Corporate Governance Report

Last Update: June 27, 2019

Fuyo General Lease Co., Ltd.
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The corporate governance of Fuyo General Lease 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 believes that placing importance on relationships with shareholders, customers, employees, local communities, and various other stakeholders and engaging in honest and fair business activities to achieve the performance targets of Frontier Expansion 2021, the medium-term management plan for fiscal 2017 to fiscal 2021, in accordance with the Company's Management Philosophy is the foundation of corporate governance and the most important task of management.

[Management Philosophy]

- We support corporate activities through our leasing business with view to contributing to development of the society.
- We maintain a customers first philosophy of providing the best services.
- We aim to earn high marks from shareholders and markets while pursuing creativity and innovation.
- We create a challenging and rewarding workplace where employees think and act on their own.

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

The Company implements all principles of Japan's Corporate Governance Code.

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

Our basic views on Corporate Governance, the governance structure, operating policy, and other aspects of corporate governance are set forth in our Corporate Governance Guidelines (hereafter, "Guidelines"), on the Company website. They can be viewed at the following URL:
https://www.fgl.co.jp/csr/corporate/governance.html.

[Principle 1.4 Basic Policy on Cross-Shareholding and the Exercise of Voting Rights Pertaining to Cross-Shareholdings]

See Article 6 in the Guidelines. An overview of due diligence on cross-shareholdings of listed companies by the Board of Directors as of March 31, 2019 is disclosed in the Securities Report for Period 50. See EDINET (Electronic Disclosure for Investors' NETwork), hosted by the Financial Services Agency.

[Principle 1.7 Related Party Transactions]

See Article 7 in the Guidelines.

[Principle 2.6 Roles of Corporate Pension Funds as Asset Owners]

The Company has appointed people with the appropriate qualifications to manage the contract-based corporate pension fund. We have established a basic policy on pension fund management and manage reserves through an investment management firm. People who possess expertise are also assigned as members of the Asset Management Committee and a management structure for supplementary enrollment in the group pension fund has been established.
Management of both pension funds is entrusted to management firms that adhere to the Japanese Stewardship Code and the Company monitors each firm contracted for management on a regular basis.

[Principle 3.1]

(1) Corporate Vision (Management Philosophy, etc.), Management Strategy, and Management Plan

See Provision 1., above, for the Management Philosophy.
We disclose management strategy and management plans in our Medium-term Management Plan, the business segments overview in the Business Report attached to the Notice of the 50th Annual General Meeting of Shareholders, in the Integrated Report, and on our website. They can be viewed at the following URLs:
（https://www.fgl.co.jp/ir/plan.html)
（https://ssl4.eir-parts.net/doc/8424/ir_material/93077/00.pdf）
(https://www.fgl.co.jp/csr/pdf/integrated18.pdf)

(2) Basic Views and Basic Policy on Corporate Governance

See Provision 1., above, and the Guidelines.

(3) Policy and Procedure for Determining Compensation of Directors and Audit & Supervisory Board Members

See Article 19 in the Guidelines.

(4) Policy and Procedure for Nomination and Dismissal of Directors and Audit & Supervisory Board Members

See Articles 9, 10, and 11 in the Guidelines.

(5) Providing Explanations for Individual Appointments and Nominations for the Positions of Director and Audit & Supervisory Board Member

The reason for nomination is disclosed in the Reference Documents appended to the Notice of the 50th Annual General Meeting of Shareholders for each candidate nominated for the position of director or audit & supervisory board member.
See the Company's website.
（https://ssl4.eir-parts.net/doc/8424/ir_material/93077/00.pdf）

[Supplementary Principle 4.1.1 Overview of the Scope of Delegation to Management]

See Article 8, Paragraph 4 in the Guidelines.

[Principle 4.9 Independence Standards for Outside Officers]

See the Annex to the Guidelines (Independence Standards).

[Supplementary Principle 4.11.1 Views on the Overall Balance of Knowledge, Experience, and Skills, and Diversity and Size of the Board of Directors]

See Articles 9 and 10 in the Guidelines.

[Supplementary Principle 4.11.2 Concurrent Appointments of Directors and Audit & Supervisory Board Members]

Significant concurrent appointments of directors and audit & supervisory board members are disclosed in the Business Report and in the Reference Documents for the General Meeting of Shareholders in the Notice of the 50th Annual General Meeting of Shareholders.
See the Company's website.
（https://ssl4.eir-parts.net/doc/8424/ir_material/93077/00.pdf）

[Supplementary Principle 4.11.3 Analysis and Evaluation of Overall Effectiveness of the Board of Directors]

All directors and audit & supervisory board members were surveyed and interviewed as needed to analyze and evaluate the overall effectiveness of the Board of Directors. The results were discussed and recommendations issued by the Nomination and Remuneration Advisory Committee (supported by an advisory attorney who serves as the administrative office), which has a majority of independent directors as committee members. The recommendations were implemented in Board of Directors meetings.

1. While the Board of Directors met all evaluation criteria, including size, composition, functions and roles, as well as operation, and was found to be effective, we concluded that we must still steadily implement measures to improve the functioning of the Board of Directors, make those activities part of our daily operations, and continually review the Board's functions to accommodate changes in the internal and external environments.
2. In regard to appointing more outside directors and auditors from different backgrounds, which was an issue found in the previous analysis and evaluation, we increased the number of independent directors by one at the Annual General Meeting of Shareholders held in June 2018. To address the issues of broadening viewpoints and perspectives and incorporating debate in Board of Directors meetings, and enhancing reporting on trends in risk management and corporate governance, we reported on progress on the plans for each business domain in the strategic areas of the Medium-term Management Plan, the status of risk management, and other aspects and debated and made decisions regarding the response to the revised Corporate Governance Code, and confirmed efforts to improve effectiveness.
   In addition to further augmenting the information provided to outside officers, we also recognized the need to continue broadening perspectives and viewpoints and incorporating debate in Board of Director discussions.

