Last updated: September 20, 2019
Funai Soken Holdings Inc.
Sakae Takashima, President and Group CEO
Contact: Management Administration Divisional Headquarters
+81(0)6-6232-0130
Securities code: 9757
https://hd.funaisoken.co.jp

The corporate governance of Funai Soken Holdings, Inc., is described below:

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

1. Basic Views

The company strives to strengthen its corporate governance with a focus on ensuring effective legal compliance and maximizing shareholder returns. In order to enhance corporate governance, at least one third of the directors of the company are outside directors. The company audits the legality and validity of the Board of Directors by means of the Audit and Supervisory Committee (comprising three members, including two outside directors) to ensure objectivity and validity. In addition, the company has established a Governance Committee, comprising all outside directors, to review corporate governance on a regular basis. The company has also established a Nominating Committee (of which more than half of the members are outside directors) and a Compensation Committee (of which half of the members are outside directors) as advisory bodies to the Board of Directors to ensure transparency and objectivity with respect to the appointment of directors and directors' remuneration. Based on these bodies' deliberations regarding the various reports, the president makes submissions to the Board of Directors for decisions. Furthermore, the company has introduced an executive officer system to ensure a separation between the management and execution of business matters, as well as to ensure flexibility in business execution. Meanwhile, the company believes that a proactive approach to disclosure is an important pillar of corporate governance and is committed to prompt and accurate disclosure of its current business activities, as well as its future business strategies, through legally required announcements as well as initiatives such as company briefings and individual meetings with institutional investors and analysts.

Reasons for Non-Compliance with the Principles of the Corporate Governance Code

Principle 2.6 Fulfilling the Function of Asset Owner of Corporate Pensions
The company outsources its corporate pension to an asset manager who has undertaken to observe the Stewardship Code. As the company is aware that management of the corporate pension fund has a fundamental influence on employees' ability to build up assets steadily, as well as on the its own financial situation, the company receives regular operational updates from the asset manager and constantly monitors stewardship through constructive dialogue. In this way, it strives to appropriately manage any conflicts of interest that may arise between the corporate pension and the company. Moreover, defined contribution pensions are similar to defined benefit pensions in that employee asset formation is dependent on the investments made. The company offers e-learning programs on asset management to pension scheme members. However, the company will also consider its approach to utilization of human resources, such as the placement and appointment of staff or the recruitment of external experts as required by company's principles, based on reviews of expected future trends.

Principle 4.11.1 Policy and Procedure for the Appointment of Directors
The Board of Directors comprises no more than 10 directors (excluding directors who are Audit and Supervisory Committee members) and no more than five members of the Audit and Supervisory Committee. The board is made up of various directors with different backgrounds in terms of expertise and experience, including directors with an in-depth knowledge of the group's business and outside directors whose role is to audit the group from an independent and objective standpoint. The appointment of directors is deliberated on by the Nominating Committee (of which more than half of the members are outside directors) based on a diverse and varied assessment of capabilities and performance, and is determined by the Board of Directors.

The company is reviewing its approach to the appointment of female directors and continues to select the most appropriate candidates for appointment. Meanwhile, since most of the company's sales are derived within Japan, it does not believe that it is necessary to appoint any overseas directors at present. In terms of Audit and Supervisory Committee members who are appointed to the Board of Directors, there is one certified public accountant, with specialty knowledge of finance and accounting, and one lawyer, with specialty knowledge in legal affairs.

Disclosure Based on the Principles of the Corporate Governance Code Updated!

Principle 1.3 Basic Approach to Capital Policy
The company recognizes that its approach to capital policy is extremely important for enhancing shareholder value over the mid- to long-term. Its basic approach is to improve capital efficiency through profit growth driven by proactive investment in the business, while building shareholders' equity to an appropriate level and increasing returns to shareholders.

Principle 1.4 Cross-Shareholdings
1. Cross-Shareholding Policy
In light of changes in the environment relating to the Corporate Governance Code and the risk that the company's financial situation could be significantly impacted by share price fluctuations, the company's basic policy is to reduce cross-holdings and to not acquire new shares unless the holding is deemed to be strategically significant.

2. Reviews
Each year, the company's stockholdings are reviewed individually, and the economic rationale of these holdings is assessed. The medium- to long-term objectives for the holdings are examined and returns, such as dividends, are taken into account. As a result of this review, those stockholdings deemed to have limited strategic significance or economic rationale are sold, while taking into account the impact of disposal on the market and other considerations. On the other hand, those stocks that are acknowledged to be of strategic significance to the company shall be retained.

3. Exercise of Voting Rights
The company exercises voting rights to approve or reject proposals made by businesses in which it holds shares, taking account of whether there is an appropriate governance system in place, and whether the stockholding company makes appropriate decisions that will enhance corporate value over the medium- to long-term, based on whether it enhances the corporate value of the group. If the company deems that it cannot approve a proposal, it may consider a disposal of the stockholding concerned. In particular, with regard to proposals that could have an impact on corporate value and shareholder returns (such

as takeover defense initiatives or business restructuring measures), the company has a dialogue with the stockholding company to assess its aims and objectives for the improvement of corporate value. Based on this, the company evaluates the merits and disadvantages of the proposals concerned.

Principle 1.7 Related Party Transactions
"Directors' transactions with competitors" and "directors' transactions with the company" require advance approval by the Board of Directors and must be reported to the Board of Directors in accordance with the Companies Act and the regulations of the company's Board of Directors. Details of transactions with related parties, transaction conditions and the policy for determining transaction conditions are disclosed in the Securities Report.

Principle 3.1.1 Full disclosure and Transparency (Company goals (Management philosophy), management strategy and business planning)
The President's Message, the group philosophy and the mid-range business plan are disclosed on the company's website and in the Annual Report.

Principle 3.1.2 Full Disclosure and Transparency (Basic view and basic policy on corporate governance)
Disclosed in the Basic Views section of this report.

Principle 3.1.3 Full Disclosure and Transparency (Policies and procedures for determining compensation for executives and directors)
Although the company has an Audit and Supervisory Committee, it has also appointed a Compensation Committee on a voluntary basis. The Compensation Committee ensures that executives' and directors' remuneration is an incentive for the improvement of business performance over the medium- to long-term. It submits proposals for remuneration to the Board of Directors for submission to the General Meeting of Shareholders and discusses the policy and details of individual remuneration.

