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(Securities Code 7164)  
June 2, 2015

**To Shareholders with Voting Rights:**

Eiji Ishikawa  
President & Representative Director  
ZENKOKU HOSHO Co., Ltd.  
2-1-1 Otemachi,  
Chiyoda-ku, Tokyo, Japan

**NOTICE OF CONVOCAION OF  
THE 35TH ANNUAL GENERAL MEETING OF SHAREHOLDERS**

Dear Shareholders:

You are cordially invited to attend the 35th Annual General Meeting of Shareholders of ZENKOKU HOSHO Co., Ltd. (the “Company”). The meeting will be held for the purposes as described below.

If you are unable to attend the meeting, you can exercise your voting rights in writing by submitting the Voting Rights Exercise Form, or via electromagnetic method (the Internet, etc.). Please review the Reference Documents for the General Meeting of Shareholders (described hereinafter), and cast your vote by 5 p.m. on Thursday, June 18, 2015 Japan time.

- 1. Date and Time:** Friday, June 19, 2015 at 10 a.m. Japan time (reception will open at 9 a.m.)
- 2. Place:** Hall, BELLESALLE Kanda, Second floor of the Sumitomo Mitsui Fudosan Kanda Building, located at 7 Kandamitoshirocho, Chiyoda-ku, Tokyo, Japan

The venue is different from the previous year. Please refer to the map of the venue where the General Meeting of Shareholders will be held at the end of this document to arrive at the correct location.

**3. Meeting Agenda:**

**Matters to be reported:** 1. The Business Report and Financial Statements for the Company’s 35th Fiscal Year (April 1, 2014 - March 31, 2015)

**Proposals to be resolved:**

- Proposal No. 1:** Distribution of Surplus  
**Proposal No. 2:** Partial Amendments to the Articles of Incorporation  
**Proposal No. 3:** Election of One (1) Director  
**Proposal No. 4:** Election of One (1) Audit & Supervisory Board Member

#### **4. Matters concerning the convocation**

- (1) If there is no indication for or against a proposal on the Voting Rights Exercise Form, the vote will be deemed to be for a proposal.
- (2) In the event that voting rights are exercised multiple times via the Voting Rights Exercise Form, the most recent one to arrive will be deemed valid.
- (3) In the event that voting rights are exercised multiple times via the Internet, etc., the most recent one to arrive will be deemed valid.
- (4) In the event that voting rights are exercised both via the Voting Rights Exercise Form and the Internet, etc., the vote via the Internet, etc., will be deemed valid.

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- ◎ When attending the meeting, please submit the enclosed Voting Rights Exercise Form at the reception desk. To save resources, please bring this “Notice of Convocation” with you.
  - ◎ If exercising voting rights via proxy, you may designate one (1) other shareholders with voting rights to act as your proxy and exercise your voting rights. However, please understand that documentation proving agency privileges will be required to be submitted.
  - ◎ Any updates to the Reference Documents for the General Meeting of Shareholders, Business Report, or Financial Statements will be posted on the Company’s website (<http://www.zenkoku.co.jp/>).
  - ◎ On the day of the meeting, as a method to conserve electricity, employees will be wearing light clothing (“Cool Biz”). We ask that shareholders attend in light clothing as well.

### **Instructions for Voting via the Internet, etc.**

#### **1. About exercise of voting rights via the Internet**

- (1) If exercising voting rights via the Internet, please access the “Voting Rights Exercise Website” designated by the Company, use the enclosed voting rights exercise code and password written along the right side of the Voting Rights Exercise Form to login, and follow the on screen instructions to exercise your voting rights. Furthermore, for security purposes, you will be required to change the password the first time you log in.

|                                |   |
|--------------------------------|---|
| Voting Rights Exercise Website | <a href="http://www.it-soukai.com">http://www.it-soukai.com</a> |
|--------------------------------|---|

- (2) The exercise period is until Thursday, June 18 at 5:00 p.m. Japan time, and it is required to finish inputting by that time.
- (3) In the event that voting rights are exercised multiple times via the Internet, the most recent one to arrive will be deemed valid.
- (4) In the event that voting rights are exercised both via the Voting Rights Exercise Form and the Internet, the vote via the Internet, will be deemed valid.
- (5) The password (including passwords set by shareholders) are valid only for this General Meeting of Shareholders. New passwords will be issued for the next General Meeting of Shareholders.
- (6) Expenses related to connecting to the Internet will be borne by the shareholder.

#### **(Matters of note)**

- Passwords are a method to ensure that the vote is made by the correct shareholder. The Company will never ask you for your password.
- If an incorrect password is entered over a certain number of times, it will become locked and unusable. If the password becomes locked, please follow the on screen instructions.
- Although the Voting Rights Exercise Website has been tested on typical Internet-connected devices, the website may be inaccessible depending on the type of device used.

#### **2. Contact information**

For any questions, please contact the Stock Transfer Agency Department of the Mizuho Trust & Banking Co., Ltd., which is the Administrator of Shareholder Registry.

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| <ol style="list-style-type: none"><li>(1) Dedicated hotline for questions regarding use of the Voting Rights Exercise Website<br/>Telephone: 0120-768-524 (Toll free within Japan)<br/>(Open from 9:00 a.m. to 9:00 p.m. Japan time (closed on Saturdays, Sundays, and holidays))</li><li>(2) Questions other than the above regarding stock administration<br/>Telephone: 0120-288-324 (Toll free within Japan)<br/>(Open from 9:00 a.m. to 5:00 p.m. Japan time (closed on Saturdays, Sundays, and holidays))</li></ol> |
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#### **\*About the Voting Rights Exercise Platform**

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|---|
| Trust management banks or other nominal shareholders (including standing proxies) may use the voting rights exercise platform operated by ICJ, Inc., a joint venture established by the Tokyo Stock Exchange Inc., and others, subject to prior request for use of the platform. If such request has been made, the platform may be used as an electromagnetic method for exercise of voting rights, in addition to the exercise of voting rights via the Internet noted above. |
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## **Business Report**

(April 1, 2014 - March 31, 2015)

### **I Overview of the Company**

#### **1. Business Progress and Results**

##### **(1) Economic Environment and Business Environment**

In fiscal year 2014, the Japanese economy continued a moderate recovery against the backdrop of the government-led economic stimulus measures and monetary easing policies adopted by the Bank of Japan, and showed improvement in the employment situation such as decline in the unemployment rate and rise in the effective job offer rate. The prospects are uncertain, however, as consumer spending remained low with the lingering impact of the consumption tax hike of April 2014 and rising prices.

Regarding the housing market, number of new housing starts was significantly lower than in the previous year due to cooling of consumer sentiment and the prolonged backlash against the last-minute demand prior to the consumption tax hike. In the housing loan market, tough competition to acquire customers continued against the backdrop of a prolonged low-interest rate environment.

##### **(2) Business Summary**

In such business environment, for the first year of the medium-term management plan “make good “TEN””, we have implemented various measures with the focus on “expansion of the business scale”, “advancement of the risk management system” and “enhancement of the corporate value”.

For expansion of the business scale, we have exerted our efforts to strengthen relationships with existing partnering financial institutions and increase the number of new contracts with non-partnering financial institutions. In our efforts to strengthen relationships with existing financial institutions, we have launched a new product “Smile Ichiban Next V (Five)” to improve convenience for users and attempted to stimulate demand by actively providing presentations and making visits to marketing outlets continuously to explain our products and administrative procedures. Additionally, we started to offer card loan guarantee services in the current fiscal year as a product which contributes to the enhancement of the added value of our housing loan guarantee services. Furthermore, for the purpose of diversifying sales channels, we established a scheme for second-hand/renovated real estate where customers may apply for credit evaluation via a real-estate agent and select a financial institution among our partners. Regarding our well-received annual campaign, we expanded the scope of funds to include those for buying second-hand housing and renovating, and supported sales effort to acquire housing loans. We actively performed our marketing activities to acquire new partnering financial institutions, and as a result, signed new contracts with a total of twenty one financial institutions, including eight banks, three Shinkin banks, one credit union, eight JA cooperatives, and one other company during the current fiscal year.