The Company's Board of Directors will take further steps to improve the functioning of the Board of Directors and work toward further improvement in effectiveness, based on the results of the analysis and evaluation described above.

[Supplementary Principle 4.14.2 Policy on Training Directors and Audit & Supervisory Board Members]

See Article 17 in the Guidelines.

[Principle 5.1 Policy on Establishing a Structure and Taking Steps to Promote Constructive Dialog with Shareholders]

See Article 5 in the Guidelines.

2. Capital Structure

Foreign Shareholding Ratio: From 10% to less than 20%

[Status of Major Shareholders]

Name / Company Name	Number of Shares Owned	Percentage (%)
Hulic Co., Ltd.	4,218,200	13.94
Meiji Yasuda Life Insurance Company	2,261,400	7.48
Retirement Benefit Trust managed by Mizuho Trust & Banking Co., Ltd. (Marubeni Corporation account); Trust & Custody Services Bank, Ltd. as a Trustee of Retrust	1,512,300	5.00
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,253,400	4.14
Sompo Japan Nipponkoa Insurance Inc.	1,002,400	3.31
Azbil Corporation	1,000,000	3.31
Mizuho Bank, Ltd.	907,900	3.00
Japan Trustee Service Bank, Ltd. (Trust Account)	833,500	2.76
BBH FOR FIDELITY PURITAN TR: FIDELITY SR INTRINSIC OPPORTUNITIES FUND	550,000	1.82
Japan Trustee Services Bank, Ltd. (Trust Account 5)	441,700	1.46

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

Supplementary Explanation

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3. Corporate Profile

Stock Market and Market Section Listed on	Tokyo Stock Exchange, First Section
Fiscal Year-end	March
Type of Business	Other financing business
Number of Employees (Consolidated) as of the End of the Previous Fiscal Year	More than 1,000
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 When the Company Engages in Transactions with Controlling Shareholder

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5. Other Special Circumstances that 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 an Audit & Supervisory Board

[Board of Directors]

Maximum Number of Directors Stipulated in Articles of Incorporation	15
Term of Office Stipulated in Articles of Incorporation	1 year
Chairperson of the Board	President
Number of Directors	9
Appointment of Outside Directors	Appointed
Number of Outside Directors	3
Number of Independent Directors	3

Outside Directors' Relationship with the Company (1)

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Seiichi Isshiki	From another company								△			
Hideo Ichikawa	From another company								○			
Masayuki Yamamura	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 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 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/audit & supervisory board member
g. Major shareholder of the Company (or an executive of the major shareholder if the shareholder is a legal entity)
h. Executive of a client or supplier of the Company (which does not correspond to d, e, or f) (the director himself/herself only)

i. Executive of a company which has the same individual(s) as the Company appointed as outside directors/audit & supervisory board members (refers only to the director)
j. Executive of a company or organization that has received a donation from the Company (refers only to the director)
k. Others

Outside Directors' Relationship with the Company (2)

Name	Designation as Independent Director	Supplementary Explanation of the Relationship	Reasons for Appointment
Seiichi Isshiki	○	<Outside Director Attributes > Mr. Isshiki is a former president of JX Nippon Oil & Energy Corporation (currently JXTG Nippon Oil & Energy Corporation). The Company has routine lease transactions with JXTG Nippon Oil & Energy Corporation, but these transactions comprise less than one percent of total annual consolidated revenues.	In addition to serving as Representative Director & President of JX Nippon Oil & Energy Corporation, Mr. Isshiki has served as a director of JX Holdings, Inc. and president of ENEOS Celltech Co., Ltd. We believe that his abundant experience and deep insight will provide a perspective that is independent of management and will contribute to enhancing the effectiveness of the decision-making and oversight functions of the Board of Directors. <Reason for designation as an independent officer> He fulfills the Tokyo Stock Exchange, Inc. requirements for independent officers and poses no risk of a conflict of interest with general shareholders.
Hideo Ichikawa	○	<Outside Director Attributes > Mr. Ichikawa is the chairman and representative director of Showa Denko K.K. The Company has routine lease transactions with the Showa Denko K.K., but these transactions comprise less than one percent of total annual consolidated revenues.	We believe that his many years of management experience as representative director and president, chief executive officer, and representative director and chairman of Showa Denko K.K. and his abundant experience and deep insight will provide a perspective that is independent of management and will contribute to enhancing the effectiveness of the decision-making and oversight functions of the Board of Directors. < Reason for designation as an independent officer > He fulfills the Tokyo Stock Exchange, Inc. requirements for independent officers and poses no risk of a conflict of interest with general shareholders.

Masayuki Yamamura	○	<Outside Director Attributes > Mr. Yamamura is a counselor to Nippon Telegraph and Telephone East Corporation (NTT East). The Company has routine lease transactions with the Nippon Telegraph and Telephone East Corporation, but these transactions comprise less than one percent of total annual consolidated revenues.	We believe that his experience as representative director and president of NTT East and his abundant experience and deep insight will provide a perspective that is independent of management and will contribute to enhancing the effectiveness of the decision-making and oversight functions of the Board of Directors. < Reason for designation as an independent officer > He fulfills the Tokyo Stock Exchange, Inc. requirements for independent officers and poses no risk of a conflict of interest with general shareholders.