Principle 3.1.4 Full Disclosure and Transparency (Selection and dismissal of executives; nomination policies and procedures for candidate directors)
Although the company has an Audit and Supervisory Committee, it has also appointed a Nominating Committee on a voluntary basis. The Nominating Committee ensures that the Board of Directors can fully exercise its function of overseeing the management of the company. It submits proposals regarding the appointment of directors to the Board of Directors for submission to the General Meeting of Shareholders and discusses matters that it deems to be necessary regarding the appointment and dismissal of candidates to be a director of the company.

Moreover, proposals regarding the dismissal of directors for submission to the General Meeting of Shareholders are examined by the Nominating Committee and reported to the Board of Directors.

Principle 3.1.5 Full Disclosure and Transparency (Explanation of the appointment/ dismissal/nomination of directors)
Reasons for appointment of directors are explained in shareholder meeting convocation notices.

Principle 4.1.1 Scope of Matters Delegated to Management
The company separates the functions of the Board of Directors, which makes decisions and supervises the management of the company, from the functions of executive officers who execute business matters. The scope of this is defined in the official regulations of administrative authority. The Board of Directors makes decisions on important matters of business execution in accordance with laws and regulations and the regulations of the Board of Directors, as well as supervising the Executive Committee and overseeing the implementation of business matters. The Executive Committee comprises directors and executive officers and has been established under the Board of Directors for matters regarding business execution and resolutions other than those that are decided by the Board of Directors. In addition to considering and discussing important agenda items in advance to aid the deliberations of the Board of Directors (excluding matters resolved at Board of Directors' meetings) it makes decisions and shares information on those agenda items that are not covered in board meetings.

In March 2016, the company transitioned to become a company with an Audit and Supervisory Committee in order to enhance corporate governance by improving the audit and supervisory function in respect of the Board of Directors and to improve management fairness and efficiency. As a result of this, by resolution of the Board of Directors, the company stipulates in the Articles of Incorporation that all or some important decisions of business execution (excluding matters listed in Paragraph 5 of the Article) can be delegated to the directors to ensure swift and precise decision-making in accordance with the provisions of Article 339-13, Paragraph 6 of the Companies Act.

Principles 4.3.2 Appointment of Chief Executive Officer Through Objective, Timely and Transparent measures
The company reviews the selection and development of the candidate to be Group CEO-elect. The process is led by the Successor Nominating Committee (chaired by an outside director) which comprises one director and three outside directors. The Board of Directors deliberates based on reports from the Successor Nominating Committee to determine the appropriate candidate as Group CEO-elect to take on leadership and management responsibility for the company in future. The Successor Nominating Committee is involved in the selection of Group CEO candidates to ensure that the process remains fair and highly transparent.

Principle 4.8 Effective Use of Independent Outside Directors
Three of the seven directors of the company are currently appointed as independent outside directors. Regarding the appointment of independent outside directors, one third or more of directors are outside directors in order to strengthen the management oversight capabilities of the Board of Directors and to ensure fairness. Candidates' profiles are reviewed as needed (taking account of specialty fields, experience, career, etc.) and the company's policy is to appoint directors who are qualified for the role taking account of the requests of stakeholders, diversity of personnel and management policies as required.

Principle 4.9 Independence Standards and Qualification for Independent Outside Directors
Outside directors are expected to supervise management from a high-level perspective based on their abundant experience. The Nominating Committee selects outside director candidates who are comprehensively judged to possess the character, acumen and business and professional experience suited to fulfill that role, after checking their relationship with the company in terms of personal connections, capital and transactions based on the criteria for independence established by the Tokyo Stock Exchange, and for whom there is no risk of conflict of interest with the general shareholders of the company.

Principle 4.11.1 Approach to Diversity and Capacity of the Board of Directors
The Board of Directors consists of no more than 10 directors (excluding directors who are Audit and Supervisory Committee members) and no more than five members of the Audit and Supervisory Committee. It is made up of various directors with different backgrounds in terms of their fields of expertise and experience, including directors with an in-depth knowledge of the group's business and outside directors whose role is to audit the group from an independent and objective standpoint. The appointment of directors is deliberated by the Nominating Committee (of which more than half of the members are outside directors) based on a diverse and varied assessment of capabilities and performance, and determined by the Board of Directors.

Principle 4.11.2 Other Mandates of Directors and Corporate Auditors
The status of other important mandates of directors serving concurrently as directors of the company is disclosed in Reference Documents for General Meeting of Shareholders in the notice of convocation and in "Status of Directors" in the Securities Report.
If outside directors concurrently serve as officers of other companies, the number of mandates they hold should remain within a reasonable range from the viewpoint of time and effort required to appropriately fulfill their roles and responsibilities as directors of the company.

Principle 4.11.3 Self-Evaluation of Effectiveness of the Board of Directors
1. Objective and Method of Evaluation of Effectiveness
The company conducts an evaluation of the effectiveness of the entire Board of Directors once a year for all directors, including Audit and Supervisory Committee members, through a self-assessment questionnaire. The Board of Directors deliberates the results of this evaluation to improve the effectiveness of the Board of Directors. The evaluation of effectiveness was deliberated at the Board of Directors' meetings held on January 25 and February 22, 2019. The summary of the evaluation results is as follows.

2. Summary of evaluation results
Review of last year's initiatives: The results of the 2018 evaluation of effectiveness initiatives are as follows.
(1) In terms of composition of the Board of Directors, the ratio and number of Outside Directors are appropriate, but there should be female directors in the interests of diversity.
(2) In terms of new business, there is a drafting procedure in place and plans for new business have been proactively drafted. These plans have been well explained at the Board of Directors' meetings and other meetings as appropriate. However, there needs to be an improvement in the process for reviewing the progress of implementation of new business.
(3) The succession plan is examined in detail through a process of discussion and deliberation by the Governance Committee.
(4) To enable the Board of Directors to fulfill important decision-making and supervisory functions, there needs to be a focus at Board of Directors' meetings on resolutions that are ready for implementation; the criteria for tabling items at board meetings should therefore be reviewed.
(5) With regard to risk management, the company assesses and evaluates risks and has a system in place to deal with individual risks.

