Corporate Governance Report

Last Update: December 25, 2018
Financial Products Group Co., Ltd.
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https://www.fpg.jp/en/

The corporate governance of Financial Products Group Co, Ltd. (the "Company") is described below.

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

1. Basic Views

The Company commits itself to having a management system that recognizes the importance of enhanced corporate governance, that serves as a mechanism to carry out transparent, fair and quick and decisive decision-making, and is essential to its sustainable growth and improvement of its enterprise value over the medium to long-term, from the standpoint of all stakeholders, including shareholders, customers, employees, and social communities.
From this point of view, the Company has a Board of Directors and an Audit & Supervisory Board which are mainly composed of Independent Outside Directors and Independent Outside Audit & Supervisory Board Members, making several commitments including "separating of the supervisory function of the Board of Directors from the execution function of executive officers," "strong independence of the Board of Directors," "strengthening of the supervisory function of the Board of Directors" and "close information sharing and collaboration between independent outside Directors and the Audit & Supervisory Board."
In addition, to realize the above commitments, the Company recognizes the importance of its Code of Conduct as constituting the foundation of its fundamental way of thinking, and defined the "FPG Group Compliance Policy" as follows, based on which officers and employees of the Company shall act:

(1) We aim at being "true professionals" in the financial sector.
(2) We always keep ourselves innovative, and strive to learn advanced and innovative expertise.
(3) We comply with social norms, such as laws and regulations, and engage in fair corporate activities in line with this.
(4) We offer products and services satisfying the customers' needs together with appropriate information.
(5) We respect the individuality and diversity of all parties concerned and take care to have sufficient communication.
(6) We stand firmly against anti-social forces and refuse any relationship with them.

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

【Supplementary Principles 1.2.4】
At the Ordinary General Meeting of Shareholders of the Company, considerable portion of voting rights are exercised every year. From the 15th Ordinary General Meeting of Shareholders, the company introduced the website for the exercise of voting rights and the electronic voting platform. As such, a good environment for the exercise of voting rights by shareholders is ensured. In the future, considering the percentage of overseas investors and other factors, consideration will be given to translating the convocation notice into English.

【Supplementary Principles 4.1.3】
The Board of Directors recognizes that having a succession plan for the President & CEO is an important issue in the continuity of the Company's sustainable growth. The Company has not yet established a specific succession plan, but the Board of Directors regularly discusses the qualities and expertise required of its top executives.

【Supplementary Principles 4.2.1】
Remuneration for executive officers comprises an annual salary and bonuses, which vary depending on business performance, and in March 2018 the Company introduced a stock compensation scheme for executive officers under which restricted stock is granted. This is intended to function as a sound incentive for ensuring that the Company's sustainable growth is reflected in remuneration.

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

【Principle 1.4】 Cross-Shareholdings
The Company does not have any so-called cross-shareholdings for the purpose of maintaining business relationships, except for investments with strategic significance.
Decisions on investments with strategic significance are made by the Board of Directors after sufficient consideration of their medium- to long-term economic rationality and future outlook based on risk and return. Moreover, strategic investments that have been executed are monitored periodically to determine the appropriate exercise of voting rights and whether or not to continue holding.

【Principle 1.7】 Related Party Transactions
With regard to transactions with related parties, the Company defines in the regulations that such transactions shall require an approval of the Board of Directors in advance pursuant to the Companies Act. In addition, the Company reports the transaction results to the Board of Directors and appropriately discloses them pursuant to the applicable laws and regulations.

【Principle 2.6】Pension asset ownership function
The Company has established only a (corporate-type) defined contribution pension plan, and does not have a corporate pension plan. The Company selects managers and products that perform well for the (corporate-type) defined contribution pension plan.

【Principle 3.1】 Full Disclosure
The Company has endeavored to enhance its information disclosure as listed below, aiming to ensure the transparency and fairness of the decision-making and achieve effective corporate governance, in addition to carrying out a disclosure pursuant to the laws and regulations.
(1) The Company's management philosophy and management strategies are disclosed in the Company's website, materials for financial results and others.
(https://www.fpg.jp/en/company/philosophy.html)
(https://www.fpg.jp/en/ir/news.html)
(2) The basic policy of corporate governance is disclosed in "Basic Views" in the Corporate Governance Report, annual securities reports and others. (https://www.fpg.jp/en/ir/governance.html)
(3) The policies and procedures of the remuneration of Directors are described in the "Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods" of the "Director Remuneration" in the Corporate Governance Report.
The remuneration for each Director or Audit & Supervisory Board Member is determined by the Board of Directors where Outside Directors account for a majority of votes, within the limits mentioned above, taking into account the business performance of the Company and other criteria.)
(4) The appointment or dismissal of members of the executive management team is deliberated and decided by the Board of Directors, the majority of which are Independent Outside Directors, in accordance with the procedures and appointment/dismissal standards that are defined by internal rules. The submission of a nomination of a candidate for Director or Audit & Supervisory Board Member to the Ordinary General Meeting of Shareholders is deliberated and decided by the Board of Directors, in accordance

with the procedures and nomination standards that are defined by internal rules. The consent of the Audit & Supervisory Board is obtained for the submission of a resolution nominating an Audit & Supervisory Board Member.

(5) For individual appointments of executive officers to the executive management team, an explanation for the appointment is provided to the Board of Directors. The reason for the appointment of each candidate for Director or Audit & Supervisory Board Member is disclosed in the convocation notice of the Ordinary General Meeting of Shareholders. The reason for the appointment of each executive officer to the executive management team is not currently disclosed.

【Supplementary Principles 4.1.1】

The Board of Directors delegates the decision-making authority for business execution to a Representative Director and executive officers, except the matters to be discussed by the Board of Directors as stipulated by the Regulations of the Board of Directors, the Approval Regulations and the Administrative Authority Regulations as well as the matters specified by laws and regulations.

