Last updated: April 1, 2021
Funai Soken Holdings Inc.
Takayuki Nakatani, President and 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 Updated!

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 and a Compensation Committee, of which more than 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. To ensure procedures surrounding the selection and development of future group CEO candidates are fair and transparent, the Successor Nominating Committee's recommendations are discussed by the Board of Directors to identify those candidates with "the right stuff" to lead the group to future prosperity. 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 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.

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
Four of the nine 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' meeting held in March 2021. The following is a summary of those deliberations.

2. Summary of Evaluation Results
Review of last year's initiatives: The results of the 2020 initiatives are as follows.
(1) Robust debate regarding ESG in business management and diversity reflected a broad range of opinions.
(2) A new system was implemented for regular reviewing and reporting regarding new business projects.
(3) Although debate has become much more substantial, there is now a need for further revision of reference materials and better organization of matters up for deliberation.
(4) There is a need for further strengthening of the structure for identifying underlying risks, but a system is now in place for swift, appropriate response to risks that become manifest

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 2021 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) Continue to review which items get tabled at board meetings and which do not in order to secure time for deliberating important matters.
(2) Strengthen progress monitoring and analysis to enable more in-depth debate regarding the Mid-Range Business Plan with consideration of the business strategies pursued by the group's various companies.
(3) Assess and clarify the range of skills needed for the Board of Directors and those held by board members.
(4) Identify sustainability challenges and debate (by the Board of Directors) ways to overcome them.
(5) Monitor progress in dealing with issues identified as having high materiality.
(6) Increase involvement of outside directors to boost the functional abilities of the Board of Directors' advisory committees.

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 IR & PR 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.	5,026,079	10.16
Custody Bank of Japan, Ltd. (Trust account)	2,985,700	6.03
The Master Trust Bank of Japan, Ltd. (Trust Account)	2,733,300	5.52
Sumitomo Mitsui Banking Corporation	1,952,002	3.94
Kazuko Funai	1,557,501	3.15
TAIYO FUND, LP.	1,511,100	3.05
GOLDMAN SACHS & CO.REG.	1,260,273	2.55
NORTHERN TRUST CO. (AVFC) RE FIDELITY FUNDS	1,253,885	2.53
Nippon Life Insurance Company	1,062,000	2.15
Katsuhito Funai	1,056,960	2.14

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	9
Appointment of Outside Directors	Appointed.
Number of Outside Directors	4
Number of Independent Directors	4

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											
Miki Mitsunari	Joined Funai Soken Holdings from another company											
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.
Miki Mitsunari		○	President, Finev, Inc.	Reasons for Appointment as Outside Director With consulting experience regarding ESG in corporate management, environmental issues in the real estate sector, and risk management, Miki Mitsunari was appointed to add momentum to our own ESG efforts. Reason for Designation as an Independent Director There is no concern that a conflict of interest will arise between her and general shareholders.
Atsushi Nakao	○	○	President, Certified Public Accountant & Tax Accountant, CS Accounting Co., Ltd.	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 Updated!

	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	4	0	1	3	0	0	Outside Director
Voluntary Committee Corresponding to the Compensation Committee	Compensation Committee	4	0	1	3	0	0	Outside Director

Supplementary Explanation Updated!

The company has established a Nominating Committee and 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	4

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 performance-linked floating compensation and a 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.

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 Updated!	Established

Disclosure of Policy on Determining Remuneration Amounts and Calculation Methods

(1) Matters Pertaining to Policy on Determining Directors' Remuneration Amounts and Calculation Methods
Our policy pertaining on determining directors' remuneration amounts and calculation methods recognizes that directors' remuneration is a vital part of corporate governance as relates to the pursuit of sustainable growth for the Funai Soken Consulting Group and mid-to-long-term growth in corporate