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

Committee's Name, Composition, and Designated Status of Chairperson

	Committee Corresponding to Nomination Committee	Committee Corresponding to Compensation Committee
Committee's Name	Nomination and Remuneration Advisory Committee	Nomination and Remuneration Advisory Committee
All Committee Members	4	4
Full-time Members	0	0
Internal Directors	1	1
Outside Directors	3	3
Outside Experts	0	0
Others	0	0
Chairperson	Internal Director	Internal Director

Supplementary Explanation

- The Nomination and Remuneration Advisory Committee was established as the discretionary nominating body of the Board of Directors to serve the dual functions of a nomination committee and remuneration advisory committee (Date established: November 5, 2015).
- Nomination and Remuneration Advisory Committee members consist of directors, including all independent directors (outside directors who meet the independence standards of the Company; the same applies hereafter) and the representative director and president. A majority of committee members are independent directors.
- The committee deliberates on the following matters. The results of deliberations are reported to the Board of Directors.

(1) Selection of candidates or dismissal of directors and audit & supervisory board members
(2) Director compensation
(3) Planning for successor to the president (President & Executive Officer)
(4) Revision and abolition of the Corporate Governance Guidelines
(5) Analysis and evaluation of overall effectiveness of the Board of Directors
(6) Matters concerning advisors, etc. who have retired from the position of president and representative director
(7) Other matters referred by the Board of Directors

• Five meetings were held in fiscal 2018 and all committee members attended.

[Audit & Supervisory Board]

Establishment of Audit & Supervisory Board	Established
Maximum Number of Audit & Supervisory Board Members Stipulated in Articles of Incorporation	6
Number of Audit & Supervisory Board Members	4

Cooperation Among Audit & Supervisory Board Members, Accounting Auditors and the Internal Audit Department

To ensure effective and efficient audits, audit & supervisory board members, accounting auditors, and the Internal Audit Department mutually share audit results and other information appropriately and in a timely manner through reporting meetings, exchange of opinions, and other meetings.
The readiness status of the internal control system established and operated by the Internal Control Department is monitored by the Internal Audit Department, audit & supervisory board members, and accounting auditors, who exchange information on their respective audit results and monitor the system status.

Appointment of Outside Audit & Supervisory Board Members	Appointed
Number of Outside Audit & Supervisory Board Members	2
Number of Independent Audit & Supervisory Board Members	2

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

Name	Attributes	Relationship with the Company*										
		a	b	c	d	e	f	g	h	i	j	k
Teruhiko Numano	Attorney										△	
Yoshihiro Jinnai	From another company										△	

* Categories for "Relationship with the Company"
* "○" when the audit & supervisory board member presently falls or has recently fallen under the category;
"△" when the audit & supervisory board member fell under the category in the past
* "●" when a close relative of the audit & supervisory board member presently falls or has recently fallen under the category;
"▲" when a close relative of the audit & supervisory board member fell under the category in the past

a. Executive of the Company or its subsidiaries
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 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 major shareholder if the shareholder is a legal entity)
j. Executive of a client or supplier of the Company (which does not correspond to f, g, or h) (refers only to the audit & supervisory board member)
k. Executive of a company which has the same individual(s) as the Company appointed as outside directors/audit & supervisory board members (refers only to the audit & supervisory board member)
l. Executive of a company or organization that has received a donation from the Company (refers only to the audit & supervisory board member)
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
Teruhiko Numano	○	Attorney <Outside Audit & Supervisory Board Member Attributes> Mr. Numano is a former Vice President of Nihon University. The Company has routine lease transactions with the university, but these transactions comprise less than one percent of total annual consolidated revenues.	We believe that Mr. Numano will conduct audits appropriately from an objective standpoint based on the expertise he has gained as an attorney and will provide us with highly professional legal advice. He is also well versed in business litigation cases as an attorney and has considerable financial and accounting knowledge. <Reason for designation as an independent officer > He fulfills the Tokyo Stock Exchange, Inc. requirements for independent officers and poses no risk of a conflict of interest with general shareholders.

Yoshihiro Jinnai	○	<Outside Audit & Supervisory Board Member Attributes> Mr. Jinnai is a former executive vice president of Sompo Japan Insurance Inc. (now, Sompo Japan Nipponkoa Insurance Inc.). The Company has routine lease transactions with Sompo Japan Nipponkoa Insurance Inc., but these transactions comprise less than one percent of total annual consolidated revenues.	Having served as managing executive director at Sompo Japan Insurance Inc. and president of Audatex Japan (now Cognivision Inc.), Mr. Jinnai should be able to conduct audits appropriately from an objective standpoint by drawing upon his extensive experience and deep insight. <Reason for designation as an independent officer > He fulfills the Tokyo Stock Exchange, Inc. requirements for independent officers and poses no risk of a conflict of interest with general shareholders.