【Principle 4.9】 Independence Standards and Qualification for Independent Directors

For the purpose of appointing an Independent Outside Director, the Company's basic policy is to appoint an eligible person who can provide appropriate supervision of the Company's management from his/her objective standpoint based on his/her abundant experience and extensive knowledge of business management and professional background, in compliance with provisions of the Companies Act and the criteria on the independence of Outside Directors as stipulated in the Tokyo Stock Exchange (the "Guidelines Concerning Listed Examination, etc." defined by the Tokyo Stock Exchange).

【Supplementary Principles 4.11.1】

The Company's Board of Directors comprises individuals from a variety of industries and professions including financial services, IT, accountants, and lawyers. The Company also takes diversity from both a gender and international perspective into consideration by including directors who are female and foreign nationals. The Company keeps the number of people on the Board of Directors small to enable substantive discussion. For Director candidates, the Company selects appropriate people who have abundant experience and extensive knowledge in business management or a professional area based on the procedures and standards established by internal rules.

【Supplementary Principles 4.11.2】

The record of attendance at the meeting of the Board of Directors or the Audit & Supervisory Board by Directors and Audit & Supervisory Board Members of the Company and their concurrent positions are disclosed in the convocation notice of the Ordinary General Meeting of Shareholders.
(https://www.fpg.jp/ir/soukai.html)

【Supplementary Principles 4.11.3】

To analyze and evaluate the effectiveness of the Board of Directors during the fiscal year ended September 30, 2018 (October 1, 2017-September 30, 2018), all Directors and Audit & Supervisory Board Members completed a self-evaluation using a signed "Self-Evaluation Questionnaire" created based on discussions at the regular meeting of the Board of Directors (held on October 15, 2018). Each question on the questionnaire allowed for responses on both a scale of one to five and in the form of a text comment.
According to the results of the questionnaire, scores rose for 18 of the 21 items from the previous year, indicating that the overall effectiveness of the Board of Directors is improving.
The results of the survey are summarized as follows:
(1) Size and composition of the Board of Directors
Regarding the composition of the Board of Directors, there were many positive responses concerning the fact that Outside Directors make up the majority of the Board of Directors.
(2) Conduct of Board meetings
There were many generally positive responses to the questions about matters such as the meeting frequency and the duration of discussions. At the same time, some expressed the desire for a mechanism to control the allocation of discussion time according to the importance of the agenda item.
(3) Board deliberations
There were many generally positive responses concerning the scope of the agenda (matters to be discussed) and the contributions made by both Directors and Audit & Supervisory Board Members to the discussion of

each agenda item. Some had the opinion that the Board's effectiveness in managing and monitoring the Group, including foreign subsidiaries in particular, has improved.
(4) Coordination and support for Outside Directors
There were many generally positive responses regarding communication with Outside Directors outside of Board meetings.
(5) Shareholder support
There were both positive opinions as well as opinions expressing a desire for improvement with respect to providing information related to communication with shareholders, discussing shareholder returns, and disseminating information to shareholders via IR. With respect to opinions expressing a desire for improvement, from the standpoint of emphasizing dialogue with shareholders, Directors and Audit & Supervisory Board Members would like to see improvement in the quality of the information disseminated to shareholders as well as further improvement in feedback on IR activities to the Board of Directors.

The following items were confirmed as issues to be addressed based on the above results:
・To raise the level of discussion about highly important matters in areas like business strategy and business planning, sufficient time should be set aside and follow-up should be institutionalized.
・From the standpoint of placing importance on dialogue with shareholders, the quality of the information disseminated to shareholders should be improved and the feedback on IR activities to the Board of Directors also warranted further improvement.

【Supplementary Principles 4.14.2】
The Company has a system in place for the convenience of each of the Directors and Audit & Supervisory Board Members to provide them opportunities, arrangements and costs for the acquisition of knowledge that are necessary for the fulfillment of his/her duty, including the renewal of such knowledge on a continuing basis, as well as for the acquisition of external governance knowledge, as necessary.

【Principle 5.1】 Policy for Constructive Dialogue with Shareholders
The Company believes it important to promote a constructive dialogue with shareholders for its sustainable growth and improvement of its enterprise value over the medium to long-term. Therefore, the Company has a basic policy to disclose information to wider audiences, make timely, appropriate and fair disclosure of information, and ensure the transparency of corporate activities. Based on this policy, the Company has implemented the following initiatives:
(1) The Company places IR staff in the Corporate Planning Department, and causes the Executive Officer in charge of the Corporate Planning Department to oversee the IR activities.
(2) For individual shareholders and investors, the Company holds appropriately briefing session.
(3) For corporate shareholders and institutional investors, the Company holds financial results briefings on a semiannual basis, and also holds conferences (including overseas) and individual meetings.
(4) The Company indicates an e-mail address and telephone number for IR inquiries on the Company's website, and makes replies to inquiries from shareholders and investors, as appropriate, as immediately as possible.
(5) For insider information management, the Company established the "Rules for Prevention of Insider Trading" with which the officers and employees are required to strictly comply, in order to maintain proper control of material facts and prevent any insider trading.
(6) From a fair disclosure standpoint, the Company controls undisclosed material facts and definitive financial information as material information, and discloses material information appropriately when there is an obligation to do so.

