

# CORPORATE GOVERNANCE REPORT

(English translation for reference purposes only)

**Ichiyoshi Securities Co., Ltd.**

Last updated: August 30, 2018

Representative Executive Officer: Mr. Minoru Kobayashi

Enquiry to: Public Relations Office (Tel: 03-3555-6343)

Securities code: 8624 (Tokyo Stock Exchange)

<https://www.ichiyoshi.co.jp>

The status of the corporate governance of Ichiyoshi Securities Co., Ltd. (the “Company”) is as described below.

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

### 1. Basic views

The Company holds a motto of “Building a securities house like no other in Japan” and aims to be a “Name-brand boutique house in the finance and securities industry.” In its efforts for realization, the Company intends to heighten the fairness and transparency of management along its below-mentioned “Ichiyoshi Credo” (corporate philosophy) and to promote flexible and relevant decision-making, thereby maximizing earnings and corporate value while bolstering its corporate governance. The Company has also adopted a committee system to tighten its surveillance capability over business executions and has in place an operating officer system to enhance the promptitude and effectiveness of business executions.

[Ichiyoshi Credo (corporate philosophy)]

Management philosophy: To remain a company of customers’ trust and choice.

Management objective: Name-brand boutique house in the finance and securities industry.

Action guidelines: Gratitude, Integrity, Courage, Responsiveness, Continuity and Long-Term Good Relation.

Based on the Ichiyoshi Credo, the Company has its raison-d’être vis-à-vis each of its stakeholders:

Vis-à-vis employees: Respecting employees’ individuality and striving for human resource cultivation.  
“The Ichiyoshi Spirit” -- Fighting on with passion and sincerity.  
“Job Satisfaction” -- Building a free and invigorated corporate climate that optimizes employees’ abilities and creativity by prioritizing teamwork.

Vis-à-vis customers: Aiming to be every customer’s first choice.  
“Customer Prioritization” -- Always providing advice with sincerity from the customer’s standpoint.  
“Quality Services” -- Responding to social and market changes and providing high-quality products and services.

Vis-à-vis shareholders: Striving for continuous improvement in performance and corporate value.

|                    |  |
|--------------------|--|
|                    | “Return to Shareholders” -- Raising business profitability and strengthening financial health, then returning profits to shareholders. |
|                    | “Information Disclosure” – Ensuring business management transparency through appropriate disclosure and investor relation activities.  |
| Vis-à-vis society: | Contributing to the development of society as a participant in the financial and securities markets.                                   |
|                    | “Social Responsibility” -- Complying with laws and regulations and behaving with high ethical standards.                               |
|                    | “Social Contribution” -- Contributing to the development of regional communities and securities markets through corporate activities.  |

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

The Company complies with all principles of the Corporate Governance Code.

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

[Principle 1-4 --- Policy-based holdings of stocks]

The purpose of policy-based holdings of stocks is limited to apparently enhance relationships with companies with which the Company has business relations. Other than in such exceptional cases, the Company has a policy not to do policy-based holdings of stocks. It is the Company’s policy to limit the sum of the holdings of investment securities and policy-based holdings of stocks to 10% or less of the Company’s net assets in accordance with the Board of Directors’ resolution. The Company does not have any cross-held stocks. As of March 31, 2018, the Company’ policy-based holdings of stocks amounted to 2% of its net assets. The Board of Directors’ meeting shall review, based on a proposal made by the Investment Committee, each potential and executed investments of policy-based holdings of stocks, through specifically inspecting rationality, purpose, and benefit for the investment.

The Company’s voting rights on policy-based holdings of stocks is exercised after analyzing the condition of subject companies, and having a dialogue with subject companies and seriously judging whether proposed resolutions are conducive to the sustainable growth of subject companies and to the growth of the Company’s business.

[Principle 1-7 --- Matters Regarding Related-Party Transactions]

The Rules concerning the Board of Directors stipulate that related-party transactions require the Board of Directors’ resolutions in order not to jeopardize the interests of the Company and its shareholders. The directors and officers of the Company are obliged to answer to “Business Execution Confirmation” and “Questionnaire on Related-Party Transactions” every year.

[Principle 2-6 ---Roles as Asset Owner of Corporate Pension Funds]

The Company adopts a hybrid corporate pension system for the retirement pension being consisted of

a defined-benefit corporate pension plan (the “DB”) and a defined-contribution corporate pension plan (the “DC”). The Pension Committee of the Company is associated in order to, be reported quarterly about the status of management of the DB and annually about the annual settlement of the DB by the division of the Company in charge, and decide the assumptions applicable for the DB.

In addition to the Pension Committee, the Pension Management Committee is associated in order for, establishing and subsequent amendment of the basic investment management policy of the DB, reviewing and subsequent modification of instruments under investments and investment style, and monitoring of the institutions which manage the DB.

[Principle 3-1 --- Enhanced Disclosure]

3-1-(1)

The Company has in place the “Ichiyoshi Credo” which contains management philosophy, management objective and action guidelines, and has formulated its 3-year medium-term management plan every three years since 1996, which have been published on its website.

3-1-(2)

The purpose of the Company’s corporate governance is to ensure that the management of the Company is performed in fairness in accordance with rules and regulations, and the Company’s corporate governance, along with its Internal Control System and Timely Disclosure System, forms the core body of the Company.

As part of its corporate governance efforts, the Company adopted its company with three committees system in June 2003, among many others.

The Company believes that the company with three committees system is the most effective system for corporate governance. The following are reasons why the Company moved to the company with three committees system:

- To separate the function of the Board of Directors (which include decision on basic management policy and material business matters and supervision on duty performances of directors and officers) and the function of executive officers (which includes execution of business decisions), thereby speeding up management decision-making and enhancing the flexibility of business execution.
- To ensure the wholesome growth of the Company, enhance the transparency of corporate management, operate the Company’s business from the standpoint of shareholders and further strengthen the corporate governance.
- To employ outside directors well experienced in laws, accounting and corporate management whose expert views and opinions will benefit the management of the Company.

3-1-(3)

The individual remunerations of the Company’s directors and executive officers are decided by the Remuneration Committee. The Remuneration Committee consists of 3 directors of whom 2 are outside

directors. The following is an outline of the policy of the Remuneration Committee for the determination of individual remunerations and related procedures:

- Basic policy:

To lift the desire and will of directors and executive officers for company management and derive their utmost management capability, so that they will contribute to the achievement of desired business result.

- Contents of remunerations:

Remunerations of directors and executive officers shall consist of “Monthly Basic Remuneration,” “Remuneration Linked to Business Result,” “Stock-Related Remuneration” and “Non-monetary Remuneration (such as a residential subsidy for living apart from family).”

- Procedures:

The Remuneration Committee meets each director and executive officer twice every year to rate his/her performance and decide his/her remuneration.

The policy and procedures for determination of individual remunerations of directors and executive officers are disclosed in the notice of shareholders’ meeting and the annual securities report.

### 3-1-(4)

The Company is a company with three committees system, therefore a draft resolution for nominees for directors or dismissal of incumbent directors to be submitted every year to the shareholders’ meeting shall be decided at the Nominating Committee consisting of independent outside directors as majority members and being chaired by an independent outside director. The nomination and/or dismissal of executive officers is made by the Board of Directors. The specific policy and procedures for nomination and/or dismissal are disclosed in the notice of the shareholders’ meeting and the annual securities report.

### 3-1-(5)

The selection of nominees for directors and dismissal of incumbent directors to be submitted to the shareholders’ meeting shall be decided by the Nominating Committee in accordance with the criteria established by the Nominating Committee.