[Independent Officers (Directors/Audit & Supervisory Board Members)]

Number of Independent Officers	5

Other matters concerning independent officers

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[Incentives]

Incentive Policies for Directors	Introduction of performance-linked compensation and other forms of compensation

Supplementary Explanation

Director compensation consists of the following three types of compensation:

(1) Basic compensation

(2) Performance-linked compensation (annual bonus)

(3) Stock compensation (stock compensation trust) (BBT = Board Benefit Trust)

For internal directors and executive officers not serving concurrently as directors, the ratio between the basic compensation and the variable pay plan is set at 1 to 0.6 based on the average compensation ratio used by listed companies. The variable pay plan consists of performance-based compensation and stock compensation, and the ratio between the two is set at 5 to 7 in the light of the characteristics of the revenue structure of the leasing business to provide higher incentives on a medium- to long-term basis.

Performance-linked compensation is linked to ordinary profit, the balance of operating assets, and other consolidated performance plus each person’s degree of contribution to performance for the fiscal year under review.

The goal of the stock compensation (BBT) system is to better clarify the link between compensation and the Company’s stock price and foster an even greater awareness of contributing to improvement in medium- and long-term results and growth in corporate value. In this system, the funds contributed by the Company are used to acquire the Company’s shares through an investment trust. As a matter of general principle, benefits are then paid out at the time of retirement as Company shares and an amount equivalent to the price of the

Company shares on the date of retirement, in accordance with the rules on granting shares to officers formulated by the Board of Directors.

Recipients of Stock Options	

Supplementary Explanation

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[Director Compensation]

Disclosure of Individual Directors' Compensation	Individual compensation is not disclosed.

Supplementary Explanation

Total amount of director compensation in fiscal 2018: 334 million yen

Policy on Determining Compensation Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Compensation Amounts and Calculation Methods

For officers, the Company has introduced performance-linked compensation and stock compensation as a variable payment plan in addition to basic compensation paid as fixed compensation from the perspective of promoting achievement of the company objective of "securing stable business performance and growth and increasing corporate value." This has increased incentive and motivation to improve the Company's business performance and increase the share price by increasing the link between officer compensation and business performance and shareholder value.
Basic compensation is determined based on the general level of employee and officer compensation worldwide, the management conditions for the company, and other factors, within the total compensation approved by the General Meeting of Shareholders. Basic compensation is approved by the Board of Directors after the Nomination and Remuneration Advisory Committee has discussed it and provided recommendations.
Performance-linked compensation is paid according consolidated business results and each person's contribution to performance, within the total amount of compensation approved by the General Meeting of Shareholders. Performance-linked compensation is approved by the Board of Directors after the Nomination and Remuneration Advisory Committee has discussed it and provided recommendations. The indicators for performance-linked compensation are the key performance indicators in the Medium-term Management Plan. They are operating assets, ordinary income, and ROA on a consolidated basis.
[Method for Calculating Performance-linked Compensation]
Performance-linked compensation = standard wages for each position x performance-linked payment coefficient*
(* The performance-linked payment coefficient is determined through a set formula that combines the percentage attainment of the plan and the YOY percentage for 1) operating assets, 2) ordinary income, and 3)ROA. The range for the performance-linked payment coefficient is between 0.5 and 1.5.)
The Company has introduced a system of stock compensation through an investment trust (BBT = Board Benefit Trust). Through this system, Company stock is awarded to each officer through an investment trust in accordance with the rules on granting shares to officers according to the position of each officer. The amount

granted is determined by the Board of Directors after the Nomination and Remuneration Advisory Committee has discussed the awards and presented recommendations, within the total amount of compensation approved by the General Meeting of Shareholders. Eligible directors receive the benefit upon retirement as a general rule.
Outside directors, who perform a supervisory role, received only fixed-amount compensation because it is difficult for the concept of short-term incentives and stock-based remuneration to be accepted.

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

The Company provides the agenda for Board of Directors meetings in advance and also provides explanations in advance to outside directors and outside audit & supervisory board members.

[Retired Presidents/CEOs Holding Advisory Positions (Consultant, Advisor, etc.)]

Information on retired presidents/CEOs holding advisory positions (consultants, advisors, etc.)

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/without compensation, etc.)	Date when former role as president/CEO ended	Term
Toshiyuki Ogura	Special Advisor	• Advice as requested by management • Maintenance of relationships with customers and business partners	Part-time, compensated	March 31, 2014	One-year renewable

Number of Retired Presidents/CEOs Holding Advisory Positions (Consultant, Advisor, etc.)	1

Other Matters

The Company does not have a system for consultants, special advisors, or other such positions. However, the president makes the decision on the role expected of a special advisor and on concluding an agreement, after these matters are discussed by the Nomination and Remuneration Advisory Committee, the majority of members of which are independent directors.
Special advisors do not attend the Company's Board of Directors meetings and Executive Committee meetings, or other internal meetings, and do not have the authority to make management decisions for the Company.
The status of special advisor activities is reported to the Nomination and Remuneration Advisory Committee on a regular basis.
Compensation for special advisors is paid as fixed compensation, according to their current roles.

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

The content of the management structure for executing the Company's business, supervision and oversight, and other organizational aspects of corporate governance are described below. Also see the Guidelines for further information concerning Points A through C and G. In regard to the nomination of officers, see "Committee's Name, Composition, and Designated Status of Chairperson" in Section II-1. For officer remuneration, also see [Director Compensation] in Section II-1.