Action Plan
The Board of Directors makes decisions on strategy, taking all appropriate information into account, based on active discussion to ensure the opinions of all directors are reflected. This ensures the effectiveness of the entire Board of Directors.
The details of the 2019 Action Plan are as follows:
In future, the company will strive to further improve the effectiveness of the Board of Directors by implementing this Action Plan.
(1) To maintain a focus on the appointment of female directors.
(2) To strengthen the monitoring of new business.
(3) To discuss the succession plan.
(4) To fundamentally review agenda items for meetings.
(5) With regard to risk management, to strengthen the organizational structure to deal with risks and establish an organizational system that enables the company to respond faster and more appropriately when risks become manifest.

Principle 4.14.2 Training Policy for Directors and Corporate Auditors
The company pays expenses and conducts training for inside directors/executive officers, outside directors and newly appointed inside directors/executive officers as follows in order that directors and executive officers may fulfill their respective roles and responsibilities appropriately.

1. For Inside Directors and Executive Officers
The company invites outside lecturers to conduct training based on real examples, such as violations of laws and regulations that we may be susceptible to, illegal conduct that may arise at the company, selection of M&A targets, as well as points to consider for management decision-making and management approaches for subsidiary companies, including overseas transactions.

2. For Outside Directors
The company improves the effectiveness of outside directors' supervisory capabilities through better understanding of the business, based on deepening their knowledge of the group and its business. This includes outside directors' participation in "group company presentations on management policy" and group company board meetings as appropriate.

3. For Newly Appointed Inside Directors and Executive Officers
The company offers opportunities for training at external organizations to gain the minimum knowledge required for directors on matters such as laws, compliance and corporate governance.

Principle 5.1 Policy for Constructive Dialogue with Shareholders
In accordance with the policy outlined below, the company values the importance of constructive dialogue and communication with shareholders and investors, who are its key stakeholders. It responds as appropriate based on a mutual consideration of opinions and viewpoints.

1. System of Implementation and Collaboration Between Departments
(1) The director in charge of investor relations (IR) is responsible for constructive dialogue and communication with shareholders and investors. The Management Administration Divisional Headquarters is responsible for practical work matters.
(2) The Management Administration Divisional Headquarters takes the lead, while staff from the General Affairs Department, the Corporate Administration Office and others meet regularly and implement the business of the company in cooperation with each other.

2. Dialogue with Shareholders and Investors
(1) In terms of the dialogue with shareholders and investors, the basic principle is that as much of this as possible is done by the Director of IR or the CEO to ensure the outcomes of the dialogue is clearly reflected in management.
(2) In addition to one-on-one meetings, the following methods of communication are used.
- Company briefings on the mid-range business plan and business strategy
- Participation in IR conferences arranged by securities companies
- Improved provision of information via the company website, notices of convocation of shareholders' meetings, etc.

(3) The company views the General Meeting of Shareholders as an important forum for dialogue with shareholders and investors, and therefore endeavors to provide ample opportunity for Q&A with stakeholders.

3. Internal Feedback on the Views of Shareholders and Investors
The views obtained through dialogue and communication with shareholders and investors are relayed as feedback to the management team (or, depending on the content, the Board of Directors).

4. Management of Insider Information
With respect to dialogue and communication with shareholders and investors, the company manages insider information correctly in accordance with the Group Regulations on the Prevention of Insider Trading and ensures that all officers and employees concerned are aware of the importance of handling insider information correctly.

2. Capital structure

Foreign Shareholding Ratio	From 10% to less than 20%

Major Shareholders Updated!

Name/ Company Name	Number of Shares Owned	Percentage (%)
Funai Honsha, K.K.	5,722,179	11.34
Japan Trustee Services Bank, Ltd. (Trust account)	4,135,200	8.19
Sumitomo Mitsui Banking Corporation	1,952,002	3.87
The Master Trust Bank of Japan, Ltd. (Trust Account)	1,796,300	3.56
Kazuko Funai	1,567,501	3.11
TAIYO FUND, LP. CEO & FOUNDING PARTNER BRIAN K HEYWOOD	1,108,500	2.20
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,068,830	2.12
Nippon Life Insurance Company	1,062,000	2.10
Katsuhito Funai	1,056,960	2.09
SSBTC CLIENT OMNIBUS ACCOUNT	904,376	1.79

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

Supplementary Explanation

---

3. Corporate attributes

Listed Stock Market and Market Section	Tokyo Stock Exchange/First Section
Fiscal Year-End	December
Type of Business	Services
Number of Employees (consolidated) as of the End of the Previous Fiscal Year	1,000 or more
Sales (consolidated) as of the End of the Previous Fiscal Year	No less than 10 billion yen, less than 100 billion yen
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

---

5. Other Special Circumstances Which May Have a Material Impact on Corporate Governance

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 and Supervisory Committee

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	7
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
Nobuyuki Isagawa	Academic professor											
Atsushi Nakao	Certified public accountant											
Akihiro Kobayashi	Attorney											

*** Categories for "Relationship with the Company"**
*** "○" When the director presently falls or has recently fallen under the category; "△" if 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 executive of the parent 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 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 executive remuneration
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) (director himself/herself only)
i Executive of a company, between which and the company outside directors are mutually appointed (director himself/herself only)
j Executive of a company or organization that receives a donation from the company (director himself/herself only)
k Other

Outside Directors' Relationship with the Company (2)

Name	Audit and Supervisory Committee member	Designation as independent director	Supplementary Explanation of the Relationship	Reasons for Appointment
Nobuyuki Isagawa		○	Professor, Graduate School of Management, Kyoto University	Reasons for Appointment as Outside Director Nobuyuki Isagawa has been appointed as a professor with a high degree of expertise and knowledge that will enable him to fulfill an appropriate role in his duties as an outside director. Reason for Designation as an Independent Director There is no concern that a conflict of interest will arise between him and general shareholders.
Atsushi Nakao	○	○	Certified Public Accountant & Tax Accountant, CS Accounting Co., Ltd. Managing Director	Reasons for Appointment as Outside Director Atsushi Nakao has been appointed as an outside director in view of his professional capacity as a certified public accountant and tax accountant so that he can make proposals regarding company management and supervise the legality and validity of the Board of Directors. Reason for Designation as an Independent Director There is no concern that a conflict of interest will arise between him and general shareholders.
Akihiro Kobayashi	○	○	Attorney Partner, Kyoto Office, Chuo Sogo Law Office, P.C	Reasons for Appointment as Outside Director Akihiro Kobayashi has been appointed as an outside director to capitalize on his extensive experience and knowledge as an attorney so that he can make proposals regarding company management and supervise the legality and validity of the Board of Directors. Reason for Designation as an Independent Director There is no concern that a conflict of interest will arise between him and general shareholders.