2. Capital Structure

Foreign Shareholding Ratio	From 10% to less than 20%

[Status of Major Shareholders] Updated

Name / Company Name	Number of Shares Owned	Percentage (%)
HT Holdings Co., Ltd.	24,300,000	26.94

The Master Trust Bank of Japan, Ltd. (Trust account)	6,835,400	7.58
Japan Trustee Services Bank, Ltd. (Trust account)	2,725,800	3.02
Hisanaga Tanimura	2,199,600	2.44
STATE STREET BANK AND TRUST CLIENT OMNIBUS ACCOUNT OM02 505002	1,353,900	1.50
BBH (LUX) FOR FIDELITY FUNDS PACIFIC FUND	1,285,500	1.43
Japan Trustee Services Bank, Ltd. (Trust account 5)	1,229,600	1.36
Trust & Custody Services Bank, Ltd. (Security investment trust account)	1,033,200	1.15
MSCO CUSTOMER SECURITIES	1,007,373	1.12
Japan Trustee Services Bank, Ltd. (Trust account 1)	951,600	1.06

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

Supplementary Explanation Updated

①Although the Company holds 2,185,782 treasury shares, it is excluded from the major shareholders listed above.
②On May 10, 2017, FIL Investments (Japan) Limited submitted a Change Report Pertaining to Report of Possession of Large Volume to the Director-General of the Kanto Local Finance Bureau stating the number of shares held as of April 28, 2017, but the Company has been unable to confirm the number of shares held by effective shareholders as of September 30, 2018, and the above Status of Major Shareholders is based on the information listed in the shareholder registry. The number of shares held as shown in the report and the percentage in relation to the total number of issued shares (except for treasury shares) as of September 30, 2018 are as follows.

(Company Name)
FIL Investments (Japan) Limited
(Address)
7-7-7 Roppongi, Minato-ku, Tokyo
(Number of Shares Owned)
6,096,900
(Percentage in relation to the total number of issued shares (except for treasury shares))
6.76%
③On October 5, 2018, Mizuho Securities Co., Ltd. submitted a Change Report Pertaining to Report of Possession of Large Volume to the Director-General of the Kanto Local Finance Bureau stating the number of shares held as of September 28, 2018, but the Company has been unable to confirm the number of shares held by effective shareholders as of September 30, 2018, and the above Status of Major Shareholders is based on the information listed in the shareholder registry. The number of shares held as shown in the report and the percentage in relation to the total number of issued shares (except for treasury shares) as of September 30, 2018 are as follows.

(Company Name)
Mizuho Securities Co., Ltd.
(Address)
1-5-1, Otemachi, Chiyoda-ku, Tokyo
(Number of Shares Owned)
100,400
(Percentage in relation to the total number of issued shares (except for treasury shares))
0.11%
(Company Name)
Asset Management One Co., Ltd.
(Address)

1-8-2 Marunouchi, Chiyoda-ku, Tokyo (Number of Shares Owned) 3,652,600 (Percentage in relation to the total number of issued shares (except for treasury shares)) 4.05%

3. Corporate Attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange First Section
Fiscal Year-End	September
Type of Business	Securities & Commodity Futures
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	From 100 to less than 500
Sales (consolidated) as of the End of the Previous Fiscal Year	From ¥10 billion to less than ¥100 billion
Number of Consolidated Subsidiaries as of the End of the Previous Fiscal Year	Less than 10

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

None

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

None

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 Audit & Supervisory Board

[Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	10
Term of Office Stipulated in Articles of Incorporation	2 years
Chairperson of the Board	President
Number of Directors	5

[Outside Directors]

Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1) Updated

Name	Attribute	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Masashi Funayama	CPA											
Brian Nelson	From another company								△			
Keiko Ohara	Attorney at law											

* 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/an Audit & Supervisory Member
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/ Audit & Supervisory Members 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) Updated

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons of Appointment
Masashi Funayama	○	【Significant concurrent positions】 President of Funayama CPA office, Director of FPG Trust Co., Ltd.	[Reasons for appointment as an Outside Director] The Company appointed him as an Outside Director, so that the management of the Company can benefit from his abundant experience and extensive knowledge of private banking business accumulated in a major financial institution and a major audit firm.

			[Reasons for designation as an Independent Director] The Company designated him as an Independent Director because he has no special interest in the Company and there are no matters that may be considered to be problematic in terms of the criteria for independence that have been specified by the exchange and, as a result, the Company has judged that a conflict of interest with general shareholders is unlikely to arise.
Brian Nelson	○	【Significant concurrent positions】 Co-Founder and Director of Weatherly Japan K.K. Co-Founder and CEO of BNC Co., Ltd.	[Reasons for appointment as an Outside Director] The Company appointed him as an Outside Director to enable the Company's management to utilize his global perspective and broad expertise in marketing using the Internet obtained through involvement in the management of domestic and foreign companies conducting market research and web marketing. [Reasons for designation as an Independent Director] The Company designated him as an Independent Director because he has no special interest in the Company and there are no matters that may be considered to be problematic in terms of the criteria for independence that have been specified by the exchange and, as a result, the Company has judged that a conflict of interest with general shareholders is unlikely to arise.
Keiko Ohara	○	【Significant concurrent positions】 None	[Reasons for appointment as an Outside Director] The Company appointed her as an Outside Director because it has determined that although she has no direct experience in managing a company, she has extensive experience as a lawyer and possesses specialized, high-level expertise in international corporate legal affairs that afford her the ability to carry out her duties objectively and fairly. [Reasons for designation as an Independent Director] The Company designated her as an Independent Director because he has no special interest in the Company and there are no matters that may be considered to be problematic in terms of the criteria for independence that have been specified by the exchange and, as a result, the Company has judged that a

			conflict of interest with general shareholders is unlikely to arise.