In respect of advancement of our risk management system, we promoted firm establishment of the integrated risk management system aimed to understand and appropriately control major risks such as credit risks, market risks, and operational risks to utilize it for the purposes of better revenue management and efficient allocation of management resources.

For enhancement of the corporate value, we started considering revision of personnel system in order to develop a vigorous corporate culture, and have made efforts to improve working environment and reinforce the functions of the internal control system.

As a result of such efforts, we recorded operating revenue of 29,507 million yen (up 9.1% year-on-year), operating income of 22,380 million yen (up 62.5% year-on-year), ordinary income of 24,115 million yen (up 55.5% year-on-year), and net income of 15,112 million yen (up 61.1% year-on-year), and achieved record-high levels revenue and profits.

Additionally, results of guarantees for the 35th fiscal year were as follows.

(Amounts: institutions, guarantees, million yen)

| Item   | The 32nd fiscal year ended March 31, 2012 | The 33rd fiscal year ended March 31, 2013 | The 34th fiscal year ended March 31, 2014 | The 35th fiscal year ended March 31, 2015 |
|--|---|---|---|---|
| Number of partnering financial institutions                | 672                                       | 682                                       | 692                                       | 709                                       |
| Number of new guarantees granted                           | 55,545                                    | 59,433                                    | 61,204                                    | 61,164                                    |
| Amount of new guarantees                                   | 1,057,714                                 | 1,173,277                                 | 1,223,637                                 | 1,275,751                                 |
| Outstanding balance of guarantees at the end of the period | 7,637,125                                 | 8,120,966                                 | 8,616,377                                 | 9,159,733                                 |

## 2. Status of Capital Investments

Not applicable.

## 3. Status of Financing, etc.

Not applicable.

## 4. Status of Business Transfers, etc.

### (1) Status of Business Transfers, Absorption-type Splits, or Incorporation-type Splits

Not applicable.

### (2) Status of Acceptance of Business Transfers From Other Companies

Not applicable.

### (3) Status of Continuation of Rights Obligations Regarding Business of Other Companies due to Absorption-type Mergers or Absorption-type Splits

Not applicable.

### (4) Status of Acquisition or Disposal of Stock, Other Equity, or Stock Acquisition Rights, etc., of Other Companies

Not applicable.

## 5. Trends in Assets and Income

(Amount: million yen)

| Item                 | The 32nd fiscal year ended March 31, 2012 | The 33rd fiscal year ended March 31, 2013 | The 34th fiscal year ended March 31, 2014 | The 35th fiscal year ended March 31, 2015 |
|----------------------|---|---|---|---|
| Operating revenue    | 21,159                                    | 25,030                                    | 27,039                                    | 29,507                                    |
| Ordinary income      | 5,014                                     | 11,361                                    | 15,509                                    | 24,115                                    |
| Net income           | 2,037                                     | 6,807                                     | 9,381                                     | 15,112                                    |
| Net income per share | 34.82 yen                                 | 120.49 yen                                | 136.24 yen                                | 219.68 yen                                |
| Net assets           | 24,100                                    | 39,339                                    | 47,288                                    | 60,524                                    |
| Total assets         | 149,901                                   | 176,414                                   | 195,834                                   | 213,970                                   |

(Notes) 1. The Company conducted a 100-for-1 stock split for its common shares on September 25, 2012, and a 2-for-1 stock split for its common shares on March 1, 2014. Net income per share is calculated as if the stock splits had occurred at the beginning of the 32nd fiscal year.

2. Net income per share is calculated using the average number of outstanding shares for the fiscal year, minus treasury shares.

## 6. Issues to be Addressed

The Company will address the following issues to ensure sustained growth and stable profits in the future.

[Expansion of the credit guarantee business]

We recognize that, in order to expand our business scale continuously, it is essential to deepen the relationship with the existing partnering financial institutions, and increase the number of contracts with new partnering financial institutions. In particular, number of partnering banks handling a high volume of housing loans has been increasing in recent years. In order to enhance the utilization rate of our credit guarantee products and services at such financial institutions, we will endeavor to deepen relationships by providing unrivaled excellent services and highly convenient products.

In anticipation of increase in volume of operation and processing costs accompanying the increase in number of partnering financial institutions and guarantees, we will endeavor to improve the operational efficiency by reviewing the business processes and promoting the systematization.

[Utilization of comprehensive risk management system]

To ensure sound business operation and appropriate business strength of a credit guarantee company, we recognize the importance of establishment of risk management system which enables us to cope with various risks. We will comprehensively quantify the risks with regard to credit risks, market risks and operational risks by the integrated risk management system. While effectively controlling such risks, we will strive to achieve management stability, and aim to improve profitability, allocate business resources efficiently, and establish equity capital corresponding to expanding outstanding balance of credit guarantees.

The Company asks for the continued support of shareholders.

## 7. Principal Businesses

| Business category                  | Category  |
|------------------------------------|---|
| Credit guarantee services business | Housing loan guarantees<br>Education loan guarantees<br>Apartment loan guarantees<br>Card loan guarantees |

## 8. Principal Business Locations

| Category    | Store name / Company name        | Location                          |
|-------------|----------------------------------|-----------------------------------|
| The Company | Headquarters                     | Chiyoda-ku, Tokyo                 |
|             | Sales Department I, Head Office  | Chiyoda-ku, Tokyo                 |
|             | Sales Department II, Head Office | Chiyoda-ku, Tokyo                 |
|             | Sapporo Branch                   | Chuo-ku, Sapporo-shi, Hokkaido    |
|             | Sendai Branch                    | Aoba-ku, Sendai-shi, Miyagi       |
|             | Yokohama Branch                  | Nishi-ku, Yokohama-shi, Kanagawa  |
|             | Niigata Sales Office             | Chuo-ku, Niigata-shi, Niigata     |
|             | Nagoya Branch                    | Naka-ku, Nagoya-shi, Aichi        |
|             | Kanazawa Branch                  | Kanazawa-shi, Ishikawa            |
|             | Osaka Branch                     | Chuo-ku, Osaka-shi, Osaka         |
|             | Hiroshima Branch                 | Naka-ku, Hiroshima-shi, Hiroshima |
|             | Fukuoka Branch                   | Hakata-ku, Fukuoka-shi, Fukuoka   |
|             | Miyazaki Sales Office            | Miyazaki-shi, Miyazaki            |
|             | Credit Management Center         | Chuo-ku, Tokyo                    |
| Subsidiary  | Zenkoku Business Partner, K.K.   | Chuo-ku, Tokyo                    |

## 9. Status of Employees

| Number of employees | Increase or decrease from previous fiscal year-end | Average age | Average years of service |
|---------------------|--|-------------|--------------------------|
| 212 persons         | 4 persons (increase)                               | 35.2 years  | 7 years and 8 months     |

(Notes) 1. Employees refer to all full-time employees, including four Executive Officers, and does not include six persons seconded to outside the Company.

2. Employees do not include 86 contract, part-time, and temporary employees.

## 10. Principal Counterparties to Borrowings and Amount of Borrowings

Not applicable.

## 11. Status of Significant Parent Companies and Subsidiaries

(1) Relationship with Parent Company

Not applicable.

(2) Status of Significant Subsidiaries

| Company name                   | Capital          | Ownership | Main businesses  |
|--------------------------------|------------------|-----------|--|
| Zenkoku Business Partner, K.K. | 9.00 million yen | 100%      | Contract, entrustment, and agency of clerical operations |

(Note) The Company only has the one subsidiary above, and it is not subject to consolidation.