(The followings are selection criteria for nominees as defined by the Nominating Committee as were incorporated in the Notice of 76<sup>th</sup> Annual Meeting of Shareholders:

For inside directors;

- Superb management sense
- Superb leadership, foresightedness and planning ability
- High law-abiding nature
- Personal magnetism in and out of the Company
- Healthiness physically and mentally

For outside directors;

- High personality and insight
- Plentiful experience and expertise in business operations
- High law-abiding nature
- Unwavering independency as outside director
- Healthiness physically and mentally

In addition, the nominees for outside directors are required to be qualified as the Outside Directors under the provisions of the Ordinance of the Company Law of Japan and to have no conflict of interest with shareholders as the Independent Directors under the regulations of the Tokyo Stock Exchange.)

The reasons for the selection of nominees for directors at the last shareholders' meeting are disclosed in the attachment hereto.

With respect to the appointment or dismissal of executive officers, they should be qualified to make business executions entrusted by the Board of Directors.

[Supplementary Principle 4-1-1]

The power and role of the Board of Directors are stipulated in the Regulations of the Board of Directors (the "Board"). The basic function of the Board is "to resolve on legally-required matters, decide or approve basic management policies and material matters on business executions and supervise business executions by directors and executive officers".

Executive officers are appointed by resolution of the Board of Directors. The scope and contents of their business executions are stipulated by the Regulations of Executive Officers. Their term of office is 1 year. Executive Chairman, Executive President, Executive Deputy President, Senior Managing Executive Officer, Managing Executive Officer and Representative Executive Officer are appointed by resolution of the Board of Directors.

[Principle 4-9 --- Judging criteria and quality for independent outside directors]

Outside directors of the Company are required to meet with conditions set out in the Company Law, to be independent as defined under the Regulations of the Tokyo Stock Exchange and satisfy the selection criterion for outside directors laid out by the Nominating Committee of the Company.

The outside directors of the Company provide the Company with fair and objective views and opinions for the benefit of the Company based on their respective experiences as attorney at law, certified public accountant and business executive.

[Supplementary Principle 4-11-1]

The Board of Directors of the Company consists of inside directors with long operational experiences in a broad range of securities business areas and outside directors highly experienced as attorney at law, certified public accountant and business executive. In the view of the Company, the directors of the

Company are well balanced and varied in terms of knowledge, experience and ability. The maximum number of the Company's directors is 10.

[Supplementary Principle 4-11-2]

The Company's notice of annual shareholders' meeting and annual securities report disclose whether the directors have the position of director on another listed companies or not.

[Supplementary Principle 4-11-3]

The Company is a company with three committees system. Under the system, the self-assessment of the Board of Directors as a whole is made in an objective and proper manner. To be specific, the Nominating Committee assesses the effectiveness of the Board of Directors as a whole, as a precondition to the election of nominees for the Board of Directors. The Board of Directors, once semiannually, holds an exchange-of-opinion session, and hands out "Questionnaire on Assessment of Board of Director" (the "Questionnaire") to each director, so that the Board of Directors can self-analyze and self-assess the effectiveness of the Board of Directors as a whole. Each director's opinion expressed at the exchange-of-opinion session and on the Questionnaire is reflected on the running of the Board of Directors.

(As for the outline of the result of "Questionnaire on Assessment of Board of Directors" conducted in fiscal 2017, please refer to page 25 of "Notice of 76<sup>th</sup> Annual Shareholders' Meeting" posted on the Company's home page: <https://ichiyoshi.co.jp:stockholder/presentation>).

With respect to the effectiveness of the Board of Directors as a whole for the fiscal year ended March 31, 2017, the Company believes that the running of the Board of Directors was made in a proper manner, that deliberations at the Board of Directors' meetings were actively made by taking advantage of each director's knowledge and experience and that the Board of Directors' ability to supervise business executions functioned effectively.

For reference, the Company was ranked at second place in the "JCG Index" for the past five consecutive years. The JCG Index is annually compiled by Japan Corporate Governance Institute based on its questionnaire on corporate governance, including the effectiveness of board of directors, conducted on companies listed on the 1st Section of the Tokyo Stock Exchange.

[Supplementary Principle 4-14-2]

The Company believes that directors need training to keep up quality and ability as director, and along this belief, provides the following courses to inside directors: occasional lectures by in-house advisers versed in financial and capital markets, bureaucracy, political circles and journalism; participations in meetings of the "Experts Committee" whose consists of experts in various fields; attendances at seminars outside the Company; and legal training by the Company's legal counsel.

[Principle 5-1 --- Policy for constructive dialogue with shareholders]

● System for shareholders' inquiry:

The officer in charge of the Public Relations Office and/or the officer in charge of the Administrative Department are primary officers in charge of shareholders' inquiry. With respect to individual shareholder's inquiry by telephone or his/her request for individual meeting, the Public Relations Office and/or the Administrative Department act as service window for their inquiry or request. With respect to inquiry from institutional investors investing on their stewardship guidelines or their request relating to an IR meeting, the Public Relations Office acts as service window, and the officer in charge of the Public Relations Office and/or the President, as occasion warrants, may respond.

● Direct IR activities vis-à-vis individual shareholders:

At the shareholders' meeting, the President gives an IR-colored report on business activities, spending enough time on the question-and-answer session. Then, there is held a social gathering after the shareholders' meeting where shareholders and the Company's directors and officers mix and communicate. In addition, the Company participates in an information meeting designed for individual investors and issues a semi-annual business report (describing business results and topics) to shareholders.

● Direct IR activities vis-à-vis institutional investors:

The Company organizes a semi-annual "Business-Result Reporting Meeting for Institutional Investors". As occasion arises, an officer in charge of finance visits and talks with institutional investors. With respect to overseas institutional investors, the Company organizes once a year an overseas IR program where the President faces overseas institutional investors and exchange views with them. In addition, the Company occasionally holds telephone conferences with overseas institutional investors, receives institutional investors' visits from inside and outside Japan. The Company annually publishes "Investors Guide" both in Japanese and English for distribution to institutional investors inside and outside Japan and for use in IR meetings.

As regards information disclosure, the Company has in place "Information Disclosure Meeting" which pre-checks and approves press releases and other timely disclosures in accordance with its information disclosure rules. The internal information disclosure rules are designed to enhance the timeliness and transparency of disclosure.

● Setting up Information Disclosure Meeting:

For the purpose of handling the above-mentioned information, the Company put in place the Information Disclosure Meeting. Ahead of making a press release or timely disclosure, information included in the press release or timely disclosure is reviewed by the Information Disclosure Meeting for approval. Timeliness and transparency are secured under the rules of the Information Disclosure Meeting.

## 2. Capital Structure

|  |                     |
|--|---------------------|
| Shareholding ratio by foreign shareholders | Between 20% and 30% |
|--|---------------------|

### <Major shareholders> (as of March 31, 2018)

| Name of shareholder  | No. of shares held | % of total |
|--|--------------------|------------|
| Nomura Land & Building Co., Ltd.   | 5,298,000 shares   | 12.39%     |
| Japan Trustee Services Bank, Ltd. (Trust Account)                                    | 1,523,400 shares   | 3.56%      |
| State Street Bank and Trust Company  | 1,434,804 shares   | 3.35%      |
| Northern Trust Co. (AVFC) RE HCR00   | 1,382,700 shares   | 3.23%      |
| The Master Trust Bank of Japan, Ltd. (Trust Account)                                 | 1,273,500 shares   | 2.98%      |
| Northern Trust Co. (AVFC) RE IEDU UCITS CLIENTS NON LENDING<br>15 PCT TREATY ACCOUNT | 1,142,100 shares   | 2.67%      |
| Nomura Research Institute, Ltd.  | 879,968 shares     | 2.05%      |
| Japan Trustee Services Bank, Ltd. (Trust Account 5)                                  | 790,800 shares     | 1.85%      |
| RBC ISB S/A DUB Non Resident / Treaty Rate UCITS- CLIENTS Account                    | 725,000 shares     | 1.69%      |
| Government of Norway   | 673,900 shares     | 1.57%      |

|                         |       |
|-------------------------|-------|
| Controlling shareholder | ----- |
| Parent company          | None  |

### ● Supplementary Explanation:

Major shareholders' holdings are as of March 31, 2018.