value, as well as sharing value with shareholders. The policy is configured to allow directors' remuneration to function as a healthy incentive for directors to strive to achieve those objectives. It is intended to help us secure, retain, educate, and reward talented people, and holds that the process of determining remuneration should be highly transparent and objective. The remuneration of directors who are not members of the Audit and Supervisory Committee is discussed by the Compensation Committee, after which the CEO submits the matter to the Board of Directors, which makes a final decision. The remuneration of directors who are member of the Audit and Supervisory Committee is determined through discussions by the Audit and Supervisory Committee.
Compensation for directors (excluding those who are members of the Audit and Supervisory Committee) was set at a maximum of 450 million yen per year (of which, the amount for outside directors shall be no more than 20 million yen) by a vote at the 50th general meeting of shareholders on March 28, 2020. Within that amount, directors (excluding outside directors) will be awarded up to 100 million yen of stock options per year as compensation. Moreover, with the increased clarity surrounding resolutions pertaining to stock options as remuneration achieved with the enactment of the Act Partially Amending the Companies Act (act no. 70 of 2019), a motion was approved at the 51st AGM on March 27, 2021 to cap subscription rights issuable as stock options at 350 (each stock option convertible to 180 shares) and cap the number of shares issuable at 63,000. This does not, however, include the executive officer compensation paid to those directors who serve concurrently as executive officers. Compensation for directors who are members of the Audit and Supervisory Committee was set at a maximum of 50 million yen per year at the 46th general meeting of shareholders on March 26, 2016. Authority for determining the amount and calculation methods of officers' remuneration rests with the Board of Directors. To govern the content of that authority and the scope of discretion, we have, in addition to our Audit and Supervisory Committee, a voluntary Compensation Committee to ensure objectivity and transparency. A majority of the committee's members (including the chairperson) are outside directors. The committee's role is to deliberate on the compensation packages of each of the company's directors (excluding those who are members of the Audit and Supervisory Committee). Compensation is determined based on factors such as each directors' duties, responsibilities, performance, and degree of contribution, and bound by the maximum amounts approved at a shareholders' meeting. Based on the committee's decisions, the CEO makes submissions to the board of directors, which deliberates on each individual case and makes a final decision. The remuneration of directors who are member of the Audit and Supervisory Committee is determined through discussions by the Audit and Supervisory Committee.
As pertains the process of determining the amount of directors' remuneration for this business year, the Board of Directors' and Compensation Committee's role is to deliberate multiple times on the policy on determining officers' remuneration, and to deliberate multiple times on the compensation packages of each of the company's directors (excluding those who are members of the Audit and Supervisory Committee). Compensation is determined based on factors such as each directors' duties, responsibilities, performance, and degree of contribution. Based on the committee's decisions, the CEO made submissions to the board of directors, which made a decision.

・Remuneration Structure and Performance-Based Remuneration

Directors are divided into two groups: those who are members of the Audit and Supervisory Committee and those who are not. The remuneration structure of directors (excluding outside directors) who are not members of the Audit and Supervisory Committee contains the items listed below, and remuneration is apportioned based on rank and duties. Compensation comprises a fixed portion as well as performance-based remuneration and performance-based stock-as-compensation.

Fixed Compensation

A fixed monthly amount comprising the following.

・Basic remuneration

Monetary compensation, which is not linked to performance, and the amount of which is determined in accordance with rank and duties.

・Performance-based remuneration

Monetary compensation linked to consolidated sales, operating income, and ordinary income in the most recently completed business year
A personal assessment score (from best to worst: S, A, B, C, and D) based on each individual's degree of achievement of the criteria listed above and personal KPIs

Performance-Based Stock-as-Compensation

・Stock options as compensation

Stock options are offered by shareholders in accordance with rank, roles, and achievements with the aim of increasing motivation and morale relating to the sharing of value with shareholders and achieving mid-to-long-term improvements in business performance, on the condition that the options can only be exercised upon resignation.

The remuneration structure of outside directors and those directors who are members of the Audit and Supervisory Committee comprises only fixed compensation (i.e., the fixed monthly amount).

・Remuneration Levels and Methods of Determining Remuneration Amounts

The Compensation Committee deliberates to ensure appropriate remuneration levels and structures in accordance with each individual's duties, and takes into consideration the compensations paid by other companies in our industry so as to ensure that remuneration amounts are in keeping with the company's performance and scale of business.
The Compensation Committee sets officers' remuneration policy, monitors the system, and deliberates on specific calculation methods. Based on the conclusions they reach, the compensation paid to directors who are not members of the Audit and Supervisory Committee is then determined by a Board of Directors resolution, and the compensation paid to directors who are members of the Audit and Supervisory Committee is determined through discussions by the directors who are members of the Audit and Supervisory Committee.

・Policy for Determining the Ratio of Performance-Based Stock-as-Compensation to Compensation not Linked to Performance

At Funai Soken Holdings, performance-based stock-as-compensation generally makes up 20% of total compensation, and this ratio changes in accordance with performance outcomes.

