strives to make sustainable improvements in its corporate value under its philosophy “We create new forms of comfort and convenience by responding to the needs of today and anticipating the needs of tomorrow.”

Essential factors for the sustainable enhancement of corporate value include the establishment of trust with all stakeholders, in addition to the growth of the GROUP’s businesses. From this perspective, the GROUP seeks to strengthen and enhance the level of corporate governance by continuing to improve the fairness, reasonableness and transparency of management.

<Our GROUP philosophy>

We create new forms of comfort and convenience by responding to the needs of today and anticipating the needs of tomorrow.

PARK24 GROUP provides comfort and convenience in forms both familiar and entirely new. We help to make urban environments and the lives of people living and working in them richer and pleasanter. We listen carefully to our customers to create services that meet the needs of the times and enhance sustainability. This thinking underpins all our interactions with all our stakeholders.

2. Corporate Governance System

■ Organizational Design

The GROUP has an Audit and Supervisory Committee governance structure, and seeks to continually increase its corporate value by ensuring management transparency and fairness and strengthening the supervisory functions. The GROUP also adopts the Corporate Officer system, separating the supervisory functions (Directors) and the business execution functions (Corporate Officers), with the intention of speeding up decision-making.

■ Board of Directors

(1) Role of the Board of Directors

- The GROUP believes that one of the important roles and responsibilities of the Board of Directors is to determine the direction of strategies and the allocation of management resources, and The GROUP’s annual plan, medium-term management plan, management strategies and management plans are discussed and formulated by the Board of Directors. Through this, The GROUP aims to continuously enhance corporate value in the medium and long terms to the benefit of all stakeholders.

(2) Structure and Size

- The Board of Directors establishes various regulations such as the Regulations on Organization, Division of Duties and Authority that clearly specify duties and authority, and puts in place systems to enable the efficient execution of business. It also reviews regulations as necessary to reflect changes in the law or to increase the efficiency of execution of duties, and puts in place systems to ensure effective cooperation between departments.
- To enable sufficient discussion and to speed up decision-making, The GROUP has no more than ten (10) Directors excluding Directors who are Audit and Supervisory Committee Members and no more than five (5) Directors who are Audit and Supervisory Committee Members.

(3) Assessment to Ensure Effectiveness

- The Directors, including Outside Directors, assess each other, and these assessments are used as a basis for the fair and transparent assessment of Directors. The GROUP also establishes systems for internal reporting and reporting by GROUP companies to ensure the accuracy and timeliness of information.
- The Board of Directors conducts a self-assessment every fiscal year, the Directors constantly question and modify the nature of The GROUP’s Board of Directors and governance. They also analyze and assess the overall effectiveness of the Board of Directors based on the objective and well-informed views and assessments of Outside Directors.

- (4) Remuneration
- Stock options linked to medium- and long-term financial results will be added to compensation paid to Directors and Corporate Officers in addition to basic remuneration and bonuses linked to the results for the fiscal year under review.
 - The amounts and other details of the bonuses and stock options linked to financial results will be determined at meetings of the Board of Directors according to the level of the financial targets that have been achieved.
- (5) Operating System of Board of Directors
- To encourage active deliberation at meetings of the Board of Directors, the Regulations of the Board of Directors stipulate the following.
 - (i) Meeting materials are distributed at least three days prior to the meeting.
 - (ii) Necessary management information is shared via email.
 - (iii) The schedule for meetings of the Board of Directors is determined every half.
 - (iv) Ordinary meetings of the Board of Directors are held every month and extraordinary meetings are held whenever necessary.
 - (v) Time for discussion is extended as appropriate.

■ Audit and Supervisory Committee

(1) Role of the Audit and Supervisory Committee

- In addition to introducing Outside Directors, The GROUP establishes an Audit and Supervisory Committee to further strengthen audit and supervisory functions and the corporate governance system, and it grants Directors who are Audit and Supervisory Committee Members (including Outside Directors) the right to vote at meetings of the Board of Directors in a bid to increase corporate value.
- The Audit and Supervisory Committee is not involved in the execution of business and puts a certain distance between it and the execution of business, thereby ensuring that it is effective in independently and objectively supervising management by the Board of Directors

(2) Composition of the Audit and Supervisory Committee

- The majority of Audit and Supervisory Committee Members are Outside Directors. Audit and Supervisory Committee Members have extensive management expertise and actively express opinions to the Board of Directors and senior management from an independent, objective standpoint.
- The Audit and Supervisory Committee gains an understanding of the implementation of audits through the audit reports of the Accounting Auditor and attendance at visiting audits and, each fiscal year, the Audit and Supervisory Committee holds deliberations on resolutions to appoint and remove directors in accordance with assessment criteria.