## 12. Other Significant Items Regarding Status of the Company

On July 6, 2012, the Company was the target of a lawsuit from the Japan Agricultural Cooperative Ishinomaki requesting guarantee execution under the terms of a basic guarantee contract that was concluded between the Company and Japan Agricultural Cooperative Ishinomaki.

The Company had been fighting the lawsuit, reasoning that the guarantee execution request was due to nonfulfillment of financial obligations stemming from the Great East Japan Earthquake. However, on February 25, 2015, the Tokyo High Court ruled in favor of Japan Agricultural Cooperative Ishinomaki, ordering the payment to be made. Although the Company had considered appealing to the Supreme Court, in light of facts such as three years passing since the initial claim and other effects, the Company decided that settlement as soon as possible was the most rational choice, and declined to appeal, thus confirming the judgment.

Furthermore, the effect of this on the Company's business results is not significant.

## II Status of Shares (As of March 31, 2015)

1. **Total number of shares authorized to be issued** 160,000,000 shares
2. **Total number of shares outstanding** 68,858,200 shares  
(Note) Due to the exercise of stock acquisition rights on April 1, 2015, 2,780 shares of common stock were issued, and the total number of shares outstanding is now 68,860,980 shares.
3. **Number of shareholders** 13,517 persons
4. **Major shareholders (Top 10)**

| Shareholder name   | Number of shares held (shares) | Ownership ratio (%) |
|--|--------------------------------|---------------------|
| Fukoku Mutual Life Insurance Company   | 6,200,000                      | 9.01                |
| Meiji Yasuda Life Insurance Company  | 5,130,000                      | 7.46                |
| TAIYO LIFE INSURANCE COMPANY   | 4,271,000                      | 6.21                |
| The Gibraltar Life Insurance Co., Ltd. (General account for listed securities) | 3,029,000                      | 4.40                |
| Japan Trustee Services Bank, Ltd. (Trust account)                              | 2,306,500                      | 3.35                |
| Sompo Japan Nipponkoa Insurance Inc.   | 2,040,000                      | 2.96                |
| Sumitomo Mitsui Trust Bank, Limited  | 2,000,000                      | 2.90                |
| MSCO CUSTOMER SECURITIES   | 1,986,600                      | 2.88                |
| The Master Trust Bank of Japan, Ltd. (Trust account)                           | 1,748,800                      | 2.54                |
| The Miyazaki Taiyo Bank, Ltd.  | 1,700,000                      | 2.47                |

(Note) The ownership ratio is calculated after eliminating 240 shares of treasury stock and 100,700 shares held by the Stock Granting Trust (J-ESOP), and fractional figures are rounded down.

### 5. Other Important Items Regarding Stock (Stock Granting Trust (J-ESOP))

At a Board of Directors meeting held on May 19, 2014, the Company resolved to introduce the “Stock Granting Trust (J-ESOP),” an incentive program granting employees shares of common stock of the Company to incentivize them to improve corporate values and, thus, stock prices by (1) linking their benefits to the share price and financial results of the Company and (2) sharing economic benefits with stockholders.

J-ESOP is a program that grant shares of common stock to the Company’s employees who fulfill requirements under the Stock Granting Regulations of the Company.

The Company vests points to each employee based on her/his contribution to the Company and grants stocks of the Company based on her/his total points when employees acquire right to receive by certain conditions. Such stocks, including stocks to be granted in the future, are acquired by money held in the J-ESOP trust, managed separately from books of the Company.

Furthermore, the number of shares held by the trust account as of the fiscal year-end date was 100,700 shares.



### III Matters Regarding Stock Acquisition Rights, etc., of the Company

#### 1. Status of Stock Acquisition Rights, etc. Held by Officers of the Company as of the Fiscal Year-end

|   | Summary of stock acquisition rights, etc.  | Number of persons holding stock acquisition rights |
|---|--|--|
| Directors<br>(Excluding Outside Officers) | (1) Name<br>ZENKOKU HOSHO Co., Ltd. First Stock Compensation-type Stock Acquisition Rights<br>(2) Number of stock acquisition rights<br>1,335<br>(3) Type and number of stock<br>13,350 shares of common stock<br>(4) Exercise period for stock acquisition rights<br>From July 24, 2014 to July 23, 2044<br>(5) Rights exercise price (per share)<br>1 yen<br>(6) Conditions to exercise rights<br>(i) The holder of stock acquisition rights, limited to the period from the day after losing status as a Director until the tenth day after the above date, exercise all stock acquisition rights at once.<br>(ii) If the holder of stock acquisition rights dies, and only if the stock acquisition rights are inherited by only one of the original holder's legal heirs (hereinafter "inheritor"), the inheritor may, pursuant to the conditions in each of the following items, exercise stock acquisition rights. However, if it is determined that the person has previously committed a significant criminal offense, then that person may not become an inheritor.<br>a. If the inheritor dies, the heirs to the inheritor may not inherit stock acquisition rights.<br>b. The inheritor must complete inheritance procedures, as defined by the Company, within 10 months and before the final date of the exercise period as defined in "Exercise period for stock acquisition rights" above.<br>c. For a period that is within the "Exercise period for stock acquisition rights" above and within two months of completion of inheritance procedures, the inheritor must exercise all stock acquisition | 4 persons  |
| Outside Directors                         | —  | —  |
| Audit & Supervisory Board Members         | —  | —  |

#### 2. Status of Stock Acquisition Rights, etc., Granted to Employees, etc., During the Term

Not applicable.

#### 3. Other Significant Items Regarding Stock Acquisition Rights

Not applicable.

#### IV. Company Officers

##### 1. Status of Directors and Audit & Supervisory Board Members

##### (1) Directors and Audit & Supervisory Board Members

(As of March 31, 2015)

| Name               | Position and areas of responsibility within the Company                                  | Significant concurrent positions   |
|--------------------|--|--|
| Eiji Ishikawa      | President & Representative Director<br>General Manager,<br>Management Headquarters       |  |
| Tsutomu Matsuda    | Representative Executive Director<br>General Manager, Sales<br>Headquarters              |  |
| Shigemi Mao        | Managing Director  |  |
| Takashi Yamaguchi  | Director<br>General Manager,<br>Operations Headquarters                                  |  |
| Masayuki Kojima    | Director (Outside Director)  |  |
| Eiichiro Kobayashi | Director (Outside Director)  |  |
| Yoshimi Hirai      | Full-time Audit & Supervisory Board Member<br>(Outside Audit & Supervisory Board Member) |  |
| Masaharu Hino      | Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)              | Attorney<br>Outside Director, JAPAN POST INSURANCE Co., Ltd.<br>Outside Director, Fujita Corporation |
| Yasushi Haneda     | Audit & Supervisory Board Member (Outside Audit & Supervisory Board Member)              |  |
| Kenichi Meguro     | Audit & Supervisory Board Member   |  |

- (Notes)
- Both Directors Masayuki Kojima and Eiichiro Kobayashi are Outside Directors.
  - The three Audit & Supervisory Board Members Yoshimi Hirai, Masaharu Hino, and Yasushi Haneda are Outside Audit & Supervisory Board Members.
  - Changes to positions and responsibilities for Directors during the fiscal year under review were as follows:

| Name          | Position and areas of responsibility within the Company          |  |                |
|---------------|--|--|----------------|
|               | Before change  | After change   | Date of change |
| Eiji Ishikawa | President & Representative Director                              | President & Representative Director<br>General Manager,<br>Management Headquarters | March 16, 2015 |
| Shigemi Mao   | Managing Director<br>General Manager,<br>Management Headquarters | Managing Director  |                |

- Managing Director Shigemi Mao resigned as of March 31, 2015.
- Audit & Supervisory Board Member Kenichi Meguro has many years of experience at the Ministry of Finance and has knowledge of finance and accounting.