・KPIs for Performance-Based Compensation and Performance-Linked Floating Compensation; Reasons for Choosing Those KPIs; and Methods of Calculating the Compensation

When calculating compensation, these factors are evaluated: the group's achievement of targets (i.e., for consolidated net sales, operating income, and ordinary income) in the most recently completed business year; qualitative evaluation of the individual's progress toward achieving targets relating to his/her duties, responsibilities, performance, and degree of contribution; and the group's progress toward achieving the targets of the Mid-Range Business Plan. Indicators relating to achievement of performance targets are used to gauge earning capability. In FY2020, net sales were 25,752 million yen (10% above forecast), operating income was 5,705 million yen (5.7% above forecast) and ordinary income was 5,755 million yen (6.6% above forecast).

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.

The chairman of the board is President and CEO Takayuki Nakatani; other board members are Sakae Takashima, Tatsuro Ono, Takahisa Okumura, Nobuyuki Isagawa, Miki Mitsunari, Masahiro Hyakumura, Atsushi Nakao, and Akihiro Kobayashi.

(2) Audit and Supervisory Committee

The Audit and Supervisory Committee effectively monitors and audits management decisions and execution of business activities, and holds regular meetings every month. 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.

The chairperson is Director Masahiro Hyakumura; the other committee members are Atsushi Nakao and Akihiro Kobayashi.

(3) Advisory Committees

a) Nominating Committee

The Nominating Committee deliberates the selection criteria for directors and executive officers in accordance with company regulations. Its role is to increase the transparency and objectivity of decisions on candidates to be directors and executive officers and to strengthen supervisory function of the Board of Directors. Three of the four committee members are outside directors, and the chairperson is an outside director of the company.

The chairperson is Outside Director Nobuyuki Isagawa; other committee members are Atsushi Nakao, Akihiro Kobayashi, and Tatsuro Ono.

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.

The chairperson is Outside Director Nobuyuki Isagawa; other committee members are Atsushi Nakao, Akihiro Kobayashi, and Tatsuro Ono.

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. Three of the four committee members are outside directors, and the chairperson is an outside director of the company.

The chairperson is Outside Director and member of the Audit and Supervisory Committee Atsushi Nakao; the other committee members are Nobuyuki Isagawa, Miki Mitsunari, and Tatsuro Ono.

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. All four committee members are outside directors, and the chairperson is an outside director of the company.

The chairperson is Outside Director and member of the Audit and Supervisory Committee Akihiro Kobayashi; the other committee members are Nobuyuki Isagawa, Miki Mitsunari, and Atsushi Nakao.

e) Risk Management Committee

The Risk Management Committee recognizes of the importance of identifying, evaluating, and managing risks that have a significant impact on corporate management and business continuity, and appropriately manages the risks surrounding the group and seeks to prevent risks from arising, for instance by identifying risks that require a priority response and implementing specific measures to deal with them.

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.

The chairperson is Director and Executive Vice President Tatsuro Ono; the other committee members are Masahiro Hyakumura, two Funai Soken Holdings executive officers, one employee of Funai Soken Holdings, and nine directors and management-level employees from the Funai Soken Consulting Group.

f) Internal Control Committee

The Internal Control Committee functions to ensure the creation and proper operation of an internal control system overseeing Funai Soken Holdings' and the Funai Soken Consulting Group's financial statements, so as to uphold the appropriateness of financial statements stipulated in the Financial Instruments and Exchange Act and its enforcement order. The Funai Soken Consulting Group CEO and the heads of the organizational units subject to internal oversight are serve on the committee as internal control managers, in which capacity they build and manage internal control systems within their day-to-day work.

The chairperson is President and CEO Takayuki Nakatani; other committee members are Sakae Takashima, Tatsuro Ono, Takahisa Okumura, and Masahiro Hyakumura.

g) Executive Committee

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 Executive Committee comprises directors and executive officers and exists under the Board of Directors carry out swiftly the policies instituted by the board. In addition to considering and discussing important agenda items in advance of board meetings (excluding those subject to a vote) to aid the board's deliberations, the committee makes decisions and shares information on those agenda items that are not tabled at board meetings.

The chairperson is President and CEO Takayuki Nakatani; other committee members are Sakae Takashima, Tatsuro Ono, Takahisa Okumura, Masahiro Hyakumura, and six Funai Soken Holdings executive officers.

(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 2020
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
Seven Certified Public Accountants; five auditors who passed the CPA exams; three others.

3. Reasons for Adoption of Current Corporate Governance System Updated!

Following a resolution at 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" (as per law) and appointed three directors (including two outside directors) to serve on the committee. 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.
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 the board's objectivity and validity. In addition, the company has established a Corporate Governance Committee, formed exclusively of outside directors, to conduct reviews of corporate governance on a regular basis as required. The company has also established a Nominating Committee and Compensation Committee (of which more than 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. To ensure procedures surrounding the selection and development of future group CEO candidates are fair and transparent, the Successor Nominating Committee's recommendations are discussed by the Board of Directors to identify those candidates with "the right stuff" to lead the group to future prosperity. Moreover, 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.