A. Board of Directors

The Board of Directors consists of nine directors. It deliberates on and decides important matters concerning management and matters specified in laws and regulations, the Company's Articles of Incorporation, and the Board of Directors Regulations. The Board also oversees the execution of duties by directors and executive officers. See Article 8, Paragraph 4 of the Guidelines in regard to matters

subject to approval by the Board of Directors. Three independent directors are appointed to increase the objectivity and transparency and strengthen the oversight function of Board of Directors. The Board of Directors met 12 times in fiscal year ended March 31 2019 (fiscal 2018). The attendance record of each officer during fiscal 2018 is shown below.
[Notice: The table cannot be recorded on the TSE website, so the following text has been amended.]

Directors
Takashi Sato, Yasunori Tsujita, Shozo Kazama, Shinya Aizawa, Soichi Hosoi, Nobuya Minami, and Seiichi Isshiki attended 12 meetings.
Yoriaki Takebe and Hideo Ichikawa attended 10 meetings.*

* Yoriaki Takebe and Hideo Ichikawa were both elected at the Annual General Meeting of Shareholders held on June 22, 2018. They were therefore eligible to attend 10 Board of Directors meetings during fiscal 2018.

Audit & Supervisory Board Members
Kiyoyuki Takashima, Shigeru Suda, and Yoshihiro Jinnai attended 12 meetings.
Teruhiko Numano attended 8 meetings.

B. Nomination and Remuneration Advisory Committee

The Nomination and Remuneration Advisory Committee was established as a discretionary committee of the Board of Directors. It consists of three independent directors and one internal director. The Committee deliberates on the selection or dismissal of directors and audit & supervisory board members, including the representative director and president (President & Executive Officer), director compensation and other matters, and presents its recommendations to the Board of Directors. The Nomination and Remuneration Advisory Committee met five times in fiscal 2018.

C. Audit & Supervisory Board

Our Audit & Supervisory Board consists of four auditors, including two full-time members and two part-time audit & supervisory board members who are also independent audit & supervisory board members. According to the audit plan formulated by the Audit & Supervisory Board, each audit & supervisory board member audits execution of operations by directors by attending important meetings, reviewing important documents, examining operations and assets, and reviewing the audit findings of the independent accounting auditor and the Internal Audit Department among other relevant activities. The audit policy for fiscal 2018 states that, in accordance with the Code of Audit & Supervisory Board Member Auditing Standards, the Audit & Supervisory Board is an independent body which has received the mandate for its responsibilities from shareholders. Audit & supervisory board members perform audits from the following main perspectives to ensure healthy, sustainable growth of the Company and work to establish a strong corporate governance system that can earn the trust of society.
The Audit & Supervisory Board met eleven times during fiscal 2018.

D. Executive Committee

The Executive Committee is composed of Executive Officers with positions of managing executive officer or higher, the heads of the Corporate Planning Division, General Affairs Division, and Business Planning & Promotion Division as well as the presidents of major subsidiaries. Full-time audit & supervisory board members also attend meetings of the Committee on a regular basis. As a general rule,

the Executive Committee meets at least once a month to make decisions on operating activities and implementation of measures delegated by the president, and to discuss important issues concerning internal controls. Its aim is to improve the quality of management decisions and to speed up decision-making. The Executive Committee met 20 times during fiscal 2018.

E. Compliance Committee

The officer in charge of compliance serves as the chair of the Compliance Committee. Full-time members include the head of the relevant planning and administrative departments, the representative directors and others from domestic subsidiaries, and the general managers of the supervising divisions of overseas subsidiaries. The Legal & Compliance Division serves as the administrative office for the Compliance Committee. Compliance Committee meetings are held once a quarter, and matters relating to establishment of a compliance structure and furtherance of annual compliance plans are debated and discussed. The matters debated and discussed at the committee meetings are reported and presented to the Board of Directors and the Executive Committee, which take steps to establish and strengthen the compliance structure.

F. Internal Audits

The internal audit function is administered by the Internal Audit Division (staffed by six employees). The Internal Audit Division conducts operational audits of all departments, offices, branch offices, and major subsidiaries, and plays a part in ensuring that internal controls are functioning in addition to examining their effectiveness. The audit policy for fiscal 2018 is as follows.

(1) Promote risk-based audits and objectively evaluate the effectiveness of internal controls, risk management, and the compliance structure.

(2) The Internal Audit Departments of each Group company share information and work cooperatively to strengthen Group internal controls.

(3) Strive to enhance corporate value through the internal audit assurance and consulting functions.

The results of these audits of operations are reported to the president and audit & supervisory board members when they are conducted and periodically to the Board of Directors and the Executive Committee.

G. Accounting Audits

The Company's consolidated and unconsolidated financial statements are audited by Ernst & Young ShinNihon LLC, based on Article 193, Paragraph 2-1 of the Financial Instruments and Exchange Act. There are no conflicts of interest between the Company and audit firm or the employees of the audit firm performing the audit that are notable pursuant to the Certified Public Accountants Act. The names of the certified public accountants (CPAs) who performed the accounting audit on our Company are listed below.

Names of CPAs and Name of the Firm They are Affiliated With

<Name & Title of CPA>	<Name of Firm Affiliated With>
Hirokazu Tanaka, Managing Partner	Ernst & Young ShinNihon LLC
Noriko Kubo, Managing Partner	Ernst & Young ShinNihon LLC

* All personnel had seven years or less of continuous auditing experience.
* The audit firm has voluntarily taken steps to ensure that accounting audits of our Company will not be performed by the same managing partners for more than a certain time period.
* Audit support staff included 10 CPAs and 13 assistant accountants and other staff.