Audit and Supervisory Committee

Composition and Attributes of Chairperson

	All Board members	Committee	Inside Director	Outside Directors	Committee Chairperson (Chairperson)
Audit and Supervisory Committee	3	1	1	2	Inside Director

Directors and Employees Assigned Specifically to Aid the Duties of Audit and Supervisory Committee members	Yes

Matters concerning the independence of the directors and employees from the executive directors

Two assistant staff members are assigned to assist the Audit and Supervisory Committee in its duties.
These assistants ensure independence from the executive directors with respect to personnel changes and staff appraisals.

Cooperation among the Audit and Supervisory Committee, Accounting Auditors and Internal Audit Departments

The Internal Oversight Office draws up a plan at the beginning of each fiscal year and conducts audits on a coordinated basis throughout the year. Based on the results of internal audits, audit reports are submitted to the president and the Audit and Supervisory Committee. The details are reviewed, instructions are drawn up for areas of improvement, and a system to implement the proposals for this improvement is put in place. Subsidiary companies may also be audited, and extraordinary audits are carried out as required.
Audit and Supervisory Committee members have a prompt and fair audit system in place and hold monthly meetings in conjunction with board meetings. They discuss audit policies and schedules with the accounting auditors and exchange information in order to improve the effectiveness of the audit function. In addition, systematic and comprehensive audits are conducted principally by a full-time member of the Audit and Supervisory Committee (one person) covering the business of all departments. The results of audits by the accounting auditors are also reported to the Audit and Supervisory Committee.

A system is in place to facilitate audits at any time to review whether improvements have been made in those areas highlighted by internal controls. The company's Internal Oversight Office, Audit and Supervisory Committee and accounting auditors strengthen their cooperation through sharing information and exchanging views with each other as required to improve the quality of audits and enhance internal control functions.

Voluntary Committees

Presence of voluntary committees corresponding to the Nominating Committee and the Compensation Committee	Yes

Status of Voluntary Committee, Composition and Attributes of Chairperson

	Name of Committee	All committee members	Committee member	Inside Director	Outside Director	Outside Experts	Other	Committee Chairperson (Chairperson)
Voluntary Committee Corresponding to the Nominating Committee	Nominating Committee	3	0	1	2	0	0	Inside Director
Voluntary Committee Corresponding to the Compensation Committee	Compensation Committee	4	0	2	2	0	0	Outside Director

Supplementary Explanation

The company has established a Nominating Committee (of which more than half of the members are outside directors) and a Compensation Committee (of which half of the members are outside directors, with an outside director as chairperson) to ensure transparency and objectivity with respect to the appointment of directors and the determination of directors' remuneration.

Independent Directors

Number of Independent Directors	3

Other Matters Relating to Independent Directors

All outside directors who fulfill the qualifications and conditions of being independent directors are designated as independent directors.

Incentives

Incentive Policies for Directors	Introduction of stock option program

Supplementary Explanation

The company has introduced a stock option program to raise employee's motivation to achieve improved business results and a higher stock price.

Recipients of Stock Options	Inside directors, directors and executive officers of subsidiary companies.

Supplementary Explanation

The company has introduced a stock option program for directors and executive officers to incentivize them over the medium term through an awareness of the company's results and stock price performance and also to increase motivation and boost morale by enabling them to help contribute to share price outperformance and an enhancement of corporate value.

The company has introduced a stock option program for employees of the company, as well as directors, executive officers and employees of subsidiary companies to increase motivation and boost morale by enabling them to contribute to an improvement of business performance and to ensure that the management of the business is aligned with the interests of shareholders.

Director Remuneration

Disclosure of Individual Directors' Remuneration	Selected directors' remuneration disclosed individually

Supplementary Explanation

The total amount of directors' remuneration is disclosed in the Securities Report and Business Report for the year. If the total amount of remuneration is 100 million yen or more, this is separately disclosed in the Securities Report.

Policy on Determining Remuneration Amounts and Calculation Methods	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

Directors' remuneration (excluding directors who are members of the Audit and Supervisory Committee) is determined within the limits of directors' remuneration approved at the General Meeting of Shareholders. Remuneration is considered and deliberated on by the Compensation Committee and decided upon after discussions at the Board of Directors' meetings.

Each director's remuneration (excluding directors who are members of the Audit and Supervisory Committee) is based on factors such as scope of duties, responsibilities, achievements and contribution to the business. Remuneration is comprehensively reviewed by the Compensation Committee. Based on the results of these deliberations and reports, the President comes to a decision after consulting with the Board of Directors. The remuneration of directors who are members of the Audit and Supervisory Committee is determined within the limits of remuneration for Audit and Supervisory Committee members and considered and deliberated on by the Compensation Committee. Based on the results of these deliberations and reports, the Audit and Supervisory Committee consults and comes to its decision.

The Compensation Committee has been in place since January 2010 in order to ensure the transparency and objectivity of executive remuneration. The Compensation Committee comprises four members in total (two inside directors and two outside directors) who deliberate on the policy for determining executive compensation and individual executive compensation and report to President and Audit &Supervisory Board.

Supporting System for Outside Directors

Materials for Board of Directors' meetings are distributed in advance. Prior to Board of Directors' meetings, outside directors are given a one-hour briefing on key matters for the meeting.