Voluntary Establishment of Committee(s) Corresponding to Nomination Committee or Remuneration Committee	Not Established

[Audit & Supervisory Members]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Member Stipulated in Articles of Incorporation	5
Number of Audit & Supervisory Board Member	3

Cooperation among Audit & Supervisory Board Members, Accounting Auditors and Internal Audit Office

Audit & Supervisory Board Members conduct an audit while sharing information with the accounting auditor through interviews and reports, etc. In addition, Audit & Supervisory Board Members cooperate with the Internal Audit Office for conducting an audit, while sharing information through interviews, verification of internal audit results, and presence for the audit, as necessary.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Member	3
Number of Independent Audit & Supervisory Board Member	3

Outside Audit & Supervisory Board Member'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
Masatoshi Yasuda	From another company													
Tomokatsu Yoshitoshi	From another company													
Hitoshi Tsunemine	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. Audit & Supervisory Board Member 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 an Audit & Supervisory Board Member
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 Audit & Supervisory Board Member himself/herself only)
k. Executive of a company, between which and the Company outside Directors/ Audit & Supervisory Board Members are mutually appointed (the Audit & Supervisory Board Member himself/herself only)
l. Executive of a company or organization that receives a donation from the Company (the Audit & Supervisory Board Member himself/herself only)
m. Others

Outside Audit & Supervisory Board Member's Relationship with the Company (2)

Name	Designation as Independent Audit & Supervisory Board Member	Supplementary Explanation of the Relationship	Reasons of Appointment
Masatoshi Yasuda	○	【Significant concurrent positions】 Auditor of FPG Securities Co., Ltd.	The Company appointed him as Outside Audit & Supervisory Board Member to benefit from his abundant experience and track record and extensive knowledge of audit work. In addition, the Company designated him as an Independent Director, since he is acknowledged to have no special interests in the Company and not to cause any conflict of interest with the general shareholders of the Company.
Tomokatsu Yoshitoshi	○	【Significant concurrent positions】 Auditor of FPG Trust Co., Ltd.	The Company appointed him as Outside Audit & Supervisory Board Member to benefit from his abundant experience and track record and extensive knowledge of audit work. In addition, the Company designated him as an Independent Director, since he is acknowledged to have no special interests in the Company and not to cause any conflict of interest with the general shareholders of the Company.
Hitoshi Tsunemine	○	None	The Company appointed him as Outside Audit & Supervisory Board Member to benefit from his abundant experience and track record and extensive knowledge of audit work. In addition, the Company designated him as an Independent Director, since he is acknowledged to have no special interests in the Company and not to cause any conflict of interest with the general shareholders of the Company.

[Independent Directors/ Audit & Supervisory Board Members]

Number of Independent Director/ Audit & Supervisory Board Member	6

Matters relating to Independent Directors/ Audit & Supervisory Board Members

All of the Outside Directors meeting the qualification of Independent Director have been designated as Independent Directors.

[Incentives]

Incentive Policies for Directors	Stock Options

Supplementary Explanation

The Company introduced stock option plans in order to increase the incentive to improve business performance of Directors of the Company. However, since stock options were granted for the last time in September 2008, there have been no new stock options granted.

Recipients of Stock Options	Outside Directors / Employees / Others

Supplementary Explanation Updated

In September 2008, to increase the incentive to improve business performance, the Company granted stock options to Directors, Audit & Supervisory Board Members, employees and other qualified persons. However, as of the date of this filing there are no individuals who possess these rights. In March 2018, the Company introduced a stock compensation scheme for employees of the Company and its subsidiaries, and restricted stock has been granted to 63 employees.

[Director Remuneration]

Disclosure of Individual Directors' Remuneration Updated	Individual disclosure for certain director

Supplementary Explanation Updated

Executive compensation for the fiscal year ending September 30, 2018 Remuneration for Directors ¥148 million Remuneration for auditors ¥22 million Total ¥171 million (including remuneration for outside Directors or outside auditors of ¥47 million) The directors with more than 100 million yen of total sum of the director remuneration are individually disclosed in annual securities report.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods	Updated

A resolution setting the remuneration for Directors at an amount not to exceed 500 million yen per annum (excluding employee pay, with remuneration for Outside Directors not to exceed 50 million yen per annum) was approved at the 17th Ordinary General Meeting of Shareholders held on December 21, 2018. The Company has not established quantitative criteria for determining the remuneration and other benefits for individual Directors. The final decision is made by the Board of Directors, the majority of which are Independent Outside Directors, with such remuneration being within the limit ultimately approved by the General Meeting of Shareholders, taking into comprehensive consideration factors including the Company's business performance and the execution of duties by individual Directors.

[Supporting System for Outside Directors and/or Audit & Supervisory Board Members]

Matters related to reporting and contact necessary for the Outside Directors and outside auditors shall be taken care of, as required, by full-time auditors, Head of Accounting Department, Head of Corporate Planning Department and other relevant personnel. Accordingly, the Company has established systems to prevent any occurrence of information gap.

[Status of former Presidents & CEOs, etc.]

Names and other details of consultants/advisors, etc., who were formerly President & CEO, etc.

Name	Title/position	Duties	Working arrangements /conditions	Retirement dates of Presidents, etc.	Term
–	–	–	–	–	–

Total number of consultants/advisors, etc., who were formerly President & CEO, etc.	0

Other matters

The Company has no system for appointing persons who were formerly President & CEO, etc. as consultants/advisors, etc.

2. Matters on Functions of Business Execution, Auditing, Oversight, Nomination and Remuneration Updated

Decisions (Overview of Current Corporate Governance System)

The Company introduced the executive officer system under which individual business fields are executed by executive officers appointed by the Board of Directors. On the other hand, the Board of Directors focuses on making decisions on important management matters and supervising the execution of business operations. Accordingly, thanks to this system, the Company has improved the efficiency of management through quick decision-making and enhancement of the execution function.