6. Directors Masayuki Kojima and Eiichiro Kobayashi and Audit & Supervisory Board Member Masaharu Hino have been registered as Independent Directors/Auditors as stipulated by the Tokyo Stock Exchange.

## (2) Status of Compensation to Directors and Audit & Supervisory Board Members

| Category   | Persons                   | Total compensation, etc.            | Amount of compensation, etc., by type |                                   |                       |
|--|---------------------------|-------------------------------------|---------------------------------------|-----------------------------------|-----------------------|
|  |                           |                                     | Basic compensation                    | Bonuses                           | Stock options         |
| Directors<br>(Of which, Outside Directors)   | 7 persons<br>(2 persons)  | 187million yen<br>(14 million yen)  | 135 million yen<br>(12 million yen)   | 22 million yen<br>(2 million yen) | 30 million yen<br>(—) |
| Audit & Supervisory Board Members<br>(Of which, Outside Audit & Supervisory Board Members) | 4 persons<br>(3 persons)  | 46 million yen<br>(36 million yen)  | 39 million yen<br>(31 million yen)    | 6 million yen<br>(5 million yen)  | —<br>(—)              |
| Total<br>(Of which, Outside Officers)  | 11 persons<br>(5 persons) | 234 million yen<br>(50 million yen) | 174 million yen<br>(43 million yen)   | 29 million yen<br>(7 million yen) | 30 million yen<br>(—) |

- (Notes)
1. At the 26th Annual General Meeting of Shareholders on June 28, 2006, a resolution was adopted to establish an upper limit on compensation to Directors of 50 million yen per month as a fixed compensation limit (excluding compensation as employees), and this amount includes bonuses.
  2. At the 26th Annual General Meeting of Shareholders on June 28, 2006, a resolution was adopted to establish an upper limit on compensation to Audit & Supervisory Board Members of 20 million yen per month as a fixed compensation limit, and this amount includes bonuses.
  3. At the 34th Annual General Meeting of Shareholders on June 20, 2014, a resolution was adopted to establish an upper limit on compensation in the form of stock options to Directors of 92 million yen per year.
  4. Amounts for stock options are the amounts recorded as expenses for the fiscal year in which the stock acquisition rights were issued.
  5. The number of persons as of March 31, 2015 is 6 Directors and 4 Audit & Supervisory Board Members. The difference between this and the above table is because the above table includes 1 Director who retired at the conclusion of the 34th Annual General Meeting of Shareholders on June 20, 2014.

## 2. Matters Regarding Outside Officers

### (1) Status of Significant Concurrent Positions of Outside Officers

| Name<br>Position  | Status of Concurrent Positions                   | Relationship with Relevant Parties   |
|---|--|--|
| Masaharu Hino<br>(Outside Audit & Supervisory Board Member) | Attorney   | There are no significant transactions or other relationships between the Company and the relevant parties at which he concurrently serves. |
|   | Outside Director, JAPAN POST INSURANCE Co., Ltd. |  |
|   | Outside Director, Fujita Corporation             |  |

(Note) As of March 31, 2015, he has retired from his position as Outside Director of Fujita Corporation.

**(2) Principal Activities of Outside Officers During the Fiscal Year Under Review**

| Name               | Position                                 | Status of Comments   |
|--------------------|--|--|
| Masayuki Kojima    | Outside Director                         | Attended all 14 Board of Directors meetings during the fiscal year under review, and primarily utilizing his wealth of experience in the finance industry and wide range of knowledge in corporate management, actively asked questions at the Board of Directors meetings, and provided suggestions from a specialist perspective, adequately fulfilling corporate supervision functions.   |
| Eiichiro Kobayashi | Outside Director                         | Attended all 14 Board of Directors meetings during the fiscal year under review, and primarily utilizing his wealth of experience and high level of knowledge as a manager in the finance industry, actively asked questions at the Board of Directors meetings, and provided suggestions from a specialist perspective, adequately fulfilling corporate supervision functions.  |
| Yoshimi Hirai      | Outside Audit & Supervisory Board Member | Attended all 14 Board of Directors meetings and all 13 Audit & Supervisory Board meetings during the fiscal year under review. At meetings of the Board of Directors and the Audit & Supervisory Board, he made appropriate comments based on his wealth of experience and knowledge through his history in financial institutions. Furthermore, as a Full-time Audit & Supervisory Board Member, he attended important meetings such as management meetings and various committee meetings, etc., and in addition to continuously monitoring the business execution of Directors, he made visits to various departments and stores, adequately fulfilling audit functions as an Audit & Supervisory Board Member. |
| Masaharu Hino      | Outside Audit & Supervisory Board Member | Attended all 14 Board of Directors meetings and all 13 Audit & Supervisory Board meetings during the fiscal year under review. At meetings of the Board of Directors and the Audit & Supervisory Board, he made appropriate comments based on his specialized knowledge and experience primarily in judicial affairs. Furthermore, under the audit policies defined by the Audit & Supervisory Board, he conducted audits, etc., of each department, adequately fulfilling audit functions as an Audit & Supervisory Board Member.   |
| Yasushi Haneda     | Outside Audit & Supervisory Board Member | Attended all 14 Board of Directors meetings and all 13 Audit & Supervisory Board meetings during the fiscal year under review. At meetings of the Board of Directors and the Audit & Supervisory Board, he made appropriate comments based on his specialized knowledge and experience primarily through his dealings with financial institutions. Furthermore, under the audit policies defined by the Audit & Supervisory Board, he conducted audits, etc., of each department, adequately fulfilling audit functions as an Audit & Supervisory Board Member.  |

**(3) Conflicts of Interest with Outside Officers**

The Company does not have any conflicts of interest with Outside Officers concerning personal relationships, capital relationships, transaction relationships, or other relationships. Furthermore, Officers (excluding Outside Officers), persons involved in business execution, and persons involved in business execution at designated related parties do not have family relationships, transaction relationships, or other relationships that constitute conflicts of interest with Outside Officers.

**3. Summary of Liability Limitation Agreements Concluded with Outside Officers**

The Company's Articles of Incorporation allows for the limitation of liability of Article 423, Paragraph 1 of the Companies Act, for its Outside Directors and Outside Audit & Supervisory Board Members as stipulated by Article 427, Paragraph 1 of the same Act, and the Company has concluded liability limitation agreements with Messrs. Masayuki Kojima, Eiichiro Kobayashi, Masaharu Hino, and Yasushi Haneda.

Additionally, if the proposal for partial amendments to the Articles of Incorporation is approved at the 35th Annual General Meeting of Shareholders, the Company plans to conclude a liability limitation agreement with Mr. Kenichi Meguro.

The limit of liability for Directors and Audit & Supervisory Board Members under the liability limitation agreement is 2.00 million yen or the lower liability limit stipulated in laws and regulations, whichever is higher.

## V. Accounting Auditor

### 1. Accounting Auditor's Name

Grant Thornton Taiyo LLC

### 2. Accounting Auditor's Compensation, etc.

|   | Amount paid    |
|---|----------------|
| Compensation, etc., for the Accounting Auditor for the fiscal year under review               | 33 million yen |
| Total cash and other profits payable by the Company or its subsidiaries to Accounting Auditor | 33 million yen |

(Note) Under the audit agreement between the Company and its Accounting Auditor, compensation for audits pursuant to the Companies Act and audits pursuant to the Financial Instruments and Exchange Act are not strictly separated, and otherwise cannot be separated. Consequently, the above amount reflects total compensation.

### 3. Description of Non-Audit Services

Not applicable.

### 4. Policy Regarding Determination of Termination or Nonrenewal of Appointment of Accounting Auditors

In the event that significant doubt is cast upon the ability of the Accounting Auditor to continue to perform its duties, the Company's policy is for a resolution of the Audit & Supervisory Board to present a proposal to a General Meeting of Shareholders to either terminate or not renew the agreement.

### 5. Liability Limitation Agreement

Not applicable.