- The Company had 1,699,000 treasury shares as of March 31, 2018.
- Nomura Securities Co., Ltd. and its affiliated companies, namely Nomura International PLC, Nomura Asset Management Co., Ltd., Asahi Fire & Marine Insurance Co., Ltd. and Nomura Land & Building Co., Ltd., jointly filed an Amendment to Large-Shareholding Report on May 20, 2013 (of record as of May 13, 2013). According to the amendment, these companies respectively had the shares of the Company as of May 13, 2013 as written below. The Company cannot ascertain the numbers of shares beneficially held by these companies other than Asahi Fire & Marine Insurance Co., Ltd. and Nomura Land & Building Co., Ltd. as of March 31, 2018.

| Name                                    | No. of shares held | Shareholding ratio |
|---|--------------------|--------------------|
| Nomura Securities Co., Ltd.             | 54,000 shares      | 0.12%              |
| Nomura International PLC                | 54,000 shares      | 0.12%              |
| Nomura Asset Management Co., Ltd.       | 656,000 shares     | 1.48%              |
| Asahi Fire & Marine Insurance Co., Ltd. | 56,000 shares      | 0.13%              |



### 3. Corporate Attributes

|   |   |
|---|---|
| Listed Stock Market and Market Section                                    | Tokyo Stock Exchange, 1 <sup>st</sup> Section |
| Fiscal Year-End   | March   |
| Type of Business  | Securities and Commodities Futures            |
| Number of Employees (consolidated) as of the End of the Last Fiscal Year  | Over 1000                                     |
| Revenue (consolidated) for the Last Fiscal Year                           | Between 10 billion yen and 100 billion yen    |
| Number of Consolidated subsidiaries as of the End of the Last Fiscal Year | Less than 10                                  |

### 4. Guidelines Regarding Measures to Protect Minority Shareholders in Conducting Transactions with Controlling Shareholder

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### 5. Other Special Conditions with Potentially Significant Effects on Corporate Governance

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## II. Business Management Organization and Other Corporate Governance Systems Regarding Decision-Making, Execution of Business, and Oversight in Management

### 1. Organizational Structure and Operation

|                          |  |
|--------------------------|--|
| Organizational structure | Company with three committees (Nominating, Audit and Remuneration) |
|--------------------------|--|

#### <Directors>

|   |  |
|---|--|
| Maximum number of seats on the Board of Directors pursuant to the Company's Articles of Incorporation | 10   |
| Term of office of directors pursuant to the Articles of Incorporation                                 | 1 year   |
| Chairman of the meetings of the Board of Directors  | Chairman of the Board of Directors (except when concurrently serving as president) |
| Number of directors currently in office   | 7  |

#### <Outside Directors>

|   |   |
|---|---|
| Number of outside directors currently in office       | 4 |
| Number of outside directors qualifying as independent | 4 |

(1) Outside directors' Relationship with the Company:

| Name             | Attributes      | Relationship with the Company* |   |   |   |   |   |   |   |   |   |   |
|------------------|-----------------|--------------------------------|---|---|---|---|---|---|---|---|---|---|
|                  |                 | a                              | b | c | d | e | f | g | h | i | j | k |
| Akira Gokita     | Attorney at law |                                |   |   |   |   |   |   |   |   |   | ○ |
| Kenro Kakeya     | External        |                                |   |   |   |   |   |   |   |   |   | ○ |
| Takashi Ishikawa | External        |                                |   |   |   |   |   |   |   |   |   | ○ |
| Kota Sakurai     | CPA             |                                |   |   |   |   |   |   | △ |   |   |   |

\* Choices concerning the relationship with the Company.

If the director currently falls or has recently fallen under any item from item a to item k, ○ is printed under the applicable item

If the director fell under any item in the past, △ is printed under the applicable item.

\* If any close relative of the director falls under any item currently or as of a recent date, ● is printed under the applicable item. If any close relative of the director fell under any item in the past, ▲ is printed under the applicable item.

a= An Executive of the Company or its subsidiaries

b=An Executive or non-executive director of the parent company of the Company

c=An Executive of a brother company of the Company.

d=A person whose major client or supplier is the Company or an executive thereof.

e=A major client or supplier of the Company or an executive thereof.

f=A consultant, accountant or attorney at law who receives a large amount of monetary consideration or other assets from the Company other than remuneration as director or officer.

g=A major shareholder the Company (if such major shareholder is a legal entity, an executive of such legal entity).

h=An executive of a client or supplier of the Company (who does not fall under items d, e and f above) (applicable to the director himself/herself only).

i =An executive of a company which employs the same outside director as the Company (applicable to the director himself/herself only).

j=An executive of an institution that receives a donation from the Company (Applicable to the director himself/herself only).

k=Others.

(2)Outside directors' relationship with the Company:

| Name         | Committees* |     |     | Independent | Supplementary description   | Reasons for appointment  |
|--------------|-------------|-----|-----|-------------|---|--|
|              | (a)         | (b) | (c) |             |   |  |
| Akira Gokita | ○           | ○   | ○   | ○           | Attorney at law with Gokita & Miura Law Office and outside director of Sanwa Holdings Corporation | The Company has appointed him because he satisfies the outside directorship election standards and the Company believes that it is necessary for him to apply his profound and professional knowledge and experience as public prosecutor-turned lawyer to the |

| Name         | Committees* |     |     | Independent | Supplementary description   | Reasons for appointment   |
|--------------|-------------|-----|-----|-------------|---|---|
|              | (a)         | (b) | (c) |             |   |   |
|              |             |     |     |             |   | <p>management and supervision of the Company.</p> <p>He or his close relative is neither an executive of the Company's affiliated companies nor an executive of a major client or supplier of the Company, nor the Company's major shareholder or executive of it, and does not receive any monetary consideration other than remuneration as the Company's director. He is therefore defined as independent director having no conflict of interest with shareholders.</p>   |
| Kenro Kakeya | ○           | ○   |     | ○           | <p>Representative Director &amp; President of Kakeya Komuten Co. , Ltd. and Part-time director of The Kita Osaka Shinkin Bank</p> | <p>The Company has appointed him because he satisfies the outside directorship election standards and the Company believes that it is necessary for him to apply his profound and experience as a former Nihon Keizai Shimbun journalist and current business executive to the management and supervision of the Company.</p> <p>He or his close relative is neither an executive of the Company's affiliated companies nor an executive of a major client or supplier of the Company, nor the Company's major shareholder or executive of it, and does not receive any monetary consideration other than remuneration as the Company's director. He is therefore defined as independent director having no conflict of interest with shareholders.</p> |