■ Nomination and Compensation Committee

(1) Purpose of the Nomination and Compensation Committee

- The Nomination and Compensation Committee aims to enhance the corporate governance of the GROUP by continuing to improve its corporate governance system in such ways as appropriately securing opportunities for the involvement and advice of Outside Directors in decision-making on the nomination and compensation of Directors, etc. and improving the fairness, transparency and objectivity of the decision-making process of the Board of Directors.

(2) Role of the Nomination and Compensation Committee

- ① Matters concerning the election and dismissal of Directors (matters to be resolved at a general meeting of shareholders)
- ② Matters concerning the appointment and removal of the Representative Director (matters to be resolved at a meeting of the Board of Directors)
- ③ Matters concerning the appointment and removal of Executive Directors (matters to be resolved at a meeting of the Board of Directors)
- ④ Matters concerning the policy for deciding compensation, etc. for Directors
- ⑤ Matters concerning compensation, etc. for Directors (excluding Audit and Supervisory Committee Members)
- ⑥ Matters concerning the compensation limit for Directors (matters to be resolved at a general meeting of shareholders)
- ⑦ Matters concerning successor plans

- ⑧ Other important management matters which the Board of Directors deems necessary
- (3) Composition of the Nomination and Compensation Committee
 - ① The members of the Nomination and Compensation Committee are the Representative Director and Outside Directors.
 - ② The chairperson is appointed from Outside Directors.

■ Directors and Audit and Supervisory Committee Members

(1) Appointment of Directors

- Based on the belief that the most effective way to make flexible and reasonable management judgments is to have a Board of Directors made up of individuals who are the most familiar with The GROUP's business, The GROUP appoints individuals who understand and can implement the GROUP's management philosophy, who have good knowledge and personality, and can fulfill the responsibilities of a Director.
- The Representative Director and the Director for Personnel Affairs assess the personality, experience and skills, etc. of candidates and draw up proposals, and the Board of Directors, including the Outside Directors, determine appointments through transparent procedures and deliberations.
- The GROUP reports reasons for appointing Director and Outside Director candidates in the Convocation Notice of the Ordinary General Meeting of Shareholders, etc., and publishes this information on its website.
- The GROUP puts in place a transparent and fair system for nominating the successor of the Chief Executive Officer, etc., systematically developing management human resources and appointing to its Board of Directors, including Outside Directors, individuals who understand and can implement the GROUP's management philosophy, have a good knowledge and personality, and are able to fulfill the responsibilities of a Director.

(2) Appointment of Audit and Supervisory Committee Members

- The GROUP appoints Outside Directors and full-time Directors who are Audit and Supervisory Committee Members as Audit and Supervisory Committee Members, combining the objectivity and strong knowledge of Outside Directors with the information gathering capacity of full-time Directors who are Audit and Supervisory Committee Members to increase the Committee's effectiveness.

(3) Independent Outside Directors

- Outside Directors draw on their knowledge of steering and improving management to give advice and supervise management through participation in important decisions made by the Board of Directors and important meetings, from the viewpoint of promoting sustainable corporate growth to increase corporate value in the medium and long terms.
- Every Independent Outside Director participates in other important meetings besides meetings of the Board of Directors, actively exchanging opinions and seeking to share information and share their awareness from an independent, objective standpoint.
- When appointing Outside Director candidates, The GROUP adheres to the independence requirements set forth by the Tokyo Stock Exchange and also establishes its own standards for judging the independence of Outside Directors, and it makes decisions based upon comprehensive consideration of individuals who will be able to draw on extensive corporate management experience and specialist knowledge, etc. to offer advice and opinions to management from a wider perspective.
- Details of important concurrent positions are disclosed every year through the securities report, the corporate governance report, etc.