<Board of Directors and Board of Executive Officers>
As of the date hereof, the Board of Directors consists of five Directors. The Board of Directors' meetings are held once a month, or in a timely manner, if needed. The Company has appointed three Outside Directors who are familiar with corporate management and the financial sector in order to ensure the transparency and fairness of the management as well as to achieve growth in the financial sectors where a high degree of expertise is required. A majority of the five Directors are Outside Directors.

The Company has appointed eight executive officers as of the date hereof. Under the direction and supervision of a Representative Director, each executive officer fulfills his/her duties in accordance with decisions of the Board of Directors, and within the scope of authority and responsibility as defined in the regulations, etc. In addition, the Board of Executive Officers' meetings are held, as needed, under the chair of the chief executive officer, the position of which is concurrently undertaken by a Representative Director.

<Audit & Supervisory Board>
As of the date hereof, the Audit & Supervisory Board is composed of three Audit & Supervisory Board Members, including one Full-time Audit & Supervisory Board Member. The Audit & Supervisory Board' meetings are held at least once a month, or in a timely manner, if needed. Each Audit & Supervisory Board Member conducts a corporate audit based on the audit plan formulated by the Audit & Supervisory Board, and audits and oversees the execution of business by Directors. In addition, in order to further strengthen the audit function, the Company appointed three outside auditors with abundant knowledge and experience.

<Internal Audit Office>
Internal Audit Office is an organization independent from the other bodies under the direct control of president. The Company places two dedicated staff responsible for evaluating the effectiveness of internal controls over the Company's business activities in general.

<Accounting Auditor>
The Company appointed Ernst & Young Shin Nihon LLC as accounting auditor.

<Other>
In order to ensure thorough compliance, the Company convenes meetings of the Compliance Committee under the chair by chief executive officer. In addition, in order to strengthen the risk management and crisis management systems, the Company holds meetings of the Risk Management Committee.

3. Reasons for Adoption of Current Corporate Governance System

The Company introduced the executive officer system under which individual business fields are executed by executive officers appointed by the Board of Directors. On the other hand, the Board of Directors focuses on making decisions on important management matters and supervising the execution of business operations. Accordingly, thanks to this system, the Company has improved the efficiency of management through quick decision-making and enhancement of business execution.
The Company aims to further strengthen the monitoring and supervisory functions of the Board of Directors, by its appointment of three Independent Outside Directors out of the total of five Directors.
In addition, the Company adopted the form of a company with an Audit & Supervisory Board, with the belief that it is the most appropriate system to conduct an audit of Directors' business operations by Audit & Supervisory Board Members in the light of enhancing the soundness and transparency of the management.
As for the Audit & Supervisory Board, each of the three auditors are independent outside auditors. Thus, the Company ensures the transparency and fairness of the management by auditing the execution of duties by Directors.

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	― It was sent no less than three business days earlier than the statutory date.
Scheduling AGMs Avoiding the Peak Day	− The Company welcomes the attendance of as many shareholders as possible at the Ordinary General Meeting of Shareholders. That is the reason why the Company has refrained from holding AGMs on the peak days for the convenience of the shareholders of the Company.

Allowing Electronic Exercise of Voting Rights	− Since the 15th Ordinary General Meeting of Shareholders of the Company held on December 21, 2016, the Company has enabled the exercise of voting rights electronically through the designated "electronic voting exercise website".
Participation in Electronic Voting Platform	− Since the 15th Ordinary General Meeting of Shareholders of the Company held on December 21, 2016, institutional investors have been able to electronically exercise their voting rights through the "Electronic Voting Platform" that is operated by ICJ Inc.
Providing Convocation Notice in English	− Currently, the Company does not provide the notice in English but will consider it, taking into account the overseas investors ratios, etc.
Other	− The convocation notice and Internet disclosures pursuant to laws, regulations and the articles of incorporation (Notes to the Consolidated Financial Statements, Notes to the Non-Consolidated Financial Statements) are displayed on the Company's Website and the Tokyo Stock Exchange Website prior to sending the notice.

2. IR Activities Updated

	Supplementary Explanations	**Explanation by Representative**
Preparation and Publication of Disclosure Policy	− The Company has established a disclosure policy, and this policy is publicly available on the company's website. − https://www.fpg.jp/en/ir/disclosure.html	
Regular Investor Briefings for Individual Investors	− The Company participated in investor briefings hosted by securities companies on a regular basis. − The Company participated in briefings hosted by securities firms twice in the fiscal year ended September 30, 2018, and IR Executive Officer and IR staff provided an overview of the company and explained its business model and financials.	None
Regular Investor Briefings for Analysts and Institutional Investors	− The Company holds sessions twice a year, which are after the announcement of the full year financial results and the interim financial results. − The Company participates in small meetings hosted by securities companies on a regular basis. − The Company accepts individual IR interviews from analysts and domestic institutional investors on a regular basis.	Yes
Regular Investor Briefings for Overseas Investors	− The Company participated in regular IR conference meetings for overseas investors hosted by securities companies in Japan 4 times this fiscal year. − The Company accepts individual IR interviews from overseas institutional investors on a regular basis.	Yes
Posting of IR Materials on The Website	− The Company posts on its website financial information, timely disclosure documents other than financial information, advertising materials, annual securities reports and quarterly reports, IR information briefing materials, corporate governance reports, convocation notices of the Ordinary General Meeting of Shareholders, shareholders news and annual reports. https://www.fpg.jp/ir/index.html	

Establishment of Department and/or Manager in Charge of IR	− The Corporate Planning Department is responsible for IR. − Executive Officer co-managing the Corporate Planning Department is appointed as the IR officer. − IR staff is placed in the Corporate Planning Department.	