## **VI. Company's Systems and Policies**

### **System to ensure that Directors' execution of duties complies with laws and regulations and the Articles of Incorporation, and any other systems to ensure proper execution of business**

At a meeting held on May 1, 2006, the Board of Directors decided upon a basic policy toward creating systems to ensure proper execution of business, based on Article 362, Paragraph 4, Item 6 of the Companies Act and Article 100, Paragraph 1 and Paragraph 3 of the Ordinance for Enforcement of the Companies Act, and partially revised the basic policy at a meeting held on October 15, 2012.

The contents are as follows.

- (1) System to ensure that Directors' and employees' execution of duties complies with laws and regulations and the Articles of Incorporation
  - 1) The Board of Directors has established a corporate code of ethics and code of conduct based on the core principle of compliance with laws and regulations, and the Representative Director also strives to repeatedly explain to directors and employees that compliance with laws and regulations is a basic principle of all corporate actions, and establish the same as the corporate culture.
  - 2) The Company expects strong control functions in order to ensure the legality of Directors' execution of duties, and ensures that at least one external Director with no conflict of interest with the Company is present on the Board of Directors at all times.
  - 3) The Board of Directors establishes compliance regulations that set forth compliance systems including the General Compliance Department and General Manager in Charge of Compliance, methods for ensuring ongoing understanding, monitoring, and reporting, and the establishment of a Compliance Committee, which is a monitoring institution.
  - 4) The Internal Auditing Department conducts audits of everyday compliance status in all organizations that allocate duties, offers advice and counsel as necessary, and regularly reports the results to the Representative Director. In addition, through a three-pronged Auditor Liaison Committee held once per month, the Internal Auditing Department reports on the status of internal audits to Audit & Supervisory Board Members and the Accounting Auditor, and conducts an exchange of opinions relating to the compliance status.
  - 5) In the event that facts are discovered that raise suspicions a Director or employee of the Company has infringed a law or regulation, the Company maintains a system for the swift reporting of such matters to the Board of Directors and the Audit & Supervisory Board through the General Manager in Charge of Compliance, and therefore will utilize the internal reporting system based on the internal reporting regulations, and strive to collect information.
- (2) System for storage and management of information related to Directors' execution of duties
  - 1) In line with regulations on the storage of documents and related detailed regulations, etc., the Company will record information relating to Directors' execution of duties in document form or as electronic media, and store, manage, and utilize such information in an appropriate manner.
  - 2) The Internal Auditing Department regularly audits the status of the recording, storage, and management of such documents etc., offers advice and counsel regarding the revision of regulations etc. as necessary, and regularly reports the results to the Representative Director.
  - 3) Directors and Audit & Supervisory Board Members may consult these records in the form of documents and electronic media at any time.
- (3) Regulations or any other systems for management of risk of loss
  - 1) The Board of Directors establishes risk management regulations that set forth risk management systems including the General Risk Department and General Manager in Charge of Risk Management, methods for ensuring ongoing understanding, monitoring, and reporting, and the establishment of a Risk Management Committee, which is a monitoring institution.
  - 2) In line with risk management regulations, the General Risk Department etc. monitor for all types of

risk on an ongoing basis, concentrate information on the Risk Management Committee, the Chairman of which is the Representative Director, and comprehensively manage risk.

- 3) The Internal Auditing Department conducts audits of everyday risk management status in all organizations that allocate duties, offers advice and counsel as necessary, and regularly reports the results to the Representative Director. In addition, through a three-pronged Auditor Liaison Committee held once per month, the Internal Auditing Department reports on the status of the internal audit to Audit & Supervisory Board Members and the Accounting Auditor, and conducts an exchange of opinions relating to the risk management status.

(4) System to ensure that Directors' execution of duties is efficient

- 1) In order to establish company-wide targets shared by Directors and employees, the Company calculates a budget for the fiscal year based on a clarification of management issues and changes in the external and internal environments, and formulates a Medium-term Management Plan that lasts for a period of three fiscal years.
- 2) The Board of Directors has established Medium-term Management Plan regulations and budget management regulations that clarify the PDCA system for ensuring the efficient execution of the Medium-term Management Plan, and based on the Medium-term Management Plan, each fiscal year, the Board of Directors allocates business performance targets and a budget to each business division (branch office), and also allocates management resources to each business division.
- 3) The Director in charge of each business division (branch office) decides upon the specific measures that each business division (branch office) should adopt and systems for efficient business execution, and assumes responsibility for its execution.
- 4) The status of business execution at each business department (branch office) is confirmed at management meetings held regularly, deliberations are held, and measures taken as necessary.
- 5) Regarding monthly business performance, performance against targets is reported to the Board of Directors each month, and in the event that the result differs from the target figure, the reason for the difference is reported and measures to ensure the achievement of targets are discussed.
- 6) Based on discussions at the Board of Directors, the Director in charge of each business division (branch office) improves the specific measures that each business division (branch office) should take and systems to ensure efficient business execution.

(5) System to ensure proper business execution within the Company group

- 1) The Company aims to build internal control systems at the Company and its subsidiaries, and has also made the Company's Management Planning Department the department in charge of internal control systems for all subsidiaries. In addition to taking measures to increase the effectiveness of internal control systems at subsidiaries, the Company also provides the necessary guidance and support to subsidiaries.
- 2) The Management Planning Department understands the status of internal control systems at subsidiaries, and provides guidance on ways to improve etc. as necessary.
- 3) The Internal Auditing Department audits the management status of the Management Planning Department's internal control systems at subsidiaries. However, the Internal Auditing Department directly audits the management status of internal control systems at wholly owned subsidiaries.
- 4) Directors or Audit & Supervisory Board Members are dispatched to subsidiaries, where they receive reports regarding the audit status of internal control systems.
- 5) The Management Planning Department reports on the status of subsidiaries' internal control systems to the Board of Directors of the Company in the event that it is judged to be necessary.

(6) Matters relating to employees assigned to assist Audit & Supervisory Board Members in their duties, in the event that Audit & Supervisory Board Members have requested such employees

- 1) Directors appoint Audit & Supervisory Board Member staff whose duty it is to assist Audit &

Supervisory Board Members with audits, when Audit & Supervisory Board Members request that an employee be assigned to assist with their duties.

- 2) Employees appointed as Audit & Supervisory Board Member staff focus solely on their duty to assist Audit & Supervisory Board Members with audits.

- (7) Matters relating to the independence of employees set forth in the preceding item from Directors

Audit & Supervisory Board Member staff shall carry out their duties under the direction of Audit & Supervisory Board Member, and do not receive directions from Directors etc. However, in the event that Audit & Supervisory Board Member staff concurrently holds other duties, the directions of Audit & Supervisory Board Members are limited to the duty of assisting Audit & Supervisory Board Members with audits.

- (8) System to allow Directors and employees to report to Audit & Supervisory Board Members and other systems related to reports to Audit & Supervisory Board Members

The Board of Directors establishes regulations related to ensuring the effectiveness of Audit & Supervisory Board Members' audits, in order to clarify matters relating to reports to ensure the effectiveness of Audit & Supervisory Board Members' auditing etc. Directors and employees shall quickly report to Audit & Supervisory Board Members legal matters, in addition to matters that have a significant impact on the Company or its subsidiaries, the status of the implementation of internal audits, and the status of matters that raise suspicions related to compliance.

- (9) Other systems to ensure Audit & Supervisory Board Members' audits are effective

- 1) The Representative Director regularly exchanges opinions with Audit & Supervisory Board Members.
- 2) The Internal Auditing Department regularly holds a three-pronged Auditor Liaison Committee comprised together with Audit & Supervisory Board Members and the Accounting Auditor, reports the results of audits, and conducts exchanges of opinion.