| Name             | Committees* |     |     | Independent | Supplementary description   | Reasons for appointment   |
|------------------|-------------|-----|-----|-------------|---|---|
|                  | (a)         | (b) | (c) |             |   |   |
| Takashi Ishikawa |             |     | ○   | ○           | Representative Director & President of SR Holdings Inc.   | <p>The Company has appointed him because he satisfies the outside directorship election standards and the Company believes that it is necessary for him to apply his profound knowledge and experience as former president of a securities firm to the management and supervision of the Company.</p> <p>He or his close relative is neither an executive of the Company's affiliated companies nor an executive of a major client or supplier of the Company, nor the Company's major shareholder or executive of it, and does not receive any monetary consideration other than remuneration as the Company's director. He is therefore defined as independent director having no conflict of Interest with shareholders.</p> |
| Kota Sakurai     |             |     | ○   | ○           | <p>Certified Public Accountant &amp; Tax Accountant with Sakurai Kota Accounting &amp; Tax Office.</p> <p>He was with Century Accounting Firm (which later merged with Ernst &amp; Young ShinNihon LLC) from October 1991</p> | <p>The Company has appointed him because he satisfies the outside directorship election standards and the Company believes that it is necessary for him to apply his profound and professional knowledge and experience as certified public accountant and tax accountant to the management and supervision of the Company.</p> <p>He was with Century Accounting Firm (which later merged with Ernst &amp; Young ShinNihon LLC) from October 1991 to March 2000.</p>   |

| Name | Committees* |     |     | Independent | Supplementary description  | Reasons for appointment   |
|------|-------------|-----|-----|-------------|--|---|
|      | (a)         | (b) | (c) |             |  |   |
|      |             |     |     |             | <p>to March 2000.</p> <p>He was an executive director of Digital Garage, Inc., which had business relations with the Company, from September 2002 to September 2010.</p> | <p>Century Accounting Firm merged with Ota Showa Accounting Firm in April 2000, with the name of the combined firm changed to Ota Showa Century Accounting Firm. Ota Showa Century Accounting Firm changed its name to Ernst &amp; Young ShinNihon Accounting Firm (current legal name: Ernst &amp; Young ShinNihon Accounting Firm LLC) in July 2001. While the Company's Accounting firm is currently Ernst &amp; Young ShinNihon Accounting Firm LLC, he has now no conflict of interest with Ernst &amp; Young ShinNihon Accounting Firm LLC. He was an executive director of Digital Garage, Inc. from September 2002 to September 2010, and the Company acted as lead manager in December 2000 and as manager in July 2011 for Digital Garage, Inc., receiving lead manager's fee and manager's fee, respectively. However, he has no conflict of interest with Digital Garage, Inc.</p> <p>He or his close relative is neither an executive of the Company's affiliated companies nor an executive of a major client or supplier of the Company, nor the Company's major shareholder or executive of it, and does not receive any monetary consideration other than remuneration as the Company's director. He is therefore defined as</p> |

| Name | Committees* |     |     | Independent | Supplementary description | Reasons for appointment  |
|------|-------------|-----|-----|-------------|---------------------------|--|
|      | (a)         | (b) | (c) |             |                           |  |
|      |             |     |     |             |                           | independent director having no conflict of interest with shareholders. |

\* (a) = Nominating Committee

(b) = Remuneration Committee

(c) = Audit Committee

#### <Committees>

Composition of each committee and attributes of committee chairman:

|                        | Number of Members | Number of full-time Members | Number of inside directors | Number of outside directors | Attributes of chairman |
|------------------------|-------------------|-----------------------------|----------------------------|-----------------------------|------------------------|
| Nominating Committee   | 3                 | 1                           | 1                          | 2                           | Outside director       |
| Remuneration Committee | 3                 | 1                           | 1                          | 2                           | Outside director       |
| Audit Committee        | 3                 | 1                           | 0                          | 3                           | Outside director       |

#### <Executive Officers>

|                              |   |
|------------------------------|---|
| Number of Executive Officers | 3 |
|------------------------------|---|

Concurrent positions:

| Name             | Authority to Represent the Company | Concurrently serving as director | Member of Nominating Committee | Member of Remuneration Committee | Concurrent status as employee |
|------------------|------------------------------------|----------------------------------|--------------------------------|----------------------------------|-------------------------------|
| Minoru Kobayashi | Yes                                | Yes                              | No                             | No                               | No                            |
| Shiro Tateishi   | No                                 | Yes                              | No                             | No                               | No                            |
| Toru Koyama      | No                                 | No                               | No                             | No                               | No                            |

#### <Audit System>

|  |           |
|--|-----------|
| Appointment of directors and/or employees to support the Audit Committee | Appointed |
|--|-----------|

Matters relating to the independence of directors and/or employees from executive officers:

The Company has in place the Office of Audit Committee to support the Audit Committee. The Office of the Audit Committee is staffed with employees who provide support the members of the Audit Committee in the performance of their duties and administrative tasks of the Audit Committee. In order to secure the independence of such employees from executive officers, their transfer, and valuation and disciplinary actions against them shall require approval by the Audit Committee or any member of the Audit Committee so assigned.

Cooperation among the Audit Committee, accountants and the Internal Audit Division:

<Cooperation between the Audit Committee and accountants>

The Audit Committee receives an annual accounting plan from the accountants and hears accounting work schedule and material auditing items from them. Further, the Audit Committee regularly hears results of accounting work and the status of the internal control system from accountants and exchange views and opinions with accountants.

<Cooperation between the Audit Committee and the Internal Audit Division>

The Audit Committee hears policies and plan for internal audit and inspection from the Internal Audit Department and the Inspection Department (the both department hereinafter referred to as the “Internal Audit Division”). Further, the Audit Committee at its meeting held once or more a month in principle receives a report on internal audit result and inspection and hears a detailed description thereon, and, as need be, holds an ad-hoc meeting with the Internal Audit Division, thereby sharing concurrent information and ensuring the effectiveness and efficiency of the auditing function.

<Independent Directors>

|                                 |   |
|---------------------------------|---|
| Number of independent directors | 4 |
|---------------------------------|---|

Matters relating to independent directors:

Outside directors who are qualified as independent are all appointed as independent directors of the Company.

<Incentives>

|  |  |
|--|--|
| Incentive policies for Directors and/or executive officers | Business result-linked remuneration, stock options |
|--|--|

Supplementary explanation:

The total amount of business result-linked remuneration for directors and executive officers is decided on the basis of current income and net income for the applicable business term. An amount of remuneration for each director/executive officer is determined through an individual meeting with each director/executive officer and based on his/her contribution, performance of duty and in view of his/her position.

|                             |   |
|-----------------------------|---|
| Recipients of Stock options | Inside directors, executive officers and employees of the Company, directors and employees of subsidiaries and others |
|-----------------------------|---|

Supplementary explanation:

Stock options are offered to enhance the recipients’ incentives for higher business result and secure capable personnel.

<Remuneration for directors and executive officers>

|   |               |
|---|---------------|
| Disclosure of individual director’s remuneration          | Not disclosed |
| Disclosure of individual executive officer’s remuneration | Not disclosed |

Supplementary information:

For the fiscal year ended March 31, 2018, the Company paid the total remunerations of 295 million yen to 7 Directors (of which the total remuneration of 89 million was paid to 4 outside directors) and the remunerations of 68 million yen to 2 executive officers.

There was no one who received remuneration of 100 million yen or more on a consolidated basis. Thus, there is no disclosure of individual remuneration.

The total amount of remunerations for directors and executive officers are disclosed in the Company's securities report and business result report. (Business result is also described on page 42 of the Notice of 76th Annual Shareholders' Meeting on the Company's website: <https://www.ichiyoshi.co.jp/stockholder/presentation>).

|  |             |
|--|-------------|
| Policy on determining remuneration amounts and calculation methods | Established |
|--|-------------|

Disclosure of policy on determining remuneration amounts and calculation methods:

(i) Basic policy:

To lift the desire and will of directors and executive officers for company management and derive their utmost management capability, so that they will contribute to the achievement of desired business result.