Retired Presidents Holding Advisory Positions

Information on Retired Presidents/CEOs holding advisory positions

Name	Job title/ position	Responsibilities	Employment terms (Full/part time, with/ without compensation, etc.)	Date when former role as President/CEO ended	Term
-	-	-	-	---	-

Number of retired presidents/CEOs holding advisory positions	0

Other matters

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

1. Summary of Current Corporate Governance Position
The Company has established a Governance Committee to oversee the appointment of outside directors and audits by the Audit and Supervisory Committee, and to consider appropriate matters of corporate governance. It has established the Nominating Committee and Compensation Committee as advisory bodies to the Board of Directors and has introduced an executive officer system.

2. Company Institutions
(1) Board of Directors
The Board of Directors comprises four directors (excluding directors who are Audit and Supervisory Committee members) including one outside director, and three directors who are Audit and Supervisory Committee members, including two outside directors. In addition to the regular Board of Directors' meeting once a month, extraordinary board meetings are held as required. The Board of Directors also conducts specialist and diverse ranging reviews of the management of the company and reaches prompt decisions on this basis.
The term of office for directors (excluding directors who are Audit and Supervisory Committee members) is one year, and for directors who are Audit and Supervisory Committee members it is two years in order to clarify management responsibilities for each fiscal year.

(2) Audit and Supervisory Committee
The Audit and Supervisory Committee comprises three directors (one full-time directors and two Outside Directors. Its role is to effectively monitor and audit management decisions and its execution of business activities. The full-time member of the Audit and Supervisory Committee attends important meetings other than Board of Directors meetings, such as Executive Committee meetings, and expresses his or her opinions accordingly. One of the outside directors of the Audit and Supervisory Committee is a certified public accountant with specialty knowledge of finance and accounting, while the other outside director of the Audit and Supervisory Committee is a lawyer with specialty knowledge of compliance.

(3) Advisory Committees
a) Nominating Committee
The Nominating Committee deliberates the selection criteria for directors, corporate auditors and executive officers in accordance with company regulations. Its role is to increase the transparency and objectivity of decisions on candidates to be directors, corporate auditors and executive officers and to strengthen supervisory function of the Board of Directors. Two of the three members of the Nominating Advisory Committee are outside directors.

b) Successor Nominating Committee
The Successor Nominating Committee evaluates the current Group CEO based on business performance, etc., and discusses the CEO succession plan in accordance with company regulations. Its role is to increase transparency and objectivity in the selection of Group CEO candidates. Three of the four members of the Successor Nominating Committee are outside directors, and the chairperson is an outside director of the company.

c) Compensation Committee
The Compensation Committee deliberates remuneration policy for directors and executive officers in accordance with company regulations. Its role is to

increase the transparency and objectivity of decisions on remuneration for directors and executive officers and to strengthen supervisory function of the Board of Directors. Two of the four members of the Compensation Committee are outside directors, and the chairperson is an outside director of the company.

d) Governance Committee
The Governance Committee reviews various issues related to the corporate governance of the group from a medium- to long-term perspective. Its purpose is to improve management fairness and transparency and to strengthen corporate governance. Three members of the Governance Committee are outside directors, and the chairperson is an outside director of the company.

(4) Business Execution System
The company has introduced an executive officer system in order to distinguish decision-making and supervision of business execution by the Board of Directors from the business execution functions of the business divisions. In accordance with the policies determined by the Board of Directors, the executive officers are responsible for carrying out the daily business operations of the company. In addition to Board of Directors' meetings, the company holds monthly Executive Committee meetings, consisting of the executive officers, to review business execution and to build consensus among the officers.

(5) Accounting Audits
The company has an audit contract with Deloitte Touche Tohmatsu LLC as the company's accounting auditors. There are no special interests between the company, its corporate auditors and the auditor's executive officers that should be disclosed pursuant to the provisions of the Certified Public Accountants Law of Japan.

Name of the Certified Public Accountant Who Has Audited the Company and Name of Their Audit Firm
Keishi Morimura, Deloitte Touche Tohmatsu LLC
Miki Kidowaki, Deloitte Touche Tohmatsu LLC

Assistants for Audit Duties for the Fiscal Year Ending December 2018
The assistants for audit duties are determined according to the selection criteria of the audit firm, and are specifically taken from certified public accountants, auditors who have passed the CPA exams and other assistants, including accounting systems experts.

Assistants for Audit Duties
Six Certified Public Accountants; seven auditors with CPA exam qualifications; 1 other.

3. Reasons for Adoption of Current Corporate Governance System

(1) The appointment of outside directors ensures the objectivity and validity of the Board of Directors.

(2) The company has established a Nominating Committee (of which two of the three members are outside directors) and a Compensation Committee (of which half of the members are outside directors) as advisory bodies to the Board of Directors in order to ensure transparency and objectivity in the appointment of directors and determination of directors' remuneration.

(3) An executive officer system has been introduced to ensure a separation between the management and execution of business matters, as well as to ensure flexibility in business execution.

(4) Following a resolution of the 46th Ordinary General Meeting of Shareholders held on March 26, 2016, the company transitioned to become a company with an Audit and Supervisory Committee and appointed three members of its Audit and Supervisory Committee as directors (including two outside directors). The company considers that by granting voting rights to these directors on the Board of Directors its audit and supervisory functions are strengthened. In addition, it considers that increasing the ratio of outside directors on the Board of Directors and improving the transparency and validity of management will further enhance corporate value.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	Supplementary explanation
Early Notification of General Shareholder Meetings	The company aims to send out its meeting notifications earlier than the statutory notification date. The General Shareholder Meeting for the year ended December 31, 2018, was held on March 23, 2019. The notice of convocation was sent out three weeks in advance on March 1 (one week before the statutory notification date). In addition, the date of the meeting was also made available in advance on the company website on February 28, prior to the date of sending out the notification.
Scheduling AGMs To Avoid Peak Days	The closing date of the company is December 31. This ensures that the company is able to hold its AGMs on a date that avoids coinciding with the AGMs of other companies. It is also held on a Saturday to enable wider participation by the company's shareholders.
Allowing Electronic Exercise of Voting Rights	Shareholders have been able to exercise their voting rights using the online voting website (PC and smartphone) operated by Mitsubishi UFJ Trust and Banking Corporation as of the fiscal year ended December 2009 onwards.
Participation in Electronic Voting Platform and Other Initiatives to Help Institutional Investors to Exercise Their Voting Rights	As of the fiscal year ended December 2009, the electronic voting rights platform operated by ICJ, Inc. has also been available for use by institutional investors.
Providing Convocation Notice in English	The company prepares an English language version of the Notice of Convocation for overseas shareholders. It is also posted on the company's website at the same time as the Japanese version.
Other	In order to provide information to shareholders as promptly as possible, notices of convocations and resolutions at the Ordinary General Meeting of Shareholders have been posted on the company's website from the fiscal year ended December 2009 onwards. Shareholder meetings are held at a venue in a city area with easy transport access. In addition, business and financial reports are explained using video at the General Meeting of Shareholders.