3. Measures to Ensure Due Respect for Stakeholders

Updated

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	− The Company defines its commitment to respecting the individuality and diversity of all parties concerned and securing enough communication, as part of the Code of Conduct in the "FPG Group Compliance Policy."
Implementation of Environmental Activities and CSR Activities etc.	− As part of its CSR Activities, and in order to assist young athletes active on the world stage, the Company began supporting Japanese representative table tennis player Tomokazu Harimoto in April 2017. CSR activities will continue to be conducted in the future.
Formulation of Policies on the Provision of Information to Stakeholders	− The "FPG Group Compliance Policy" stipulates that the Group will strive to obtain the trust and support of all stakeholders such as customers, shareholders, and funders by providing reliable financial reports and disclosing information at appropriate times. Handling of internal information is appropriately managed based on the "FPG Group Rules for Prevention of Insider Trading" and the "Basic Rules on Protection of Personal Information."
Other	− The Company is committed to having an active IR function to let investors and other related parties deepen their understanding of the Company's business profile and its current condition. − The Company has actively promoted female staff, especially in the sales division. For example, some female staff have been promoted to general manager and deputy general manager positions. The Company is committed to further development of the workplace environment for female staff.

IV. Matters Related to the Internal Control System

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

Updated

In order for the Company to develop and promote a system that is necessary to ensure the appropriateness of the business operations of the Company as well as those of the group consisting of the Company and its subsidiaries, the Board of Directors of the Company resolved as follows regarding the basic policy on internal control system pursuant to the Companies Act.

(1) System to ensure compliance of the execution of duties by Directors and employees with laws, regulations and the Articles of Incorporation

① The Company shall place the already established the "FPG Group Compliance Policy" as its basic policy on compliance with laws and maintenance of ethics. The Company also shall disseminate to Directors and employees the policy that shall be positioned as one of the most important issues on the business conduct, and require them to observe and implement the policy.

② The Board of Directors shall review the compliance system on a regular basis through reporting from the "Compliance Committee" established for the purpose of discussing important matters related to compliance, with the aim of identifying and rectifying the problems.

③ The Company shall ensure day-to-day mutual surveillance on the compliance status of the execution of duties by Directors and employees with laws and regulations, internal rules and regulations etc. On the other hand, Audit & Supervisory Board Members and Internal Audit Office shall cooperate with each

other to verify the validity of the compliance system. In addition, the Company shall established a whistle-blower system, and set up a hotline against scandals or doubtful conduct with compliance problems with the aim of securing early detection and corrective actions. If a person is found to be in violation of the "FPG Group Compliance Policy," he/she shall be strictly punished, including disciplinary action, in accordance with the employee work regulations.

④ The Company shall strengthen the supervisory function for the execution of duties by Directors and employees, by appointing more than one Outside Director.

⑤ Pursuant to the basic policy on anti-social forces defined in the already established the "FPG Group Compliance Policy," the Company shall disseminate the main points of the policy in clear written form to officers and employees of the Company. By so doing, the Company will refuse any and all association with antisocial forces and groups that pose a threat to civil society's order and safety, and will take a firm stance on a group-wide basis through close coordination with outside professionals such as the police and lawyers.

⑥ In order to ensure the reliability of financial reporting required by the Financial Instruments and Exchange Act, the Company shall establish the "Basic Policy on Internal Control over Financial Reporting," and make development and operation of the internal control over financial reporting appropriately.

⑦ The Company shall strengthen the Compliance Department, through cooperation with the Legal Department, so as to accurately understand laws and regulations applicable to the business of the Company, as well as the latest information, such as Supervision Guidelines and Inspection Manual of the Financial Services Agency, make required amendments to the internal regulations upon revision of the relevant laws, and disseminate the information to the relevant departments to develop a legal compliance structure.

(2) System for storage and management of information related to execution of duties by Directors

① With regard to the duties of executive Directors and executive officers, the records of all documents (including electronic information), such as minutes of the Board of Directors' meetings and minutes of the Board of Executive Officers' meetings, shall be prepared, stored and managed in an appropriate manner in accordance with the already established the "Regulations of the Board of Directors "and the "Regulations of the Executive Officers".

② Audit & Supervisory Board Members and Internal Audit Office shall cooperate with each other, and conduct an audit on the storage and management of information on a regular basis.

③ Personal information shall be strictly and properly managed in compliance with applicable laws and regulations and the "Personal Information Protection Basic Rules."

④ Directors and executive officers shall rapidly and comprehensively gather information that requires disclosure and implement timely and appropriate disclosure in compliance with laws and statutory regulations.

(3) Regulations and other systems concerning loss risk management

① The system for managing risk shall be maintained as a comprehensive regime under which there is a Chief Risk Management Officer, Risk Management Headquarters, and Risk Management Committee, pursuant to the existing FPG Group Basic Risk Management Regulations.

② The chief risks to the Company are seen as inventory risk, reputation risk, liquidity risk, business risk, operational risk, and group company risk. Risks shall be managed comprehensively and individually by establishing reporting and monitoring systems and by putting in place the necessary risk management systems and control methods. Furthermore, the Company shall regularly review the effectiveness of management systems, including reconsidering the chief risks.

③ To cope when there is a natural disaster, pandemic, social infrastructure outage or other emergency, the Company shall formulate principles of conduct and principles to ensure safety pursuant to the FPG Group Emergency Response Regulations. It shall also establish a disaster management system through which it engages in activities such as drafting disaster prevention plans as well as a response system through which it shall engage in activities such as setting up a response headquarters when there is an emergency. To prevent the unexpected, the Company shall consider scenarios that could result in significant damage to the Company, such as a major disaster or a new flu epidemic. To cope in the

unlikely event of a disaster that causes significant damage to the Company, in order to minimize the damage to the business and disruption of operations, the Company shall draft an FPG Group Business Continuity Plan (BCP) beforehand with the aim of improving the effectiveness of business continuity readiness.