- (10) System to eliminate antisocial forces

- 1) The Company establishes a basic policy and strives to establish an internal consensus for dealing with antisocial forces, in order to prevent the damage caused by so-called antisocial forces, namely groups or individuals that use violence, force, and fraudulent methods in the pursuit of economic gain.
- 2) The Company ensures Directors and employees have a thorough awareness of the basic policy for dealing with antisocial forces, while also taking a firm stance against antisocial forces and completely forbidding any relationship with such forces.



**Balance Sheets**  
(As of March 31, 2015)

(Amount: million yen)

| Description                           | Amount         | Description   | Amount         |
|---------------------------------------|----------------|---|----------------|
| <b>Assets</b>                         |                | <b>Liabilities</b>                                    |                |
| <b>Current assets</b>                 | <b>154,727</b> | <b>Current liabilities</b>                            | <b>29,660</b>  |
| Cash and deposits                     | 112,693        | Unearned revenue                                      | 12,450         |
| Right to reimbursement                | 12,448         | Deposits received                                     | 21             |
| Securities                            | 11,099         | Accounts payable - other                              | 2,516          |
| Money held in trust                   | 20,254         | Income taxes payable                                  | 4,225          |
| Accounts receivable - other           | 417            | Provision for bonuses                                 | 179            |
| Prepaid expenses                      | 30             | Provision for loss on guarantees                      | 10,193         |
| Deferred tax assets                   | 5,021          | Provision for shareholder benefit program             | 69             |
| Other                                 | 298            | Other   | 3              |
| Allowance for doubtful accounts       | (7,536)        | <b>Non-current liabilities</b>                        | <b>123,785</b> |
| <b>Non-current assets</b>             | <b>59,242</b>  | Long-term unearned revenue                            | 123,669        |
| <b>Property, plant and equipment</b>  | <b>180</b>     | Long-term accounts payable - other                    | 47             |
| Buildings                             | 170            | Provision for retirement benefits                     | 50             |
| Accumulated depreciation              | (115)          | Provision For Stocks Payment                          | 17             |
| Vehicles                              | 51             | Other   | 0              |
| Accumulated depreciation              | (23)           | <b>Total liabilities</b>                              | <b>153,445</b> |
| Tools, furniture and fixtures         | 332            | <b>Net assets</b>                                     |                |
| Accumulated depreciation              | (239)          | <b>Shareholders' equity</b>                           | <b>60,370</b>  |
| Land                                  | 4              | <b>Capital stock</b>                                  | <b>10,681</b>  |
| <b>Intangible assets</b>              | <b>491</b>     | <b>Capital surplus</b>                                | <b>615</b>     |
| Software                              | 360            | Legal capital surplus                                 | 615            |
| Software in progress                  | 128            | <b>Retained earnings</b>                              | <b>49,343</b>  |
| Other                                 | 3              | Legal retained earnings                               | 2,055          |
| <b>Investments and other assets</b>   | <b>58,570</b>  | Other retained earnings                               | 47,288         |
| Investment securities                 | 48,000         | Reserve for loss on guarantees                        | 32,100         |
| Shares of subsidiaries and associates | 9              | Retained earnings brought forward                     | 15,188         |
| Real estate for investment            | 42             | <b>Treasury stock</b>                                 | <b>(270)</b>   |
| Long-term time deposits               | 8,300          | <b>Valuation and translation adjustments</b>          | <b>123</b>     |
| Long-term prepaid expenses            | 74             | Valuation difference on available-for-sale securities | 123            |
| Deferred tax assets                   | 1,566          | <b>Subscription rights to shares</b>                  | <b>30</b>      |
| Other                                 | 577            |   |                |
| Allowance for doubtful accounts       | (0)            | <b>Total net assets</b>                               | <b>60,524</b>  |
| <b>Total assets</b>                   | <b>213,970</b> | <b>Total liabilities and net assets</b>               | <b>213,970</b> |

## Statements of Income

(April 1, 2014 - March 31, 2015)

(Amount: million yen)

| Description                                  | Amount |               |
|--|--------|---------------|
| <b>Operating revenue</b>                     |        |               |
| Income guarantee fee                         | 29,413 |               |
| Other  | 94     | <b>29,507</b> |
| <b>Operating expenses</b>                    |        |               |
| Provision for loss on guarantees             | 2,854  |               |
| Provision of allowance for doubtful accounts | (488)  |               |
| Salaries, allowances and bonuses             | 1,340  |               |
| Provision for bonuses                        | 179    |               |
| Depreciation                                 | 267    |               |
| Other  | 2,973  | <b>7,126</b>  |
| <b>Operating income</b>                      |        | <b>22,380</b> |
| <b>Non-operating income</b>                  |        |               |
| Interest income                              | 206    |               |
| Interest on securities                       | 928    |               |
| Dividend income                              | 168    |               |
| Gain on investments in partnership           | 6      |               |
| Gain on valuation of derivatives             | 116    |               |
| Gain on investments in money held in trust   | 264    |               |
| Other  | 67     | <b>1,758</b>  |
| <b>Non-operating expenses</b>                |        |               |
| Commission fee                               | 9      |               |
| Other  | 14     | <b>23</b>     |
| <b>Ordinary income</b>                       |        | <b>24,115</b> |
| <b>Income before income taxes</b>            |        | <b>24,115</b> |
| Income taxes - current                       | 7,278  |               |
| Income taxes - deferred                      | 1,723  | <b>9,002</b>  |
| <b>Net income</b>                            |        | <b>15,112</b> |

# Statements of Changes in Equity

(April 1, 2014 - March 31, 2015)

(Amount: million yen)

|  | Shareholders' equity |                       |                       |                         |                                |                 |                                   |                         |                 |                            |
|--|----------------------|-----------------------|-----------------------|-------------------------|--------------------------------|-----------------|-----------------------------------|-------------------------|-----------------|----------------------------|
|  | Capital stock        | Capital surplus       |                       | Retained earnings       |                                |                 |                                   |                         | Treasury shares | Total Shareholders' equity |
|  |                      | Legal capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings        |                 |                                   | Total retained earnings |                 |                            |
|  |                      |                       |                       |                         | Reserve for loss on guarantees | General reserve | Retained earnings brought forward |                         |                 |                            |
| Balance at beginning of current period               | 10,681               | 615                   | 615                   | 2,055                   | 23,300                         | 1,500           | 9,441                             | 36,296                  | (0)             | 47,592                     |
| Changes of items during the period                   |                      |                       |                       |                         |                                |                 |                                   |                         |                 |                            |
| Dividends of surplus                                 |                      |                       |                       |                         |                                |                 | (2,065)                           | (2,065)                 |                 | (2,065)                    |
| Provision of reserve for loss on guarantees          |                      |                       |                       |                         | 8,800                          |                 | (8,800)                           | -                       |                 | -                          |
| Reversal of general reserve                          |                      |                       |                       |                         |                                | (1,500)         | 1,500                             | -                       |                 | -                          |
| Net income   |                      |                       |                       |                         |                                |                 | 15,112                            | 15,112                  |                 | 15,112                     |
| Purchase of treasury shares                          |                      |                       |                       |                         |                                |                 |                                   |                         | (269)           | (269)                      |
| Net changes of items other than shareholders' equity |                      |                       |                       |                         |                                |                 |                                   |                         |                 |                            |
| Total changes of items during period                 | -                    | -                     | -                     | -                       | 8,800                          | (1,500)         | 5,747                             | 13,047                  | (269)           | 12,777                     |
| Balance at end of current period                     | 10,681               | 615                   | 615                   | 2,055                   | 32,100                         | -               | 15,188                            | 49,343                  | (270)           | 60,370                     |

|  | Valuation and translation adjustments                 |   | Subscription rights to shares | Total net assets |
|--|---|---|-------------------------------|------------------|
|  | Valuation difference on available-for-sale securities | Total valuation and translation adjustments |                               |                  |
| Balance at beginning of current period               | (304)   | (304)                                       | -                             | 47,288           |
| Changes of items during the period                   |   |   |                               |                  |
| Dividends of surplus                                 |   |   |                               | (2,065)          |
| Provision of reserve for loss on guarantees          |   |   |                               | -                |
| Reversal of general reserve                          |   |   |                               | -                |
| Net income   |   |   |                               | 15,112           |
| Purchase of treasury shares                          |   |   |                               | (269)            |
| Net changes of items other than shareholders' equity | 427   | 427   | 30                            | 458              |
| Total changes of items during period                 | 427   | 427   | 30                            | 13,235           |
| Balance at end of current period                     | 123   | 123   | 30                            | 60,524           |

(Note) Figures presented in the financial statements are rounded down to the nearest million yen.