2. IR Activities

	Supplementary explanation	Presentations by the Representative
Regular Briefings for Individual Investors	At least twice a year.	None
Regular Briefings for Analysts and Institutional Investors	At least twice a year.	Yes
Posting of IR Materials on Website	The company publishes its Securities Report, Financial Results, Summary of Financial Results (results briefing materials), Notice of Convocation/Resolutions of the Ordinary General Meeting of Shareholders, Timely Disclosure/Voluntary Disclosure materials for securities exchanges, Annual Reports and various IR information on its corporate website.	
Establishment of Department and/or Manager in Charge of IR	The Investor Relations Office has been established within the Management Administration Divisional Headquarters. In consultation with relevant departments in the company, it discloses material where appropriate in accordance with the disclosure system for corporate matters. Director of IR Director Takahisa Okumura Senior Vice President, Head of Management Administration Divisional Headquarters	

3. Measures to Ensure Due Respect for Stakeholders

	Supplementary explanation
Stipulation of Internal Rules for Respecting the Position of Stakeholders	The group philosophy is “We help to build a better future for people, businesses and society.” Based on this, the Funai Consulting Group offers solutions for a better future to all the people and businesses it is involved with - and to society as a whole - and does its best to turn those ideas into reality.
Implementation of Environmental Activities, CSR Activities, etc.	The company conducts a wide range of consulting activities related to the environmental field, including the acquisition of environmental management ISO certification. Its aim is to make a contribution and to help bring about the successful development of society through these activities. Through the Funai Foundation, the group supports the activities of “Great Companies” and conducts a range of social contribution activities.

IV. Matters Related to the Internal Control System

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

1. Development of Internal Control System

To ensure that the directors and employees embody the group's philosophy ("We help to build a better future for people, businesses, and society") and vision ("Trusted and respected by society for bringing joy to people and business through our work"), the company has established and maintains an internal control system to build an appropriate organization, set internal rules and regulations, communicate information and monitor business execution. The company ensures that its business is properly executed through reviews of this system as appropriate and through continual improvement.

2. Basic Policy for Establishment of Internal Control System

(1) Summary of Resolutions for Matters such as Systems for Ensuring Appropriateness of Operations.

(1) -1 System to Ensure that the Execution of Duties by Directors and Employees of the Company Complies with Laws and Regulations as well as the Articles of Incorporation

a) The group has established the Regulations on Group Compliance and the Group Corporate Ethics Code of Conduct which set forth its basic stance on social responsibility. It thereby clarifies the criteria to ensure that the directors and employees act with strong ethics and good sense in accordance with laws and ordinances and internal rules and regulations.

b) The group has established and maintains an appropriate internal control system. It has established the Internal Oversight Office as an auditory function under the direct control of the Audit and Supervisory Committee to: ensure that the business of the company and the companies in the group is properly conducted in accordance with laws and regulations; oversee the correct implementation of the group's internal control system; propose improvements as required; and perform internal oversight of the company and group.

c) If a director or employee discovers any serious instances of violation of laws or ordinances, or any other infringement of laws and ordinances or internal rules and regulations, this must be reported immediately and without delay to the Audit and Supervisory Committee and to the Board of Directors.

d) In order to prevent and rectify illegal conduct, or acts that violate social norms and corporate ethics, the company has established the Group Hotline Rules and strives to enhance its compliance system through initiatives such as an internal hotline for anyone involved with the group. The company is also committed to raising the awareness of directors and employees of compliance matters through training, including workshops and e-learning.

e) The group takes a strong stance on anti-social individuals and organizations that have a negative impact on social order and the integrity of its corporate activities.

(1) -2 System to Ensure that the Execution of Duties by Directors of the Company Is Performed Efficiently

a) In order to ensure that directors' decisions and their execution of duties are implemented efficiently, the company has established rules concerning the operation of the Board of Directors. As a general rule, the Board of Directors meets once a month, but meetings can also be held on an ad hoc basis as required.

b) To ensure efficient, organized business execution, the company has established the Regulations of Administrative Authority and Criteria of Administrative Authority to clarify the responsibilities and system of authority for each of the company's organizations and each position therein.

c) The company promotes quick decision making and efficient business execution through appointing executive officers to be in charge of business execution and through delegating the company's operations and clarifying authority and responsibility in the execution of the company's business by resolution of the Board of Directors.

d) The company has established the Executive Committee as an organization to coordinate the business activities of the Group, review the status of business execution and build consensus through discussion of important matters within the group.

e) The company sets out numerical targets for the budget period based on the business plan and clarifies the objectives and responsibilities of each group company and department and aims to achieve its planned performance targets through analyzing differences between the budget and actual results.

(1) - 3 System Concerning the Storage and Management of Information Related to the Execution of Duties by Directors of the Company

a) The details of resolutions, approvals and reports on directors' execution of their duties are saved and stored as appropriate based on the Regulations of the Board of Directors, Regulations of the Executive Committee, Regulations for Document Management, and Regulations for Confidential Document Management.

b) Regarding the protection of information, the company has established the Regulations on Information Security and strives to clarify the levels of authority required to view different information, and to promote awareness among directors and employees of issues such as password management and leak prevention measures, falsification, and destruction of information.

(1) - 4 Regulations and Other Systems Concerning Management of Risk of Losses of the Company

a) The company recognizes the importance of identifying, evaluating, and managing those risks that have a significant impact on corporate management and business continuity. It strives to implement a system for appropriately managing the risks surrounding the group and has established the Risk Management Committee to take specific measures to deal with risks that require a priority response.

b) With respect to the management of the risk of losses, the company has established the Regulations on Group Crisis Management to strengthen the management system to prevent losses.