(4) Standards for Judging the Independence of Independent Outside Directors

- In addition to the independence requirements set forth by the Tokyo Stock Exchange, The GROUP establishes its own standards for judging the independence of Outside Directors, and makes these public through inclusion in the Convocation Notice of the Ordinary General Meeting of Shareholders, etc.

(5) Training Policy

- Every Director is nominated on the basis that he or she has suitable experience and knowledge to

execute the required duties and assumes office subject to the approval of the General Meeting of Shareholders. Every Director undertakes to hone the skills and abilities needed to serve as Director by means such as membership of external organizations and seminars, and The GROUP also examines introducing other training at its own expense where necessary.

- Directors actively request any information or materials considered necessary and the requested departments promptly provide such information.
- When making important management decisions, Directors examine as appropriate whether they need to obtain an opinion from an outside expert and seek advice where necessary.

■ Accounting Auditor

- The Accounting Auditor owes a responsibility to shareholders and investors to ensure that audits are conducted properly and cooperates with the Audit and Supervisory Committee, the Accounting Department and other relevant departments in taking appropriate actions to ensure that audits are conducted properly, including efforts to ensure an appropriate audit schedule and audit system
- The Accounting Auditor, the Audit and Supervisory Committee and the Internal Audit Department hold meetings on a regular basis to ensure sufficient cooperation between them.

■ Internal Control

- The GROUP establishes the GROUP-wide Compliance Department as a department in charge of internal control that is independent from the Board of Directors, and the GROUP-wide Compliance Department cooperates with the Audit and Supervisory Committee and the Accounting Auditor to conduct audits of Group companies and puts in place internal controls relating to compliance and financial reporting and an anticipative risk management system.

3. Relationship with Stakeholders

■ Relationship with Shareholders and Investors

(1) General Meeting of Shareholders

- The GROUP actively and fairly discloses management information, including management policies, financial information and information on business activities, to effectively ensure the rights of all shareholders, and develops an appropriate environment to facilitate exercise of rights by shareholders.
- The GROUP endeavors to dispatch convocation notices early (three weeks before the General Meeting of Shareholders. Electronic disclosure is made the day before the dispatch date), to prepare notices in English, and to improve and expand the information it provides and it also develops an appropriate environment for the exercise of rights through the exercise of voting rights via the Internet and participation in an electronic voting platform.
- Regarding the exercise of voting rights by beneficial shareholders, although The GROUP does not allow beneficial shareholders such as institutional investors holding shares in the name of trust banks, etc., to exercise voting rights themselves in place of a general meeting of shareholders, it consults with trust banks, etc. over methods of identifying shareholders.

(2) Ensuring the Rights of Shareholders

- Regarding voting outcomes, The GROUP analyzes why shareholders opposed proposals put forward by The GROUP or why many shareholders voted against a certain proposal and examines how to deal with shareholders in cooperation with the relevant departments.
- The GROUP endeavors to effectively ensure the rights of all shareholders including minority shareholders and overseas shareholders and gives full attention to ensuring that actions in accordance with the procedures stipulated in the Share Handling Regulations is taken with respect to the exercise of rights by shareholders and to preventing any delay in the exercise of rights.

(3) Capital Policy

- The GROUP aims to achieve efficient management that meets with the satisfaction of all shareholders and stakeholders by always generating profits that exceed capital costs and enhancing corporate value.
- The GROUP strives for efficient management, aiming for a consolidated return on equity (ROE) of 20%.
- When implementing a capital policy that will bring about a fluctuation in control or a large-scale dilution of shares, The GROUP discusses this fully at meetings of the Board of Directors and the Audit and Supervisory Committee, promptly discloses information such as the process of examination and the purpose of implementation and utilizes opportunities for dialogue such as the

general meeting of shareholders and the settlement briefing to provide full explanations.

(4) Policy on Cross-shareholdings

- Regarding the holding of shares for reasons other than investment, The GROUP holds shares judged as being strategically necessary for the purpose of maintaining and strengthening relations with business partners that are crucial for increasing The GROUP's corporate value in the medium and long terms.
- When exercising its voting rights, The GROUP considers its relationship with The GROUP in which it holds shares and exercises its voting rights based on an assessment of the details of proposals from the viewpoint of increasing The GROUP's returns to its shareholders in the medium and long terms and increasing the corporate value of the relevant company.