Independent Auditor's Report  
(English Translation)

May 11, 2015

To the Board of Directors  
ZENKOKU HOSHO Co., Ltd.

Grant Thornton Taiyo LLC

|                                      |                         |
|--------------------------------------|-------------------------|
| Certified Public Accountant          |                         |
| Designated Limited Liability Partner | Satoshi Kirikawa [Seal] |
| Engagement Partner                   |                         |
| Certified Public Accountant          |                         |
| Designated Limited Liability Partner | Masaya Ishii [Seal]     |
| Engagement Partner                   |                         |

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the financial statements, namely, the balance sheets, the statements of income, the statements of changes in equity, the notes to financial statements and the related supplementary schedules of ZENKOKU HOSHO Co., Ltd. (hereinafter the "Company") applicable to the fiscal year from April 1, 2014 to March 31, 2015.

Management responsibility in respect of non-consolidated financial statements

Management of the Company is responsible for the preparation and appropriate presentation of financial statements and the related supplementary schedules, pursuant to the corporate accounting standards generally accepted in Japan. This includes development and operation of internal control as deemed necessary by the management in ensuring preparation and appropriate presentation of the financial statements and the related supplementary schedules that are free from any material misstatements due to fraud or error.

Responsibility of Accounting Auditor

We as Accounting Auditor are responsible for expressing our opinion in respect of the financial statements and the related supplementary schedules from an independent standpoint, based on the audit we conducted. Our audit was conducted in accordance with auditing standards generally accepted in Japan. The auditing standards require us to develop audit plan and conduct our audit according to the plan in order to obtain reasonable assurance whether any material misstatement exists in the financial statements and the related supplementary schedules or not.

Our audit involves the procedures to obtain audit evidence that verifies if the accurate amounts were duly disclosed in the financial statements and the related supplementary schedules. Audit procedures are selected and applied at our discretion, based on the risk assessment of material misstatements in the financial statements and the related supplementary schedules due to fraud or error. Although expressing our opinion in respect of the effectiveness of the Company's internal control does not constitute the purpose of accounting audit, we examine the internal control in respect of the preparation and appropriate presentation of the financial statements and the related supplementary schedules, with the purpose to develop appropriate audit procedures depending on the situation, when we implement the risk assessment. Our audit also involves examination of the overall presentation of the financial statements and the related supplementary schedules, including assessment of the accounting policies and its application methods as adopted by the management, along with the estimates made by the management.

We believe we have obtained sufficient and appropriate audit evidence that serves as the basis for expression of our opinion.

Audit opinion

In our opinion, the financial statements and the related supplementary schedules referred to above present

fairly, in every significant aspect, the financial position and operating results of the Company for the fiscal year under review in conformity with corporate accounting standards generally accepted in Japan.

#### Interest

Neither Grant Thornton Taiyo LLC nor any of the Engagement Partners has any interest in the Company which should be disclosed under the provisions of the Certified Public Accountants Act.

## **Audit Report**

The Audit & Supervisory Board, upon deliberation, prepared this audit report regarding the Directors' execution of their duties during the 35th fiscal year from April 1, 2014 to March 31, 2015, based on the audit reports prepared by each Audit & Supervisory Board Member and hereby reports as follows:

### **1. Auditing Method Employed by Audit & Supervisory Board Members and the Audit & Supervisory Board and Details Thereof**

The Audit & Supervisory Board established audit policies, division of duties, etc. and received reports from all the Audit & Supervisory Board Members regarding the execution of audits and the results thereof. In addition, we requested reports, and explanations as necessary, from Directors, etc. and the Accounting Auditor regarding the execution of their duties.

In accordance with the audit policies, established by the Audit & Supervisory Board, and pursuant to audit policies, division of duties, etc., we attempted communication with Directors, the Audit Department, and other employees, etc., and worked to gather information and establish an auditing environment, and we attended the Board of Directors' meetings and other important meetings, received reports from the Directors and other employees, etc. regarding the execution of their duties, requested explanations as necessary, inspected documents, etc., related to important decisions, and examined the operations and assets at the Company's headquarters and principal offices.

Furthermore, with respect to the resolution of the Board of Directors concerning the development of the system to ensure the compliance of Directors with laws, regulations and the Articles of Incorporation in the execution of their duties and other systems required to ensure the properness of the operations of joint stock company (kabushiki-kaisha) as stipulated in Article 100, Paragraphs 1 and 3 of the Ordinance for Enforcement of the Companies Act, as well as the system (internal control system) developed based on the resolution of the Board of Directors, we received regular reports regarding the status of formulation and revision from the Directors and other employees, sought explanations as necessary, and expressed opinion thereon.

With regard to the Company's subsidiary, the Audit & Supervisory Board attempted communication with its Directors, Audit & Supervisory Board Members, etc., and received report as necessary from the subsidiary.

Based on the foregoing methods, we examined the Business Report and the related supplementary schedules for the fiscal year under review.

Moreover, we monitored and verified whether the Accounting Auditor had maintained its independence and conducted audits appropriately, and received reports, and sought explanations as necessary, from the Accounting Auditor regarding the execution of its duties.

The Audit & Supervisory Board received notification from the Accounting Auditor to the effect that "systems for ensuring appropriate execution of duties" (matters listed in each item of Article 131 of the Ordinance on Accounting of Companies) has been established in accordance with "Quality Control Standards for Auditing" (dated October 28, 2005 by Business Accounting Council), etc., and we requested explanations as necessary.

Based on the above, we examined the financial statements (the balance sheets, the statements of income, the statements of changes in net assets, and the notes to financial statements) and the related supplementary schedules for the fiscal year under review.

## 2. Audit Results

### (1) Results of Audit of Business Report, etc.

1. In our opinion, the business report and the supplementary schedules are in accordance with the related laws and regulations and Articles of Incorporation, and fairly represent the Company's condition.
2. No inappropriate conduct concerning the execution of duties by Directors or material facts in violation of laws, regulations or the Articles of Incorporation were found.
3. We found that the Board of Directors' resolutions concerning the internal control system are appropriate in content.

### (2) Results of Audit of Non-consolidated Financial Statements and Related Supplementary Schedules We found that the methods and the results of the audit conducted by Accounting Auditor, Grant Thornton Taiyo LLC, are appropriate.

May 12, 2015

Audit & Supervisory Board  
ZENKOKU HOSHO Co., Ltd.

|   |                |
|---|----------------|
| Full-time Audit & Supervisory<br>Board Member (Outside Audit<br>& Supervisory Board Member) | Yoshimi Hirai  |
| Outside Audit & Supervisory<br>Board Member   | Masaharu Hino  |
| Outside Audit & Supervisory<br>Board Member   | Yasushi Haneda |
| Audit & Supervisory Board<br>Member   | Kenichi Meguro |

# Reference Documents for the General Meeting of Shareholders

## Proposals and References

### Proposal No. 1: Distribution of Surplus

The Company considers profit distribution to its shareholders as one of the important aspects of its business. Its basic dividend policy is to pay stable, continuous cash dividends based on comprehensive consideration of the entire business, while securing internal reserves to maintain a solid financial foundation as a housing loan guarantee company. Under this policy, the Company proposes the following year-end dividends and distribution of surplus for the fiscal year under review.