(4) System to ensure efficient execution of duties by Directors

① The Company shall introduce the executive officer system in order to speed up decision-making, enhance the supervisory function and improve the efficiency of execution of operations by the Board of Directors, and delegate the authority of business execution to the Board of Executive Officers or each executive officer, to the extent permitted by the laws and regulations. Under the direction and supervision of the Representative Director, each executive officer shall fulfill his/her duties in accordance with decisions of the Board of Directors, and within the scope of authority and responsibility as defined in the regulations, etc.

② As the basis of the framework to ensure the efficient execution of duties by Directors, the Board of Directors shall be held every month as a general rule, and on an extraordinary basis as needed. The Board of Directors shall make decisions flexibly and secure mutual surveillance on the execution of duties. The procedures of the Board of Directors and the scope of authority thereof shall be reviewed and revised at any time, based on the already established "the Regulations of the Board of Directors," and strict management shall be carried out in line therewith.

③ In order to ensure effective business operations by Directors and executive officers, the Company shall clarify the matters regarding the basic authority of duties and responsibilities of Directors and executive officers on the basis of the already established internal rules, namely, the "Regulations of the Board of Directors ", the "Regulations of the Executive Officers", the "Organization Rules" , the "Administrative Authority Regulations" and the "Segregation of Duties Regulations", ensuring the appropriate and efficient management of the organization.

④ The Board of Directors shall define the Company's corporate philosophy, formulate a medium-term management plan and annual plan, disseminate them to Directors and employees, and make efforts to conduct appropriate business management in order to ensure efficient operation of duties by Directors.

⑤ The Company shall establish other internal regulations, to ensure efficient execution of duties by Directors.

⑥ The Internal Audit Office shall conduct internal audits to ascertain the status of the operations in the preceding items and make improvements, and the Board of Directors shall review the system annually based on reports from the internal audits.

⑦ Directors may receive advice from outside experts such as lawyers or certified public accountants at the Company's expense if deemed to be necessary.

(5) System to ensure appropriate operations in the Group consisting of the Company and its subsidiaries

① The Company shall establish the "Rules for Management of Affiliated Companies" to ensure appropriate business operations of subsidiaries in line with the management policy of the Group and effective management by the Company. On that basis, the Company shall ensure that Directors and employees of subsidiaries will perform their duties in compliance with laws and regulations and the Articles of Incorporation, and put in place a system that matters relating to the execution of duties by Directors of subsidiaries will be reported in a timely manner.

② The Company shall appoint Directors or employees of the Company or other suitable personnel to be Directors of its subsidiaries, cause the subsidiaries to put in place and operate a system to ensure the adequacy of financial reporting by the subsidiaries, and supervise the status of business operations by the Company so as to secure efficient execution of duties by Directors of the subsidiaries. In particular, important matters of each subsidiary shall be deliberated by the Board of Executive Officers of the Company or submitted to the Board of Directors of the Company.

③ Pursuant to the "FPG Group Basic Risk Management Regulations." The Company shall manage the risks of the entire Group, including subsidiaries, and promote the development and enhancement of the risk management system of the subsidiaries.

(6) Matters related to employees assigned to assist Audit & Supervisory Board Members in their duties in

the event Audit & Supervisory Board Members request such employees
If there is a request from the Audit & Supervisory Board Members to assign employees to assist their duties, the Board of Directors shall make a decision as to the number of employees to assist the Audit & Supervisory Board Members, their authority, the department to which the employees belong, their rights to supervise and command and other matters in consultation with Audit & Supervisory Board Members, and promptly conduct a personnel announcement, etc. to assign employees to support the auditing work.

(7) Matters related to independence of the employees prescribed in the preceding paragraph from Directors and to ensuring the effectiveness of instructions given by Audit & Supervisory Board Members to the employees
In order to achieve the independence of the employees assigned to assist the auditor as mentioned in the previous paragraph as well as to ensure the effectiveness of instructions given by Audit & Supervisory Board Members to the employees, the employees shall not be directed or commanded by any person other than the Audit & Supervisory Board Members, and the personnel matters (personnel relocation, personnel evaluation, or disciplinary punishment, etc.) concerning the employees shall be performed by the Representative Director with prior consent of Audit & Supervisory Board Members.

(8) System to help Directors and employees report Audit & Supervisory Board Members and other systems relating to reporting to the Audit & Supervisory Board Members

① Audit & Supervisory Board Members may attend meetings of the Board of Directors and the Board of Executive Officers, and those of the Company's subsidiaries and other important meetings, receive reports concerning the execution of duties, and express opinions.

② Major approval documents and other internal important documents of the Company and its subsidiaries shall be circulated to Audit & Supervisory Board Members, or, upon request, the relevant documents and materials, etc. shall be immediately submitted and made available to Audit & Supervisory Board Members.

③ Audit & Supervisory Board Members shall hold opinion exchange meetings with the Representative Director on a regular basis regarding the state of progress of corporate audits and important audit tasks, and may receive, if required, reports and explanation from other Directors and employees of the Company and Directors, Audit & Supervisory Board Members and employees of its subsidiaries regarding the status of their business and assets and other matters.

④ Upon detection of any fact potentially causing material damage to the Company or its subsidiaries, matters in violation with laws and regulations or the Articles of Incorporation, and extremely unjust matters, Directors and employees of the Company, as well as Directors, Audit & Supervisory Board Members and employees of its subsidiaries shall immediately notify the information to the Audit & Supervisory Board Members.

⑤ Audit & Supervisory Board Members shall receive audit reports from the Internal Audit Office.

⑥ In addition to the matters as prescribed in the preceding items, the Company shall put in place reporting systems in the relevant rules and regulations of the Company and its subsidiaries, in order to secure a system where Directors and employees of the Company and Directors, Audit & Supervisory Board Members and employees of its subsidiaries, as well as those who receive information therefrom shall report to Audit & Supervisory Board Members.