III. Implementation of Measures for Shareholders and Other Stakeholders

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

	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, 2020, was held on March 27, 2021. The notice of convocation was sent out three weeks in advance on March 5 (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 March 3, 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	As of the fiscal year ended December 2018, 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 Updated!

	Supplementary Explanation	Presentations by the Representative
Compilation and Publication of Disclosure Policy	The company compiles a disclosure policy and posts it on the company website, not only to meet information disclosure obligations stipulated by law, but also as part of our proactive dissemination (to the extent possible) of unbiased information that we believe is conducive to promoting a deeper understanding of the Funai Soken Consulting Group.	
Regular Briefings for Individual Investors	Not held in 2020 due to concerns regarding the spread of Covid-19.	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 IR & PR 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 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 and revitalization of rural communities, 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

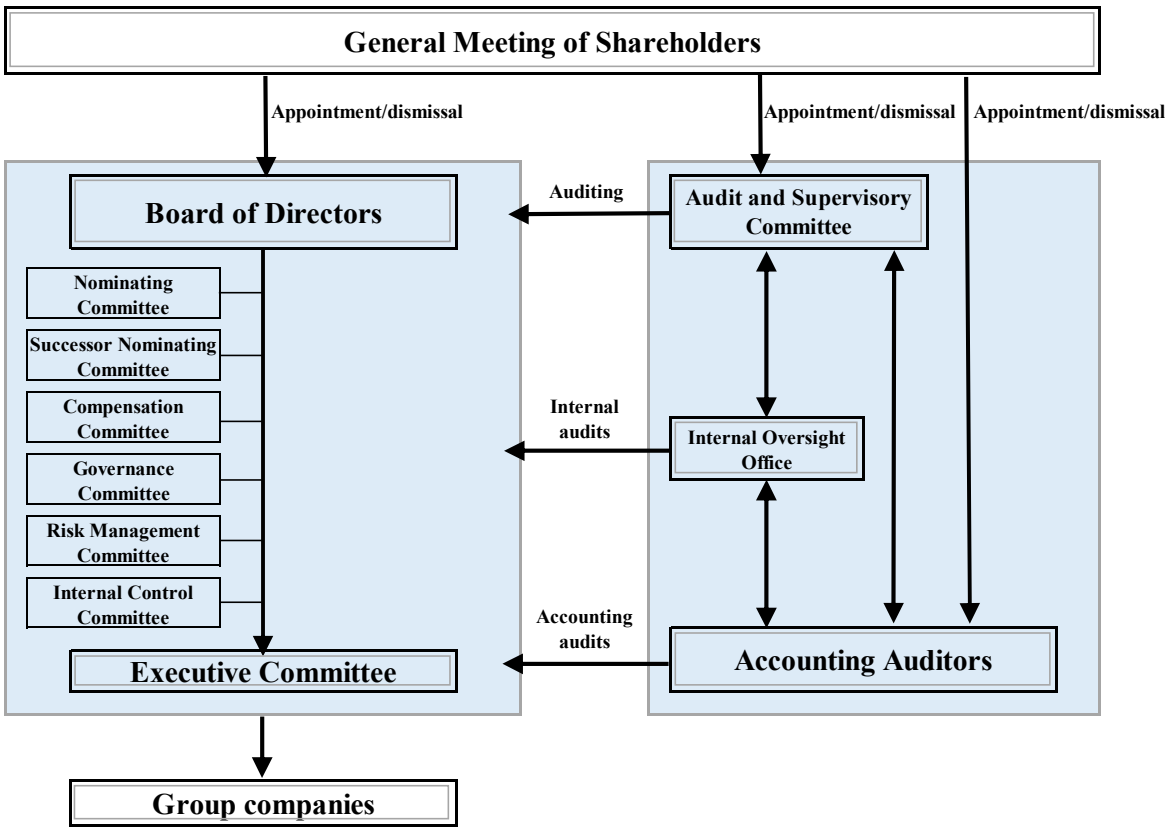
1. Status of risk management system
The Company has established a Risk Management Committee as a company-wide organization to manage crises including management of the risk of losses. It consists mainly of directors, executive officers and employees who manage major departments. It collects information 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 IR & PR Office.



Schematic of the Internal Structure for Timely Disclosure of Information