(ii) Contents of remunerations:

Remunerations of directors and executive officers of the Company shall consist of "Monthly Basic Remuneration," "Monthly Remuneration Linked to Business Result," "Stock-related Remuneration" and "Non-monetary Remuneration" (such as housing allowance for persons living independently of their families for business reasons).

(iii) Policy for determining each of the above-mentioned remunerations by the Remuneration Committee:

- (a) Monthly Basic Remuneration shall be individually determined by the Remuneration Committee through interview and hearing with each of directors and executive officers on his degree of execution of management strategies, degree of management contribution and performance result while the basic standard remuneration of each director and executive officer is fixed based on the contents of role/charge of his position as director or executive officer.
- (b) Monthly Remuneration Linked to Business Result shall be individually determined by the Remuneration Committee through interview and hearing with each of directors and executive on his contribution to business result and degree of performance of role/duty while the aggregate amount of remunerations for directors and executive officers are fixed based on current income and net income.
- (c) Stock-related Remuneration shall be determined individually by taking account of potential effect of payment of this remuneration.
- (d) Non-monetary Remuneration, such as for housing allowance for a director/officer living apart from his/her family, shall be provided appropriately as required by business activities of each director and executive officer in the light of social norms.

**<Support System for Outside Directors>**



Notice and report to outside directors are made based in the following manner:

Notice of, and report on, the respective meetings of the Board of Directors, the Remuneration Committee and the Nominating Committee are undertaken by the Secretariat Department.

Notice of, and report on, the meeting of the Audit Committee is undertaken by the Office of Audit Committee.

Outside directors are systematically entitled to attend various relevant meetings. In the event that any outside director is unable to attend the relevant meeting, the minutes of the meeting is sent to him/her from the related department or office for information sharing.

**<Status of persons who have retired from a position such as Representative Director and President>**

Name and etc. of Counselors, Advisors and etc., who have formerly served as Representative Director and President, etc., of the Company : None.

Total number of Counselors, Advisors and etc., who have formerly served as Representative Director and President, etc., of the Company : None.

Other Matters : None.

**2. Matters Concerning Functions of Business Execution, Auditing, Supervision, Nomination and Remuneration Decision (Outline of Current Corporate Governance System)**

**<Outline of corporate governance system>**

The Company has in place a company with three committees system to raise the efficiency of management and strengthen governance functions. Thus, business execution and management supervision functions are clearly separated.

Business execution is performed by executive officers elected by the directors. Executive officers can promptly and flexibly act on the order of the Board of Directors. The operating officers carry out business instructions given by the executive officers.

The supervising function of management is performed by the Board of Directors of which outside directors account for the half.

The Company has in place the Internal Control Committee to act as a centralized control unit for the Company and its subsidiaries.

**a. Board of Directors:**

The Board of Directors currently consists of 3 inside directors and 4 outside directors. The Board of Directors as a decision-making organ resolves on items stipulated by laws and the Articles of Incorporation, decides or approves basic management policies and important matters concerning management and supervise the performance of duties by directors and executive officers. The meeting of the Board of Directors is held once a month in principle.

**b. The Committee of Executive Officers:**

The Committee of Executive Officers consists of three executive officers. The Committee of Executive Officers resolves on matters entrusted by the Board of Directors and coordinates activities among them for their

smooth execution. The meeting of the Committee of Executive Officers is held twice a month in principle.

<Three statutory committees>

The Company has in place the company with three committees system under which the majority of members of each of the three statutory committees are outside directors.

a. The Nominating Committee

The Nominating Committee consists of the Chairman of the Board of Directors and two outside directors, all appointed by the Board of Directors. The Nominating Committee decides on the nominees for directors or directors to be dismissed and submit them to the shareholders' meeting for approval in accordance with the Rules of the Nominating Committee. The meeting of the Nominating Committee is held twice a year in principle.

b. The Audit Committee

The Audit Committee consists of three outside directors appointed by the Board of Directors. The Audit Committee audits the performance of duties by the directors and the executive officers, prepares an audit report and a draft resolution to appoint or dismiss accountants to be submitted to the shareholders' meeting for approval. In the event of rejection of reappointment of accountants, the Audit Committee describes the reason therefor. The Audit Committee audits the legality and appropriateness of decision-making by directors and executive officers and the status of development of the Internal Control System in accordance with the auditing policy and the role-division set by the Audit Committee. The meeting of the Audit Committee is held once or more a month in principle.

c. The Remuneration Committee

The Remuneration Committee consists of the Chairman of the Board of Directors and two outside directors. The Remuneration Committee reviews and decides on the individual remunerations of directors and executive officers in accordance with the Rules of the Remuneration Committee. The meeting of the Remuneration Committee is held twice or more a year in principle.

<Other committees>

a. The Management Committee

The Management Committee consists of such directors and executive officers as Executive Chairman nominates. The Management Committee is an advisory body to the Board of Directors and, as such, reviews and reports on important and/or urgent matters for the smooth management of business.

b. The Internal Control Committee

The Internal Control Committee consists of two inside directors, one outside director and one executive officer. The Internal Control Committee, aiming at assuring centralized internal control system over the Company and its subsidiaries, sets the internal control policy and reviews individual important matters concerning internal control. The meeting of the Internal Control Committee is held once a month in principle.

c. The Committee of Outside Experts

The Committee of Outside Experts consists of 5 members, appointed by the Board of Directors, who have outstanding personality and insight and are independent of the Company. The Committee of Outside Experts deliberates on important management matters, as requested by the Board of Directors, independently, fairly and from the neutral standpoint, and provides the Board of Directors with their advice and recommendation based on such deliberation. The meeting of the Committee of Outside Experts is held once every 3 months in principle.

<Other meetings>

The Company has in place the Risk Management Meeting (with the purpose of consulting and dealing with matters relating to company-wide risk management) and the Compliance Meeting (with the purpose of seeking out and dealing with risk for each section/department and disseminating required information) both sub-organs under the Internal Control Committee. Also, the Company has in place the Information Disclosure Meeting (with the purpose of securing timely, proper and extensive disclosure of material information to all stakeholders, as it occurs) and the IT Meeting (with the purpose of deliberating on system investment, management of IT and information security and realizing IT strategy along the lines of management strategy) both as decision-assisting bodies under the Committee of Executive Officers. These meetings are held as and when needed.

<The function and role of outside directors for corporate governance, and coordination and cooperation among Internal Audit, audit by the Audit Committee and Accountants' audit and their relationship with the Internal Control Division>

The outside directors of the Company are charged with the responsibility of supervising the management of the Company and reflecting their expertise and experience on the management of the Company as a whole from the independent and neutral standpoint with no conflict of interests with shareholders.

The Company has in place a company with three committees system under which each of the three statutory committees consists of three members. The two out of three members in each committee are outside directors, forming a majority.

The outside directors receive reports on each business execution division at meetings of the Board of Directors and the Management Committee and exchange views with the Internal Audit division, the Internal Control Division and accountants, thereby enhancing their management supervision function.

<Status of accountants' audit>

The certified public accountants who performed the audit of the financial statements of the Company for the fiscal year ended March 31, 2018, were Ms. Mayumi Ikai (who has audited the Company for the consecutive four years) and Mr. Hiroshi Fukumura (who has audited the Company for the past fiscal year). They belong to Ernst & Young ShinNihon LLC. The number of certified public accountants who worked with them in the audit was 4, and in addition, there were 6 assistants for them.

### **3. Reasons for Adoption of Current Corporate Governance System**

The Company believes that the company with three committees system is the most suitable system which further enhances the transparency and flexibility of management decision-making, the promptitude and effectiveness of business execution and the surveillance over business execution, and decided to adopt the company with three committees system in June 2003.