3. Reasons for Adoption of Current Corporate Governance System

The Company has adopted the corporate form of a company with an Audit & Supervisory Board. Audit & supervisory board members work closely with the Internal Audit Department and the Internal Control Department on audits. The Company also appoints outside auditors to ensure independence and a sufficient corporate governance function. The Company also appoints multiple outside directors whose independence is demonstrated. These outside directors provide oversight and advice on the execution of business from an external perspective to improve the oversight function of the Board of Directors. A Nomination and Remuneration Advisory Committee, which is comprised of a majority of outside directors has also been established to ensure a highly transparent system of management and eliminate arbitrariness.
We also believe that, by working together, the outside directors and the Audit and Supervisory Board will enable the Company to strengthen corporate governance and thereby continue to enhance corporate value.

The Company has introduced an executive officer system to speed up decision-making and improve management efficiency by separating the management supervisory function and the executive function.

III. Implementation of Measures for Shareholders and Other Stakeholders

1. Measures to Ensure Dynamic General Shareholder Meetings and Smooth Exercise of Voting Rights

	Supplementary Explanations
Early Notification of General Shareholder Meetings	The Notice of the 50th Annual General Meeting of Shareholders was sent out on June 3, 2019, three days prior to the legally mandated deadline (18 days prior to the meeting date).
Scheduling General Shareholder Meetings on Days When Numerous Other Companies Are Not Holding Theirs	The 50th Annual General Meeting of Shareholders was held on June 21, 2019.
Electronic Exercise of Voting Rights Permitted	The Company has permitted the exercise of voting rights via the Internet since the 37th Annual General Meeting of Shareholders held on June 27, 2006.
Participation in an Electronic Voting Platform or Other Means to Increase the Exercise of Voting Rights by Institutional Investors	The Company has participated in a platform for the exercise of voting rights since the 42nd Annual General Meeting of Shareholders.
Convocation Notice in English Provided	Since the 49th Annual General Meeting of Shareholders, the Company has posted the convocation notice (partial excerpt) in English on the Company website on the date on which the notice is sent, and makes it available for viewing on the Internet via the TDnet Company Announcements Service operated by Tokyo Stock Exchange, Inc.
Other Matters	After it has been approved by the Board of Directors, the convocation notice was posted on the Company website before it was sent out on May 23, 2019 and was also made available for viewing on the Internet via the TDnet Company Announcements Service operated by Tokyo Stock Exchange, Inc.

2. IR Activities

	Supplementary Explanations	Explanation from Representative
Formulation and Public Disclosure of the Disclosure Policy	The Company formulated a Disclosure Policy in March 2010. It is posted on the Company website.	
Regular Investor Briefings for Analysts and Institutional Investors	The Company holds financial results briefings for analysts and institutional investors after summary financial results are announced for the second quarter and the full year.	Yes
Posting of IR Materials on Website	The Company posts summary financial statements, an overview of financial results, financial results presentation materials, the securities report, the Integrated Report, news releases, other IR information on the Company website.	
Establishment of Department and/or Manager in Charge of IR	Division in charge of IR: Corporate Communications Office, Corporate Planning Division	

3. Measures to Ensure Respect for Stakeholders' Positions

	Supplementary Explanations
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The Company has established the Fuyo General Lease Group Code of Corporate Conduct as a code of ethics. This code sets forth our basic position for each stakeholder.
Implementation of Environmental Conservation Activities, CSR Activities, etc.	As a member of society, the Company carries out CSR activities that fulfill our responsibilities, not only from an economic perspective, but also in a wide variety of areas from the environmental and social perspectives. On the environmental front, we have built an environmental management system together with our nine main subsidiaries. We also pursue environmental activities through our business, from energy savings and resource conservation in our own company, to the ESCO service that contributes to energy savings for customers, PC Eco & Value leases that contribute to reuse of PCs, and re-marketing (used asset buy-back service) that contributes to resource conservation, among other activities. We also entered the solar power generation business through a subsidiary in 2012. This subsidiary has opened large-scale solar power plants nationwide and is supplying renewable energy. On the social front, we are engaged in activities that contribute to healthcare and welfare and to a society that is rapidly advancing in the age of its population by investing in venture firms that are targeting development of advance medical devices, and through building leases for elder care facilities that provide fee-based elder care services, and other facilities. We also implement a variety of activities to meet the needs of customers, shareholders, local communities, employees, and other stakeholders. These are described in more detail in the CSR section of the Company website: https://www.fgl.co.jp/csr/
Development of Policies on Provision of Information to Stakeholders	The Fuyo General Lease Group Code of Corporate Conduct mentioned above emphasizes IR activities and open two-way communication. It also specifies timely, appropriate, and proactive disclosure of information, and striving for "open management" that will earn the trust of the market.
Other	We regard the advancement of women as a management priority and are working to establish an environment that enables women to fully demonstrate their capabilities, to an even greater degree than they have up to the present. In December 2014, we prepared and promoted an action plan for promoting the participation of female employees in the workplace, and launched measures aimed at greater advancement of women based on the four themes of recruitment, human resources development, organizational culture reforms, and work-life balance. More specifically, we are working to design individual career plans to clarify our policy on development, support career development of candidates for management, reform the culture to create workplaces that make it easy to work, and expand the ways in which we support childcare leave, among other efforts. Our goal is to increase the number of women in management positions to 1.5 times (40 women) the number at the time the plan for women in management was formulated by 2020.