(1) - 5 System to Ensure the Appropriate Operation of Group Companies

a) The group shall share the basic ideas expressed in the Group Philosophy and Group Vision while respecting management autonomy in each of its companies.

b) The company shall dispatch directors and corporate auditors to group companies as required in order to improve the soundness and efficiency of management. It shall also hold Group Management Committee meetings to exchange information and to consult with its companies.

c) The group shall conduct internal audits to ensure the effectiveness and validity of internal controls as a system for conducting surveys and audits of group companies, in addition to audits by members of the Audit and Supervisory Committee and accounting auditors,

d) The group shall have a set of Regulations for Group Company Management in place to manage the business operations of its companies.

e) The group shall establish a system of company approval for important matters concerning the business operations of group companies when it is necessary to improve soundness of management at its companies and to ensure the appropriateness of its business activities.

f) The company shall ensure the reliability of its financial reporting through appropriate and effective management and evaluation. It shall also establish company-wide internal controls for financial reporting across the group and control systems for individual business processes.

(1) - 6 Matters Concerning Employees Who Assist in the Execution of Duties by Audit and Supervisory Committee Members at the Committee's Request

a) Directors shall engage employees to assist the Audit and Supervisory Committee in carrying out its duties if requested by the Audit and Supervisory Committee.

b) Assistants to the Audit and Supervisory Committee are assigned as dedicated staff to members of Audit and Supervisory Committee to assist them in carrying out their duties. Independence from the business executives on matters related to staff transfers and personnel evaluation is ensured by obtaining the agreement of Audit and Supervisory Committee members in advance.

(1) - 7 System Concerning Directors' and Employees' Reports to the Audit and Supervisory Committee and Other Systems Concerning Reports to the Audit and Supervisory Committee

a) Members of the Audit and Supervisory Committee attend important meetings such as Board of Directors' meetings and Executive Committee meetings to monitor and audit the management of the company and the decision-making process on a regular basis.

b) A system is in place that allows prompt and effective reporting by directors and employees to Audit and Supervisory Committee members upon request

for issues such as facts that may cause significant damage to the company or information received on the in-house hotline.
No disadvantage shall accrue to anyone making reports as outlined above.

c) The Internal Oversight Office reports on the status and results of its internal audits to members of the Audit and Supervisory Committee. The Audit and Supervisory Committee cooperates closely with the Internal Oversight Office—e.g., the committee requesting reviews by the Internal Oversight Office as required—and conducts efficient audits.

(1) - 8 Policy Related to the Handling of Audit Expenses

a) The Audit and Supervisory Committee is eligible to receive payment in advance or reimbursement from the company for expenses arising from the execution of its duties.

b) When the Audit and Supervisory Committee deems it necessary, it may use external experts for the execution of its duties. Expenses accruing from this shall be treated as set forth in a) above.

(1) - 9 Other Systems to Ensure that the Audit by Audit and Supervisory Committee Members is Conducted Effectively

a) The majority of the Audit and Supervisory Committee shall be outside directors to ensure the transparency of the audit. The Audit and Supervisory Committee meets with the president and directors as necessary to exchange opinions on important company issues and on audit matters and makes requests when it deems these necessary, thereby promoting mutual understanding with the president and the directors.

b) The Audit and Supervisory Committee meets regularly with the accounting auditors and the Internal Oversight Office to actively exchange opinions and information.

(2) Overview of Implementation of System to Ensure the Appropriate Operation of Group Companies

The Board of Directors meets once a month as a decision-making body on matters related to the management of the company and business execution. It makes decisions on important management issues, such as items stipulated in laws and ordinances and in the Articles of Incorporation, management policy and budget setting. It analyzes and evaluates the performance of group companies based on monthly reports. It discusses matters from the perspective of compliance with laws and ordinances and the Articles of Incorporation and business appropriateness. In addition, the Executive Committee, which is attended by the company's directors, executive officers and full-time members of the Audit and Supervisory Committee, meets once a month to deliberate on important group matters.

(2) -1 Internal Audits

Regarding the appropriateness of the operation of the company's internal control system, the Internal Oversight Office has conducted an audit of the company and the companies in the group and has reported the results of this to the company's president and members of the Audit and Supervisory Committee.

Two of the three members of the company’s Audit and Supervisory Committee are Outside Directors. This ensures the transparency of audits.

(2) - 2 Compliance

In order to improve directors’ and employees’ awareness of compliance, the company arranges compliance education including training through workshops and e-learning.

(2) - 3 Risk Management

The company has established a Risk Management Committee and undertakes risk management activities, including assessment of potential risks and prevention of the occurrence of risks within the company and the group. The group has also established a Group Corporate Ethics Code of Conduct to eliminate anti-social forces. It sets out the provisions and reviews new clients when they apply for credit, and implements this code as required. In addition, it has established an in-house hotline and has communicated this to the directors and employees of the company and the group. The company has a system in place to enable it to ascertain facts that may cause significant damage to the company. Legal counsel and the outside directors on the Audit and Supervisory Committee act as points of contact in this respect.

2. Basic Views on Eliminating Anti-Social Forces

1. Basic approach to the exclusion of antisocial forces

The group takes its social responsibilities very seriously and has a basic principle of avoiding any sort of relationship with anti-social forces. It has established action guidelines in this respect in the Regulations on Group Compliance. In accordance with the code of conduct in these regulations, group employees pledge to observe the conduct stipulated in the guidelines when joining the company.

The company has an internal process in place in accordance with its legal system to eliminate anti-social forces and has a crisis management system for swift assessment of information. It has established a department to take responsibility in case of emergency and ensured a system enabling companywide response including the involvement of top management.

2. Status of exclusion of antisocial forces

(1) The company has put in place a risk management system and strives to obtain information promptly through the establishment of a Risk Management Committee. There is also a system in place in which the General Affairs Department is charged with ensuring prompt reporting to top management and implementation of countermeasures based on information obtained.

(2) Based on this system, the company manages information in an integrated manner based on prompt understanding of issues internally. It strengthens its cooperation with external professional entities such as legal counsel and the police and ensures any relationships with antisocial forces are promptly terminated.