### **III. Implementation of Measures for Shareholders and Other Stakeholders**

#### **1. Efforts for Active Meetings of Shareholders and Smooth Exercise of Voting Rights**

| Items   | Supplementary explanation   |
|---|---|
| Early notification of shareholders' meeting   | The Company mailed its notices of shareholders' meeting (held in June 2018) 24 days prior to the meeting.   |
| Scheduling the date of the shareholders' meeting to avoid peak days   | The Company started to hold the shareholders' meeting on Saturday beginning with the shareholders' meeting in 2001. Following the shareholders' meeting, there is held a social gathering between the executive staff and shareholders to promote their mutual communication.   |
| Exercise of voting rights by electronic means   | The Company has introduced the voting method by way of Internet for the benefit of shareholders unable to attend the shareholders' meeting in person.   |
| Participation in electronic voting platform and other efforts to improve environment for exercising voting rights by institutional investors. | Effective as from the shareholders' meeting held in June 2008, institutional investors have become able to use the electronic voting platform for institutional investors operated by ICJ Inc.  |
| Providing the notice of shareholders' meeting in English.   | The Company prepares the notice of shareholders' meeting in English and makes it public on its website.   |
| Others  | To provide shareholders with information as promptly as possible, the Company publishes the notice of shareholders' Meeting both in Japanese and English on its website ahead of mailing it out. At the shareholders' meeting, the Company utilizes a projector to clearly explain to shareholders about business result and future plan. An annual calendar is being mailed to every shareholder holding a voting unit of 100 shares or more as a complimentary gift |

#### **2. IR Activities**

| Items  | Supplementary explanation  | Presentation by the corporate representative |
|--|--|--|
| Preparation and publication of Disclosure policy | The Company believes that it is one of the management's important tasks to make a timely and accurate disclosure of the status of the Company to |  |

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|  | all stakeholders. Such disclosure is made pursuant to laws and regulations, including the related provisions in the Financial Instruments and Exchange Law, and further in accordance with the Credo of the Company.  |     |
| Regular briefings for individual investors                 | Briefings for individual investors are not regularly organized. However, the Company participates in “Information Meetings for Retail Investors”, where the Company has the opportunity to talk to retail investors about management policy, financial condition, dividend policy and capital policy.   | Yes |
| Regular briefings for analysts and institutional investors | The Company started, effective as from fiscal year ended March 31, 2000, to hold briefings for analysts and institutional investors twice a year where the Company talks about its management policy, financial condition, dividend policy and capital policy.  | Yes |
| Regular briefings for overseas investors                   | The corporate representative of the Company visited institutional investors in England and the U.S. (from 2005 to 2009) and institutional investors in the U.S. (from 2013 to 2016). In 2017, the Representative visited England. The Company has a plan of overseas information meetings for 2018. The Company has an English section on its website where it discloses financial data and press releases. The Company also proactively receives foreign institutional investors’ visits for business briefings and exchange of views and responds to overseas enquiries by phone. The Company intends to continue its IR activities overseas. | Yes |
| Disclosure of IR materials on the Company’s website        | Annual securities report, timely-disclosed materials, business-result briefing materials, shareholders’ meeting materials, Investors’ Guide and other IR-related materials are published in the Company’s website. Timely-disclosed materials, business-result briefing materials, the notice of annual meeting of shareholders and Investors’ Guide are also published in English.   |     |
| Department (person responsible)                            | Public Relations Office.  |     |

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| for IR |   |  |
| Others | Simple-format business report and company guide pamphlet are also prepared. |  |

### 3. Measures to Ensure Due Respect for the Stakeholders' Standpoints

| Items  | Supplementary explanation   |
|--|---|
| Setting internal rules to ensure due respect for the positions of stakeholders | The Company declared its commitment to respect all stakeholders by setting the Company's Credo (management philosophy, management objective and action guidelines) on March 24, 2006.   |
| Environmental conservation initiatives and CSR activities                      | <p><b>Addressing SDGs (Sustainable Development Goals)</b></p> <p>Following the adoption of "Sustainable Development Goals" at the United Nations, various nations in the world have now started to move toward achieving 17 goals with the aim of building the world with less of poverty, inequality, disparity and climate change. In the meantime, the roles and influences of business corporations are growing and the interest of society is mounting as to whether business corporations are contributing to the creation of social value. Under these circumstances, efforts for sustainability and proactive disclosure of matters concerning ESG (Environmental, Social and Governance) are important responsibilities of business corporations as members of society and essential for the creation of corporate value.</p> <p>The Ichiyoshi group has long accumulated its expertise and experience with respect to research on companies with growth potential around emerging-stock markets, which is a unrivaled strength of Ichiyoshi. We believe that it is the mission of the securities industry to unearth and nurture next-generation-oriented growth companies for our better future and that Ichiyoshi can contribute to such mission through its mainline business activities. Ichiyoshi Credo, formulated in 2006, is the source of sense of value commonly shared by Ichiyoshi directors, officers and employees alike. By embracing Ichiyoshi Credo, the Company has committed itself to working and serving for employees, shareholders, community and stakeholders. In the same spirit, Ichiyoshi has made various contributions to society under the theme of "For next generation," including "Ichiyoshi Mangrove Forest Project." From the global prospective, however, present levels of addressing environmental, social and governance matters still leave much to be desired. Thus, the Company has identified important management items for sustainability (Key Sustainability Issues) so that it will remain as entity more and more</p> |

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|   | <p>required by the society.</p> <p><b>&lt;Key Sustainability Issues &gt;</b></p> <p><b>Environment:</b></p> <p>(i) Climate change: Ichiyoshi Mangrove Project and community assistance project for communities affected by climate change.</p> <p>(ii) Protection of environment: Use of paper recognized by FSC (Forest Stewardship Council), use of vegetable oil ink and use of recycled paper for visiting cards.</p> <p>(iii) Reduction of greenhouse gas emission: Moderate operation of airconditioners, use of energy-saving products and equipment and switching of company cars to eco-cars.</p> <p><b>Social:</b></p> <p>(i) Contribution to healthy and sustainable capital market: Offer of high-quality products and services, offer of products and services responding to environmental and social challenges, protection of customers and information security and enhancement of financial literacy.</p> <p>Development of diversity-oriented human talent: Development of talent, diversity, creation of worker-friendly workplace and furtherance of female participation.</p> <p>(ii) Raising of seeing-eye dogs: Project of raising Ichiyoshi Seeing-Eye Dogs.</p> <p>(iii) Humanitarian medical assistance: Laos Pediatric Care Project.</p> <p>(iv) Educational assistance: Projects for building of school houses overseas.</p> <p><b>Governance:</b></p> <p>(i) Corporate management: Strengthening of corporate governance.</p> <p>(ii) Risk management: Improvement and strengthening of risk management system, securing of financial health and transparency and coping with environmental and social risks.</p> <p>(iii) Compliance: Compliance with laws and regulations and reporting of any infraction thereof, thoroughness on fair financial transactions, prevention of bribery and money-laundering.</p> |
| Development of policies on information disclosure to stakeholders | The Company developed its disclosure policy on February 1, 2009, to set its basic policy on information disclosure.  |
| Others  | With respect to female participation, the Company has in place proactive measures to help women employees work actively and be promoted to managerial levels. To be specific, the Company aims to  |