IV. Matters Related to the Internal Control System

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

Below is a summary of the Company's decisions concerning a system to ensure that the execution of duties by directors complies with laws and regulations and the Company's Articles of Incorporation, and other systems to ensure proper conduct of Company business.

1) System to Ensure that the Execution of Duties by Directors, Executive Officers, and Employees Complies with Laws and Regulations and the Company's Articles of Incorporation

The Company regards compliance as one of the highest management priorities. Our basic policy is to strictly comply with all laws, regulations, and rules, and faithfully and fairly perform corporate activities in a manner that does not deviate from social norms. We have formulated the Fuyo General Lease Group Code of Corporate Conduct as the ethical guidelines for the Company.
The Company has produced rules, procedures, and manuals based on the Fuyo General Lease Group Code of Corporate Conduct, and has established a compliance system through employee education and training. We have also established of a robust internal whistleblowing system, and other measures. We maintain a structure to ensure that directors, executive officers, and employees comply with laws and regulations and the Company's Articles of Incorporation in executing their duties. This is accomplished through oversight by the Board of Directors and Audit & Supervisory Board, audits by audit & supervisory board members, the accounting auditor, and the Company's Internal Audit Division.

2) System for Retention and Management of Information Concerning the Execution of Duties by Directors

The Company produces Board of Directors meeting minutes, Executive Committee meeting minutes, and written ringi proposals based on the Articles of Incorporation, the Executive Committee Regulations, and the Ringi Proposal Regulations. A system for retention and management of information concerning the execution of duties by directors has been established and this system is maintained by retaining documentation for the specified period of time.

3) Loss Risk Management Regulations and Other Systems

In the Risk Management Regulations, the Company has segmented risks that should be managed into credit risk, market risk, liquidity risk, administrative risk, system risk, legal risk, human risk, reputational risk, and other types of risk. We manage these risks according to the specific nature and importance of each risk, by the systems and methods specified in our basic policy on management of each risk.
We have also formulated other regulations such as Emergency Preparedness Regulations to prepare for the occurrence of emergencies and disasters and Confidential Information Management Regulations concerning the management of information, and have established regulations concerning the management of loss risk and other systems. We act to strengthen the risk management system on an ongoing basis to respond to various risks that arise along with changes in the management environment in an appropriate and timely manner.

4) System to Ensure the Efficient Execution of Duties by Directors

The Company has established a system to ensure the efficient execution of duties by directors by clarification of the division of duties through the executive officer system, through the delegation of duties and authority based on the regulations on responsibilities and authorities, and by planning and management and budget control based on the Medium-term Management Plan. We will improve the

PDCA cycle through budget controls and other means, and maintain an efficient system and work to improve efficiency in the future as well.

5) System to Ensure Appropriate Business Conduct by the Corporate Group, Consisting of the Company and its Subsidiaries

The Corporate Group, which consists of the Company and its subsidiaries (hereafter, "Corporate Group"), share the Fuyo General Lease Group Code of Corporate Conduct in common, and the entire Group is managed in light of the specific characteristics of the business of each company.
The Company seconds directors to all subsidiaries and implements management and controls such as requiring approval or reporting on the conduct of business and management status of subsidiaries based on the Management Regulations for Affiliates. By doing so, we maintain a structure that ensures the proper conduct of business in the Corporate Group.
Our basic policy is that each subsidiary establishes its own internal controls, and the Internal Audit Division of the Company performs regular audits of the operations of the main subsidiaries. We also strive for improvement by providing the necessary support and guidance on compliance, risk management, and improving efficiency, depending on the nature of each subsidiary's business.

6) System to Ensure Reliability of Financial Reporting in the Corporate Group

The Corporate Group implements appropriate internal controls at the Group-wide level and at the operating process level to ensure the reliability of financial reporting or, in other words, to ensure the reliability of the financial statements and information that could have a material impact on the financial statements. If any deficiency is discovered in the internal controls, improvements are implemented as needed, and we maintain the system in a manner that ensures the reliability of financial reporting.

7) System for the Support Personnel When an Audit & Supervisory Board Member Requests Personnel to Assist with Duties

The Company assigns personnel to assist an audit & supervisory board member (hereafter, "audit & supervisory support personnel") according to the rules on concurrent duties in the Internal Audit Division .

8) Ensuring Independence of Personnel in the Preceding Paragraph from Directors and Effectiveness of Audit & Supervisory Board Member Instructions

To ensure the independence of audit & supervisory support personnel from directors and the effectiveness of work instruction issued by audit & supervisory board members, the Company has directed that audit & supervisory support personnel report directly to and perform work for an audit & supervisory board member. Audit & supervisory support personnel shall not accept orders or instructions from a director. Furthermore any personnel transfer, personnel evaluation, or discipline for audit & supervisory support personnel is decided and implemented after first consulting the Audit & Supervisory Board.

9) System for Reporting to Company Audit & Supervisory Board Members

(1) System for Company directors, executive officers, and employees to report to the Audit & Supervisory Board or audit & supervisory board members, and other systems for reporting to audit & supervisory board members

Company directors, executive officers, and employees report to the Audit & Supervisory Board or audit & supervisory board members 1) when they discover facts that could have a serious adverse effect on the Company, 2) when a director, executive officer, or employee has committed a violation

of laws and regulations or the Articles of Incorporation, or is thought to pose the risk of committing such violations, or 3) other matters specified in laws and regulations or requested by the Audit & Supervisory Board or audit & supervisory board members.