(3) When the company undertakes work under consignment, provisions for the exclusion of antisocial forces are clearly set forth in writing in the contract at the time of the contract of assignment.

(4) The company's credit management rules set forth provisions for the exclusion of antisocial forces. The credit management system is operated in accordance with these rules.

V. Other

1. Adoption of Anti-Takeover Measures

Adoption of Anti-Takeover Measures	Not adopted

Supplementary Explanation

---

2. Other Matters Concerning the Corporate Governance System Updated!

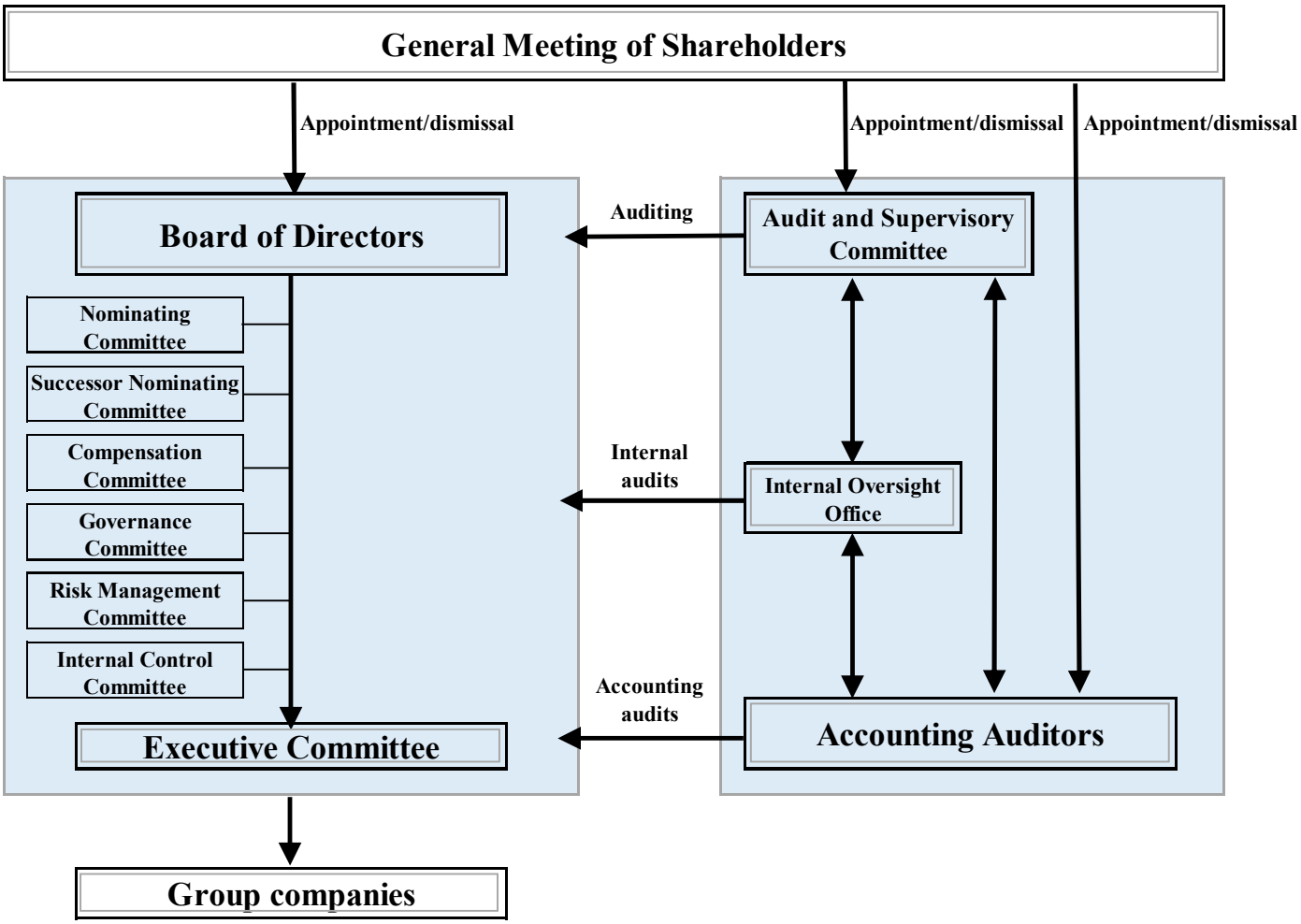
1. Status of risk management system
The Company has established a Risk Management Committee as a company-wide organization to manage crises including management of the risk of losses. It consists mainly of directors, executive officers and employees who manage major departments. It collects information from both inside and outside the company, conducts risk analysis from various perspectives and deliberates on and implements measures in response to risks.

2. Overview of timely disclosure system
(1) Information about corporate resolutions
In principle, important corporate resolutions are made at the monthly Board of Directors meeting. For urgent matters, a system of holding extraordinary Board of Directors' meetings facilitates quick decision-making when required. For important resolutions, the Management Administration Divisional Headquarters considers whether disclosure is necessary in accordance with the timely disclosure rules of the Tokyo Stock Exchange. If it is deemed that disclosure is necessary, the information is promptly disclosed through the Management Administration Divisional Headquarters.
In addition, the company strives to disclose fair and accurate corporate information after taking advice from accounting auditors and lawyers as required.

(2) Information about significant events
If a significant event occurs, information is quickly gathered from the department concerned and reported to the Executive Committee and the Board of Directors through the Management Administration Divisional Headquarters. The Management Administration Divisional Headquarters reviews the details of the information as appropriate and strives to promptly disclose this information if disclosure is deemed to be necessary. In addition, the company strives to disclose fair and accurate corporate information after taking advice from accounting auditors and lawyers as required.

(3) Information about the financial accounts
With respect to the company's financial results, the financial figures are prepared as promptly as possible by the Management Administration Divisional Headquarters. They are audited by an accounting auditor, and once the results are approved by the Board of Directors, the financial information is released on the day of the Board of Directors' meeting.

(4) Other
The company is proactive in disclosing its financial results once they are published, for instance through posting them on the company website. Also, group investor relations information is drafted and published by the Management Administration Divisional Headquarters and the Investor Relations Office.



Schematic of the Internal Structure for Timely Disclosure of Information