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|  | <p>raise the ratio of female managers to more than 15% by reducing the difference in service period between men and women and by other means conducive to increasing the number of female managers.</p> <p>As of April 1, 2018, the Company had 55 female workers in managerial positions (including 1 divisional executive chief and 1 branch manager), which represented the ratio of 13.3% of all managerial positions.</p> <p>As part of assistance for female workers, the Company has in place several plans, including maternity leave and short-working time, so that female workers can juggle the obligations of job and home-making and stay on the job longer.</p> <p>Further as part of promoting job opportunity for women, the Company has in place the “Return to Work System” to re-employ female workers who have retired due to marriage, childbirth and child-bearing.</p> <p>Setting up of “Customers’ Trust Enhancement Committee”</p> <p>Adopting its credo (management philosophy) of “Remaining a Company of Customers’ Trust and Choice” in 2006, the Company has put up the motto of “advising customers sincerely from their perspective” and “providing customers with high-quality products and services matching changes in market conditions and circumstances.”</p> <p>In order to assist in realization of the motto, the Company set up the “Customers’ Trust Enhancement Committee” in May 2017. The Company will review operational procedures from customers’ perspective and improve on ways of providing products and services, thereby further enhancing customers’ trust.</p> <p>“Worker-friendly and Worthwhile Office”</p> <p>In order to realize the New Medium-Term Management Plan and build a “Name-Brand Boutique House” in the finance and securities industry, it is essential to further raise the motivation, productivity and performance of each employee. Hence, the creation of worker-friendly and worthwhile offices is in the Company’s focus.</p> <p>To be specific, the Company will review everything from operational procedures to personnel system to labor condition and put review-based results into practice as they arise. In the fiscal year ended March 31, 2017, the Company already enforced “leaving office on time every Friday,” “restriction on overtime,” “promotion of use of paid holiday,” “review of special leave system,” “introduction of</p> |
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|  | support for accident and sickness emergency,” “expansion of personnel training system” and “renewal of facilities such as employee dormitories.” |
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#### **IV. Matters Relating to Internal Control System**

##### **1. Basic View on Internal Control System and Status of the System**

The Company has the basic view that it is most important to develop and operate such corporate structure as to effectively make its internal control system function effectively in such a way as to reward stakeholders, including shareholders, customers and trading partners, through its business activities. Based on this basic view, the Company has set its internal control system as below and has in place the organizational structure as attached hereto.

##### **<The system required for execution of duty by the Audit Committee>**

(a) Matters relating to Directors and Employees Assisting the Audit Committee in its Performance of Duty:

The Company shall put in place an Audit Committee Office which assists the Audit Committee in its performance of duty. Employees shall be posted in the Audit Committee Office to assist the Audit Committee's work.

(b) Matters relating to the Independence from Executive Officers of Directors and Employees Assisting the Audit Committee in its Performance of Duty:

To ensure their independence from executive officers, the removal, evaluation and disciplinary actions for employees working in the Audit Committee Office shall be subject to the approval of the Audit Committee or any member of the Audit Committee so authorized by the Audit Committee.

(c) Matters relating to the ensuring of effectiveness of instructions to directors and employees assisting the Audit Committee in its performance of duty:

To ensure the effectiveness of instructions from the Audit Committee, employees at the Audit Committee Office shall be full-timers and shall assist in audit work under instructions from Audit Committee members in accordance with “Audit Committee Rules.”

(d) System relating to report to the Audit Committee:

- (i) When Audit Committee members request the officers and employees of the Company to report on the execution of business operations, the officers and employees shall promptly make such report to Audit Committee members or the Audit Committee.
- (ii) When the officers and employees of the Company and its subsidiaries detect an action outside the lawful scope of the Company's business or deeds illegal or in contravention of the Company's Articles of Incorporation or a matter likely to cause a material damage, they shall report to the Audit Committee in writing or verbally.
- (iii) Any person who has received from the officers and employees of the Company and its subsidiaries a report on an action outside the lawful scope of the Company's business or a deed illegal or in contravention of the Company's Articles of Incorporation or a matter likely to cause a material damage shall report to the Audit Committee in writing or verbally.

- (e) System to ensure that a person who has reported to the Audit Committee shall not be maltreated due to his reporting;

The Company shall insert into its “Office Regulations” a clause that the person who has reported to the Audit Committee as stated in the above-mentioned provision (d) shall not be maltreated.

- (f) Matters relating to procedures for advance payment or reimbursement of expenses incurred in execution of duty by Audit Committee members and matters relating to policy on treatment of other expenses or debt incurred in execution of duty by Audit Committee members:

When Audit Committee members demand advance payment or reimbursement of expenses incurred or to be incurred in their performance of duty or other expenses relating to their duty, the Company shall promptly comply with such demand in principle.

- (g) System to ensure the effectiveness of audit work by the Audit Committee:

- (i) The members of the Audit Committee shall attend meetings of the Board of Directors and the Management Committee to grasp the process of decision-makings and business executions.
- (ii) The Chairman of the Audit Committee shall attend the Internal Control Committee as a member of the latter committee.
- (iii) Members of the Audit Committee may attend other meetings where and as necessary.
- (iv) The members of the Audit Committee may examine duty performances of officers and employees, and operations and financial conditions of the Company’s subsidiaries in accordance with the “Audit Committee Regulations.”
- (v) The Audit Committee shall maintain relationship with internal audit divisions and receive their periodical internal audit reports.

**<System to Ensure Compliance of Duty Performance by Executive Officers with Laws and Regulations and Articles of Incorporation>**

- (a) System relating to the preservation and management of information concerning duty performance by executive officers:

- (i) The Company shall preserve and manage material documents in a proper manner in accordance with the “Executive Officers Regulations.”
- (ii) The Company shall make a complete preservation and management of information concerning duty performance by executive officers in accordance with “Information Security Policy,” “Private Information Protection Regulations,” “Regulations Concerning Treatment of Private Information and Private Data” and “Information Security Guidelines.”

- (b) Regulations and system relating to management of risk potentially causing loss:

- (i) The Company shall put in place “Risk Management Regulations,” and clarify a responsible department/section for each categorized risk.
- (ii) The Company shall put in place a Risk Management Council which consults on matters concerning risk management and regularly reports to the Internal Control Committee. The Chairman of the Internal Control Committee shall report to the Board of Directors as needed.

- (iii) The Company shall put in place “Regulations Concerning BCP (business continuity plan) to cope with potential risks in times of disaster and ensure the continuity of business and promote systematically education and training for disaster-prevention, thereby enhancing disaster-prevention awareness and preparation.
- (iv) When it becomes difficult to maintain and continue the operations system at the Company’s head office due to the occurrence of disasters, the Company shall put in place the Business Continuity Planning Headquarters, thereby controlling any damages and getting operations back on track immediately.
- (c) System to ensure the effective performance of duty by Executive Officers:
  - (i) The Company shall establish an operating officers system to further strengthen its business execution capabilities and ensure flexible decision-makings by fewer executive officers.
  - (ii) The Board of Directors shall clarify the division of duties and authorities of executive officers, and improve a system to ensure the proper and effective performance of duty by executive officers and receive report on their performance of duty on a regular basis.
- (d) System to ensure the compliance of duty performance by employees with laws and regulations and Articles of Incorporation:
  - (i) The Company shall put in place its “Credo” consisting of “Management Philosophy,” “Management Objectives” and “Action Guidelines,” drive them home to employees and ensure employees’ observance of them.
  - (ii) The Company shall put in place “Regulations Concerning Division of Operations” and “Regulations Concerning Operational Authorities,” which shall clarify the duty and authority of each employee, thereby ensuring the proper performance of duty by employees.
  - (iii) The Board of Directors shall approve of the Company’s compliance program every fiscal year and strive to follow up on the effectiveness the program.
  - (iv) The Company shall put in place internal regulations, manuals and guidebooks in compliance with laws, rules and regulations and organize appropriate internal training programs to drive them home to employees.
  - (v) The Company shall put in place an internal audit department, which performs an internal audit, thereby ensuring the efficiency and effectiveness of internal control.