⑦ The Company shall stipulate in the relevant internal rules and regulations that whistleblowers will not suffer from any disadvantageous treatment due to their submission of reports.

(9) Matters concerning policies relating to the procedures on advance payments or reimbursement of costs arising from the execution of the duties by Audit & Supervisory Board Members and the other treatment of costs or debts arising from the execution of their duties
When an Audit & Supervisory Board Member claims for advance payment or reimbursement of costs or repayment of debts arising from the execution of his/her duties pursuant to Article 388 of the Companies Act, the Company shall immediately pay such costs or debts, except where deemed unnecessary for the execution of his/her duties.

(10) In addition to the matters as mentioned above, other systems to ensure that audits by Audit & Supervisory Board Members shall be carried out effectively.

① Directors and executive officers shall be familiar with the "Standards for Audits conducted by Audit & Supervisory Board Members" clarifying the responsibilities of auditors, their preparation, the audit system, the criteria of auditing and the action guidelines, as well as the audit plan formulated each year, and adequately recognize the importance and usefulness of the role of audits conducted by Audit & Supervisory Board Members and to develop the appropriate environment to secure the effective implementation thereof.

② When deemed necessary, Audit & Supervisory Board Members may require cooperation from the Internal Audit Office on specific matters, in consultation with the Representative Director or the equivalent. In addition, Audit & Supervisory Board Members may require collaboration on audits from any department, office or branch office, as required from time to time.

③ The Representative Director shall organize the framework to secure the operation of the Audit & Supervisory Board through integrated collaboration between the Audit & Supervisory Board Members of the Company and those of its subsidiaries, reporting of audit results to the subsidiaries, and exchange of opinions with representatives of the subsidiaries.

④ Audit & Supervisory Board Members shall secure close cooperation with the accounting auditor, including exchange of information and opinions, through mutual discussions, in order to increase the quality and efficiency of audit work. In addition, the Tripartite Liaison Committee meetings shall be held by and among the Audit & Supervisory Board Members, the accounting auditor and the Internal Audit Office.

⑤ When Audit & Supervisory Board Members deem it necessary when an audit is being performed, they shall be able to receive advice from outside experts including lawyers and certified public accountants. Any expenses or obligations arising as a result thereof shall be discharged in accordance with the guidelines prescribed in the preceding paragraph.

2. Basic Views on Eliminating Anti-Social Forces

The Company has the basic policy to refuse and exclude any relationship with anti-social forces and organizations that threaten the order and safety of civil society. In addition, the Company shall put in place a system to refuse and exclude any relationship with anti-social forces and organizations, specifically by gathering information about anti-social forces, in close cooperation among departments, and preventing any transactions with anti-social forces through establishment of the framework for communication with external specialized agencies. The details of the established framework are as follows.

(1) The Company designated the Compliance Department as the department with overall responsibility for antisocial forces. The department shall have centralized administrative control on matters related to anti-social forces, providing guidance and support on responses for each department. If deemed important for the management of the Company, the Compliance Department shall immediately report it to the management team. In addition, the Company has appointed the General Manager of the Compliance Department as the "officer responsible for preventing unjust claims" and notified this to the relevant authorities.

(2) The Company established a framework to collect and exchange necessary information, through close relationships with outside specialized organizations, such as the police and the National Center for Removal of Criminal Organizations.

(3) The Company defined the basic policy against anti-social forces in the "FPG Group Compliance Policy" (the Code of Ethics), formulated "Guidelines on the Exclusion of Antisocial Forces" and the "Manual against anti-social forces" (at the time of occurrence), and established a reporting and countermeasures system for each department.

(4) The Company incorporates the responses to anti-social forces in the compliance education and disseminates them through the internal training program and other programs.

(5) The Company defined the basic policy against anti-social forces, which is posted on the Company's website.

① We will refuse and exclude any relationships with antisocial forces.

② We will work as an organization and properly to prevent damages caused by antisocial forces in cooperation with external professional institutions, including the police, such as the police and the National Center for Removal of Criminal Organizations and lawyers.

③ We will reject any unreasonable demands from anti-social forces and take firm legal actions.

④ We will never give any financial and economic benefits to anti-social forces nor engage in deals behind the scene to conceal the business with anti-social forces.

⑤ The company will ensure the safety of officers and employees who deal with unreasonable demands by antisocial forces.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not Adopted

Supplementary Explanation

None

2. Other Matters Concerning to Corporate Governance System

(1) Basic policy concerning timely disclosure

With regard to corporate information, the Company shall recognize itself as a listed company and disclose its corporate information to its shareholders, investors and other interested parties, in a timely and appropriate manner in compliance with the Rules on Timely Disclosure of the Tokyo Stock Exchange, applicable laws and regulations or other rules.

(2) Internal system for ensuring the timely disclosure of corporate information

The Company established the "FPG Group Rules for Prevention of Insider Trading" to define the management of material facts and the external disclosure thereof. The rules stipulate the framework that all and any material facts which officers and employees have come to know shall be reported to the Executive Officer in charge of the Compliance Department serving as the Chief Information Officer. The Executive Officer in charge of the Compliance Department will make judgment as to whether the relevant information is subject to timely disclosure or not, in consultation with the Representative Executive Officer, and in accordance with the Rules on Timely Disclosure of the Tokyo Stock Exchange and other laws and regulations. The Accounting Department is responsible for the procedures for timely disclosure. Corporate information shall be disclosed through the Timely Disclosure Network (TDnet) provided by the Tokyo Stock Exchange, and also disseminated widely by posting on the Company's website.

Overview of the Corporate Governance System