1. Matters concerning year-end dividends
  - (1) Type of dividend property  
Cash
  - (2) Matters concerning the allotment of dividend property and the total amount  
48 yen per share of common stock  
Total amount of 3,305,182,080 yen
  - (3) Effective date of distribution of surplus  
June 22, 2015
2. Other matters concerning the distribution of surplus
  - (1) Item and the amount of surplus to be increased  
Reserve for loss on guarantees      11,800,000,000 yen
  - (2) Item and amount of surplus to be decreased  
Retained earnings brought forward      11,800,000,000 yen



## Proposal No. 2: Partial Amendments to the Articles of Incorporation

### 1. Reason for Amendment

To allow for Outside Directors and Outside Audit & Supervisory Board Members to adequately fulfill their expected duties, the Company stipulates in its Articles of Incorporation Article 29 (Liability Limitation Agreements with Outside Directors) and Article 39 (Liability Limitation Agreements with Outside Audit & Supervisory Board Members).

Due to changes in Article 427 of the Companies Act, the range of Directors and Audit & Supervisory Board Members with which liability limitation agreements may be concluded has been expanded, and to allow for Directors who are not involved in business execution and Audit & Supervisory Board Members who are not Outside Audit & Supervisory Board Members to adequately fulfill their expected duties, and to allow the Company to retain appropriate personnel regardless of their internal or outside status, the Company proposes amendments to Article 29 and Article 39 of the Articles of Incorporation

The amendments to Article 29 of the Articles of Incorporation have received the approval of the Audit & Supervisory Board.

### 2. Details of Amendment

The details of the amendment are as follows.

(The amended parts are underlined.)

| Current Articles of Incorporation  | Proposed Amendment  |
|--|---|
| <p>CHAPTER I. GENERAL PROVISIONS</p> <p>Article 1 - Article 28 (Omitted)</p> <p>(Liability Limitation Agreements with <u>Outside</u> Directors)</p> <p>Article 29 Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company may conclude agreements with <u>Outside</u> Directors to limit their liabilities specified by Article 423, Paragraph 1 of the Companies Act.</p> <p>However, the limitation of liabilities based on the agreement shall be at least 2.00 million yen or the amount provided by laws and regulations, whichever is higher.</p> <p>Article 30 - Article 38 (Omitted)</p> <p>(Liability Limitation Agreements with <u>Outside</u> Audit &amp; Supervisory Board Members)</p> <p>Article 39 Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company may conclude agreements with <u>Outside</u> Audit &amp; Supervisory Board Members to limit their liabilities specified by Article 423, Paragraph 1 of the Companies Act.</p> <p>However, the limitation of liabilities based on the agreement shall be at least 2.00 million yen or the amount provided by laws and regulations, whichever is higher.</p> <p>CHAPTER VI. ACCOUNTING AUDITOR</p> <p>Article 40 - Article 46 (Omitted)</p> | <p>CHAPTER I. GENERAL PROVISIONS</p> <p>Article 1 - Article 28 (No change)</p> <p>(Liability Limitation Agreements with Directors)</p> <p>Article 29 Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company may conclude agreements with Directors <u>(excluding Directors involved in the execution of business)</u> to limit their liabilities specified by Article 423, Paragraph 1 of the Companies Act.</p> <p>However, the limitation of liabilities based on the agreement shall be at least 2.00 million yen or the amount provided by laws and regulations, whichever is higher.</p> <p>Article 30 - Article 38 (No change)</p> <p>(Liability Limitation Agreements with Audit &amp; Supervisory Board Members)</p> <p>Article 39 Pursuant to Article 427, Paragraph 1 of the Companies Act, the Company may conclude agreements with Audit &amp; Supervisory Board Members to limit their liabilities specified by Article 423, Paragraph 1 of the Companies Act.</p> <p>However, the limitation of liabilities based on the agreement shall be at least 2.00 million yen or the amount provided by laws and regulations, whichever is higher.</p> <p>CHAPTER VI. ACCOUNTING AUDITOR</p> <p>Article 40 - Article 46 (No change)</p> |

### Proposal No. 3: Election of One (1) Director

Director Shigemi Mao resigned on March 31, 2015. Accordingly, the election of one (1) Director is proposed.

Mr. Yuichi Aoki will be elected as a substitute for Mr. Shigemi Mao, and as stipulated in the Articles of Incorporation of the Company, his term of office will be until the expiration of the terms of the existing Directors (until the conclusion of the Annual General Meeting of Shareholders scheduled to be held in June 2016).

The candidate is as follows:

| Name<br>(Date of birth)             | Past experience, positions, responsibilities,<br>and significant concurrent positions   | Number of<br>shares of the<br>Company held |
|-------------------------------------|---|--|
| Yuichi Aoki<br>(September 10, 1971) | August 2002    Joined the Company<br>June 2011      General Manager, Corporate Planning Division<br>June 2013      Executive Officer and General Manager, Corporate<br>Planning Division (current position)<br>December 2014 Audit & Supervisory Board Member, Zenkoku Business<br>Partner, K.K. (current position)<br><br>[Significant concurrent positions]<br>Audit & Supervisory Board Member, Zenkoku Business Partner, K.K. | 11,795<br>shares                           |

- (Notes)
1. No material conflict of interest exists between the Company and candidate for Director Yuichi Aoki.
  2. The number of shares held by candidate for Director Yuichi Aoki includes those held by him under the ZENKOKU HOSHO Employee Shareholder Association.

**Proposal No. 4: Election of One (1) Audit & Supervisory Board Member**

Audit & Supervisory Board Member Yoshimi Hirai will resign as of the conclusion of this Annual General Meeting of Shareholders. Accordingly, the election of one (1) Audit & Supervisory Board Member is proposed.

Mr. Mamoru Fujino will be elected as a substitute for Mr. Yoshimi Hirai, and as stipulated in the Articles of Incorporation of the Company, his term of office will be until the expiration of the terms of the retiring Audit & Supervisory Board Member (until the conclusion of the Annual General Meeting of Shareholders scheduled to be held in June 2016).

This proposal has received approval from the Audit & Supervisory Board.

The candidate is as follows:

| Name<br>(Date of birth)               | Past experience, positions, responsibilities,<br>and significant concurrent positions  | Number of<br>shares of the<br>Company held |
|---------------------------------------|--|--|
| Mamoru Fujino<br>(September 24, 1956) | April 1980      Joined The Dai-Ichi Kangyo Bank, Ltd. (currently Mizuho Bank, Ltd.)  | 0<br>shares                                |
|                                       | October 1997    Seconded to Dai-Ichi Kangyo Asahi Asset Management Co., Ltd. as General Manager, Corporate Operations Department (currently Mizuho Asset Management Co., Ltd.) |  |
|                                       | October 2003    Advisor, Mizuho Financial Group, Inc.<br>Seconded to Mizuho Securities Co., Ltd. as General Manager, Auditing Office   |  |
|                                       | March 2007      Advisor, Mizuho Bank, Ltd.<br>Seconded to Oenon Holdings, Inc. as Full-time Corporate Auditor  |  |
|                                       | Seconded to GODO SHUSEI CO., LTD. as Corporate Auditor   |  |
|                                       | March 2009      Seconded to Mizuho Capital Co., Ltd. as Full-time Corporate Auditor  |  |
|                                       | July 2012        Joined Japan imagination Co. Ltd. as General Manager, Management Headquarters   |  |
|                                       | April 2013       Executive Officer and General Manager, Management Headquarters  |  |
|                                       | July 2014        Joined Mizuho Business Partner Co., Ltd. as General Manager in charge of Personnel and General Affairs Department   |  |
|                                       | April 2015       Joined the Company as Advisor (current position)  |  |

(Note) No material conflict of interest exists between the Company and candidate for Audit & Supervisory Board Member Mamoru Fujino.