(2) System for the directors, audit & supervisory board members, executive officers, and employees of subsidiaries to report to the Company's audit & supervisory board members

The directors, audit & supervisory board members, executive officers, and employees of subsidiaries will promptly report to a Company audit & supervisor board member when the audit & supervisor board member has requested a report as necessary for performing his or her duties.

Company audit & supervisory board members will regularly convene Group audit & supervisory committee meetings, consisting of the audit & supervisory board members and others from the Company and its subsidiaries to receive reports on audit results and share information.

Moreover, we have added Company audit & supervisory board members as contacts for reporting in the Group internal whistleblowing system, and have established an information route to ensure that reports are appropriately reported to audit & supervisory board members even when a whistleblower reports to another contact.

10) System to Ensure that Whistleblowers in the Preceding Paragraph are not Retaliated Against for a Whistleblowing Report

The Company will not retaliate against a director, audit & supervisory board member, executive officer, or employee of the Company or one of its subsidiaries because they have reported as mentioned in the preceding paragraph. Moreover, the Regulations on Internal Whistleblowing clearly specify protection of the whistleblower or reporter who reports to an audit & supervisory board member.

11) Policy on Handling of Expenses or Obligations Audit & Supervisory Board Members Incur in the Execution of Duties

When an audit & supervisory board member so requests, the Company will promptly pay expenses and other obligations for the performance of duties in advance, or make other arrangements.

12) Other Systems to Ensure the Effectiveness of Audits Performed by Audit & Supervisory Board Members

The Company maintains a system to ensure that audits by audit & supervisory board members are performed effectively by providing an environment that enables audit & supervisory board members to ascertain the status of the execution of business in the Company at all times through attendance at Board of Directors and Executive Committee meetings and other meetings, participating in regular discussions with management, circulation of important ringi proposals, reports on the results of administrative audits by the Internal Audit Division, and other means. The Company implements improvements to this system as needed.

13) System for Prohibition of Relationships with Antisocial Forces

In the Fuyo General Lease Group Code of Corporate Conduct, the Company states that it prohibits all relationships with antisocial forces that could threaten the order or safety of civil society. The Company also responds in a systematic manner to prohibit relationships with antisocial forces by formulating compliance regulations and a response manual, providing education and training to employees, partnering with law enforcement, and taking other steps.

The Company will continue to maintain a system for prohibiting relationships with antisocial forces and will work to mount a comprehensive response in the future.

2. Basic Views on Elimination of Antisocial Forces and State of Preparedness

The Company's basic views on elimination of antisocial forces and the state of preparedness are detailed below.

1) Basic Views on Elimination of Antisocial Forces

The Company prohibits all relationships with antisocial forces that could threaten the order or safety of civil society, and does not provide any products or services to antisocial forces. We perform appropriate screening in advance, prevent the execution of transactions at the outset, and take immediate action to cancel transactions in the event that a counterparty is revealed to be an antisocial force after the fact.

2) State of Preparedness for Eliminating Antisocial Forces

(1) The Company has formulated compliance rules and standards (on relationships with antisocial forces), and has also produced an Antisocial Force Response Manual, which contains guidelines for responding to prohibit relationships with antisocial forces. We work to make sure that all officers and employees are aware of these by providing education and training.

(2) The Company has appointed a division to be in charge of prohibiting relationships with antisocial forces and an administrator to prevent improper requests. We have established an internal communication structure, and a system for partnering with law enforcement, the National Center for Removal of Criminal Organizations, law firms, and other external institutions, and we mount a systematic response.

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 Corporate Governance System

Internal system for timely disclosure of Company information

The Company endeavors to disclose information in a timely and appropriate and fair manner, in accordance with the Financial Instruments and Exchange Act and with Tokyo Stock Exchange rules for timely disclosure. We disclose information on important decisions, emergent events, information concerning financial statements, or other information could affect investment decisions, or when there has been a material change in important Company information that has already been disclosed.

To achieve this, the Company has specified procedures for handling important information concerning timely disclosure, etc. to comprehend the information that must be disclosed in a timely manner. We work to make sure that everyone in the Company is aware of the internal procedures and we manage Company information appropriately, in accordance with the Insider Trading Management Regulations, Immediate Reporting Regulations, and Confidential Information Management Regulations.

For information on important decisions, emergent events, information concerning financial statements, or other information could affect investment decisions in the Company, the division collecting the information and the division in charge of information disclosure determine whether the information needs to be disclosed and consider timely disclosure and the method of disclosure, based on the Financial Instruments and Exchange Act and various other relevant laws and regulations, as well as the timely disclosure rules of Tokyo Stock Exchange, Inc. The decision to disclose is made by the Board of Directors or by the Chief Information Management Officer, and is then promptly disclosed. We also receive timely advice and guidance from the Audit & Supervisory Board, and seek advice from the accounting auditor when necessary.

The Company registers information that must be disclosed in a timely manner on TDnet (Timely Disclosure Network) operated by Tokyo Stock Exchange, Inc., and then responds to inquiries from the exchange or provides an explanation in advance. The exchange then processes the disclosure and once it has been disclosed at the specified time, the information registered for disclosure is transmitted to numerous mass media organizations. It is also simultaneously posted on the Company Announcements Disclosure Service and provided for general viewing. The information disclosed is also posted on the Company website after disclosure.

[Reference Material]

1. Diagram of Corporate Governance System

(Supplement) Insert the diagram on P. 90 of the Integrated Report, full report, as-is.

2. Timely Disclosure System Flowchart