(5) Anti-takeover Defense Measures

- Maintaining sustainable growth and enhancing and maximizing corporate value are The GROUP's top priorities and it does not adopt anti-takeover defense measures.
- In the event of a takeover bid for The GROUP's shares, The GROUP would promptly disclose to its shareholders the approach of the Board of Directors, since a change in The GROUP's ownership structure could significantly impact on shareholder returns. The GROUP also respects the rights of shareholders and would not prevent shareholders from accepting a takeover bid.

(6) Prevention of Transactions between Related Parties

- The GROUP establishes and upholds a Code of Conduct to ensure that its officers and employees comply with laws and regulations and act sensibly and ethically to prevent related parties of The GROUP from engaging in related party transactions and to avoid related party transactions that pose a conflict of interests.
- The Regulations of the Board of Directors stipulate that any related party transactions involving its Directors must be approved by the Board of Directors and the fact of the transactions must be reported afterwards.

(7) Constructive Dialogue with Shareholders

- The GROUP actively makes timely and appropriate disclosures for the purpose of engaging in constructive dialogue with its shareholders.
- The President and Representative Director is responsible for dialogue with shareholders and the Planning and Administration Division takes the lead in routinely cooperating with relevant departments that have the information necessary for IR activities, making information disclosures in accordance with the Information Disclosure Policy published on the website and encouraging dialogue with shareholders and investors, as well as putting in place systems for actions taken after disclosure, internal feedback and reporting to the Board of Directors.
- In the event of dialogue, The GROUP exercises information management in accordance with internal regulations (Regulations for the Prevention of Insider Trading).

■ Relationship with Employees

- The GROUP sets forth the "PARK24 GROUP Code of Conduct" and, with "We create new forms of comfort and convenience by responding to the needs of today and anticipating the needs of tomorrow." as its philosophy, the GROUP's basic management policy is to aim to enhance its corporate value sustainably by establishing trust with all stakeholders and seeking to expand and enhance all mobility services, including parking services, at the same time to create an environment where mobility services will become more convenient and accessible for more people.
- Each Group Company has a set of basic principles and guidelines, which are distributed to officers and employees. Senior management also create opportunities to explain directly to employees initiatives designed to foster a corporate culture and ethos, raising awareness so that employees collaborate properly with stakeholders and respect their interests and are able to act appropriately, in a sound, sensible and ethical manner.
- The GROUP conducts compliance tests on a regular basis, the results are reported to management and the status of implementation of the Code of Conduct is reviewed as appropriate.
- To promote diversity in human resources, including active participation by women, The GROUP holds internal seminars and provides information aimed at increasing employee working styles; it raises awareness among management, and promotes the creation of mechanisms to support active participation by diverse human resources across the GROUP.

- The GROUP establishes a whistleblowing system (operated by departments, independent from senior management, that serve as a point of contact for whistleblowing at GROUP companies; the Regulations for the Protection of Whistleblowers provide for the anonymity of those that provide information and prohibit disadvantageous treatment of whistleblowers) and operates mechanisms that can be used by all employees of the PARK24 GROUP.

■ Relationship with Customers

- The GROUP contributes to the sustainable development of society by delivering the comfort required by people and the times through stronger mutual understanding with customers based on its philosophy “We create new forms of comfort and convenience by responding to the needs of today and anticipating the needs of tomorrow.”

■ Relationship with society

- The GROUP pursues each of its businesses in the belief that expansion of the Parking and Mobility businesses will in itself help solve environmental problems, reducing roadside parking through the establishment of time parking facilities, preventing traffic accidents that are caused by roadside parking, and introducing ecofriendly vehicles in the Mobility business to reduce pollution caused by CO2 emissions.

4. Information Disclosure Policy

- The GROUP makes fair, timely and appropriate disclosures to increase understanding of the GROUP among all stakeholders.

- The GROUP uses its website and other means to actively disclose information which it is legally required to disclose, management strategies, management plans and other important corporate information of a financial nature, non-financial information relating to risk and governance, and other corporate information that is judged to require disclosure. It also endeavors to enhance internal systems to ensure that prompt, accurate and fair disclosures of corporate information are made in an appropriate manner.

Enacted January 27, 2016

Revised December 17, 2018

Revised May 1, 2019

Revised May 30, 2019