**<System to Ensure the Appropriateness of Operations at the Company’s Group Consisting of the Company and Its Subsidiaries>**

- (a) System relating to reporting to the Company on matters concerning duty performance by directors and officers of the Company’s subsidiaries:
  - (i) The directors and officers of the subsidiaries shall report to the Company on material matters concerning the subsidiaries in accordance with “Management Regulations for Subsidiaries.”
  - (ii) The joint meeting of presidents of the subsidiaries shall be organized, thereby enhancing information-sharing between the Company and the subsidiaries.
- (b) Regulations and system relating to management of loss risk of the Company’s subsidiaries:

The Company shall insert into its “Risk Management Regulations” a clause concerning the risk management system of the subsidiaries, thereby improving risk management system at the subsidiaries.

(c) System to ensure efficiency of duty performance by directors and officers of the Company’s subsidiaries:

- (i) The Company shall clarify the division of duties and authorities of directors and officers of the subsidiaries and improve a system to ensure their proper and efficient performance of duty.
- (ii) The subsidiaries shall establish an operating officers system to further strengthen their business execution capabilities and ensure flexible decision-makings by fewer directors and officers
- (iii) The Board of Directors shall receive business execution reports from the directors and officers of the subsidiaries on a regular basis.

(d) System to ensure the compliance of duty performance by directors, officers and employees of the Company’s subsidiaries with laws, regulations and Articles of Incorporation:

- (i) The Company’s subsidiaries shall put in place their “Credo” consisting of “Management Philosophy,” “Management Objectives” and “Action Guidelines,” drive them home to employees and ensure employees’ observance of them.
- (ii) The Company’s subsidiaries shall put in place “Regulations Concerning Division of Operations” and “Regulations Concerning Operational Authorities,” which shall clarify the duty and authority of each employee, thereby ensuring the proper performance of duty by employees.

(e) Other systems to ensure the appropriateness of business operations at the Company and its subsidiaries:

- (i) The Company shall put in place an independent outside expert committee to obtain its advice and proposal on matters concerning business management.
- (ii) The Company shall deliberate on matters concerning internal control at its Internal Control Committee.
- (iii) The Company shall put in place a whistle-blowing system for the purpose of preventing violations of laws and regulations and detecting in advance deplorable incidents with respect to business executions by the Company and its subsidiaries.

#### **<System to Ensure the Reliability of Financial reports by the Company and its subsidiaries>**

To secure the reliability of financial reports, the Company and its subsidiaries shall make improvements on their internal control system relating to the preparation of financial reports in compliance with the Financial Instruments and Securities Exchange Law, endeavor for the proper operation of the system and keep in place a scheme to evaluate the operation regularly.

## **2. Basic View and Status to Shut out Anti-Social Forces**

- (a) The Company and its subsidiaries shall stand firm against, and shall not trade with, anti-social forces who may threaten civil society order or safety.
- (b) The Company and its subsidiaries shall draw up and make public “Basic Policy to Shut off Relations with Anti-social Forces” to prevent any damage at the hands of any member or members of anti-social forces.
- (c) The Company shall appoint an unjustified-demand-prevention officer at its head office and at each of branch

offices, have him/her take necessary training and enlighten its officers and employees on the matter.

- (d) The Company will liaison with outside expert persons or organizations, such as police, a center for violence prevention, Securities Safety Measures Assistance Center and lawyers, to further strengthen its efforts to shut off relations with anti-social forces.

## V. Others

### 1. Adoption of Anti-Takeover Measures

|                                    |             |
|------------------------------------|-------------|
| Adoption of anti-takeover measures | Not adopted |
|------------------------------------|-------------|

Supplementary explanation:

The formerly adopted Takeover Defense Measures expired at the close of the 74<sup>th</sup> Annual Meeting of Shareholders held on June 25, 2016, and no renewal of such measures is intended.

If there emerges any move to make a large-scale acquisition of the Company's share certificates, however, the Company will immediately strive for the collection and disclosure of information necessary for shareholders' appropriate judgment and the Board of Directors of the Company will take every proper action and measures authorized under the Company Law, relevant laws and the Articles of Incorporation of the Company.

### 2. Other matters relating to corporate governance system

None.

## Attachment

### [Reasons for Selection of Nominees for Directors]

| Names of nominees | Reasons for selection   |
|-------------------|---|
| Masashi Takehi    | He formerly served as managing director of Nomura Securities Co. Ltd. and then served as representative director and chief executive president of the Company successively. Since becoming a director and executive chairman of the Company in 2012 and chairman of the Board of Directors in April 2018, he has taken on management responsibility for the Company and its group companies. Considering his qualification for inside directorship election standards and his management achievement, the Nominating Committee has judged that he can apply his deep insight on securities business and securities industry and his superb managerial capability to the management of the Company.  |
| Minoru Kobayashi  | He formerly served as managing director of Nomura Securities Co., Ltd. (“Nomura”) and as president of Nomura’s subsidiary successively. He became executive deputy president of the Company in 2015, supervising the Company’s retail operations. Since becoming president and representative executive officer of the Company in April 2016, he has taken on representative executive duty over the business operations of the Company. Considering his superb sense of management, his qualification for inside directorship election standards and his record of achievement, the Nominating Committee has judged that he can apply his deep knowledge and profound experience on securities business and his business execution ability to the management of the Company. |
| Shiro Tateishi    | Since joining the Company in 1986, he has taken on responsibility for various divisions of the Company. In 2012, he was appointed as managing executive officer supervising the Advisor Division. Since 2015, he was in charge of the control and planning division. Since 2017, he has been director and managing executive officer. Since April, 2018, he has been in charge of the Retail Division. Considering his superb sense of management and his qualification for inside directorship election standards, the Nominating Committee has judged that he can apply his superb insight, visions and leadership acquired through his work experience at various divisions to the management of the Company.  |
| Akira Gokita      | He has provided the Company with his fair and objective views as outside director of the Company. Considering his superb personality and his qualification for the outside directorship election standards, the Nominating Committee has judged that he can apply his profound and professional knowledge and experience as public prosecutor-turned lawyer to the management and governance of the Company. There is no conflict of interest between Mr. Gokita and the Company.<br><br>He will have served the Company as outside director for 8 years by the close of the shareholders’ meeting.   |
| Kenro Kakeya      | He has provided the Company with his fair and objective views as outside director of the Company. Considering his superb personality and his qualification for the outside directorship election  |

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|                  | <p>standards, the Nominating Committee has judged that he can apply his deep knowledge and profound experience as former Nippon Keizai Shimbun (the Japan Economic Journal) reporter and incumbent business executive to the management and governance of the Company. There is no conflict of interest between Mr. Kakeya and the Company.</p> <p>He will have served the Company as outside director for 8 years by the close of the shareholders' meeting.</p>   |
| Takashi Ishikawa | <p>He has provided the Company with his fair and objective views as outside director of the Company. Considering his superb personality and insight and his qualification for outside directorship election standards, the Nominating Committee has judged that he can apply his deep knowledge and profound experience as former president of a securities firm to the management and governance of the Company. There is no conflict of interest between Mr. Ishikawa and the Company. He will have served the Company as outside director for 6 years by the close of the shareholders' meeting.</p>                                 |
| Kota Sakurai     | <p>He has provided the Company with his fair and objective views as outside director of the Company. Considering his superb personality and insight and his qualification for outside directorship election standards, the Nominating Committee has judged that he can apply his deep and professional knowledge and profound experience as certified public accountant and tax accountant to the management and governance of the Company. There is no conflict of interest between Mr. Sakurai and the Company.</p> <p>He will have served the Company as outside director for 7 years by the close of the shareholders' meeting.</p> |

