

Corporate Governance

(i) Policy on corporate governance

Our Group defines its mission as follows:

- Creating a rich, new society through premium finance & services, and
- Developing premium human resources with a positive attitude and excellent follow-through

The Group makes management decisions based on whether decisions will help achieve the mission.

We believe that building good relationships with our stakeholders, including shareholders, customers, partners, employees, society, and earning their trust, are necessary for achieving the mission. To that end, we believe that enhancing corporate governance is an important challenge to address. Based on this belief, we strive to achieve sustainable growth and improve profitability and, at the same time, we are committed to transparent and sound corporate management.

(ii) Overview of the corporate governance system

1. Corporate governance system and reasons for the establishment of the system

Our Company believes that the supervisory function of the Board of Directors, the members of which include Outside Directors, and the auditing function of the Auditors together make an effective management function. We have become a company with a board of company auditors. To respond to changes in the management environment promptly, we have introduced an executive officer system. We clarify the functions and responsibilities of the Directors, the Executive Officers, and the Board of Directors, making flexible and prompt business execution possible, to expedite decision-making and establish corporate governance at the same time.

- Board of Directors

The Board of Directors holds meetings every month and extraordinary meetings as needed to make decisions on important matters under laws and regulations, the Articles of Incorporation, the rules of the Board of Directors, and other internal rules. In addition, the Board of Directors supervises the Directors and Executive Officers' execution of their duties. The Board of Directors consists of five Directors, including two Outside Directors. Three Auditors also attend the meetings of the Board of Directors.

- Board of Auditors

The Board of Auditors holds meetings every month in tandem with meetings of the Board of Directors. The Board of Auditors determines audit policies and audit plans. It receives reports from each Auditor about important matters related to audits and discusses or adopts resolutions. The Board of Auditors appoints a full-time Auditor and two Outside Auditors. The Auditors attend meetings of the Board of Directors, and the full-time Auditor attends important meetings, including Group Executive Officers Meetings, and confirms internal approvals. Through these activities, the Board of Auditors obtains information on the Company's affairs and audits decision-making processes for important matters and the execution of operations to check that they comply with laws and regulations, the Articles of Incorporation, and other internal rules. In cooperation with the accounting auditor, the Board of Auditors

carries out audits to prevent improper accounting.

- Executive Officers

Each Executive Officer performs their segregated duties.

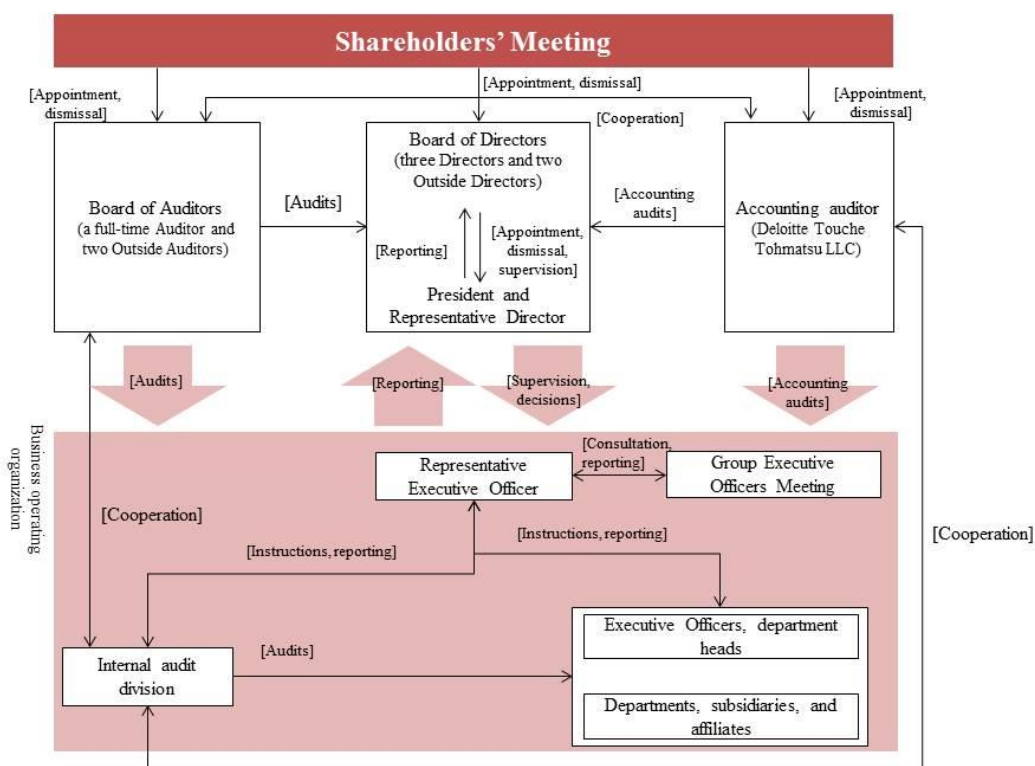
- Group Executive Officers Meeting

To expedite and promote efficiency in decision-making by the Board of Directors, our company has established the Group Executive Officers Meeting as an organ that discusses and passes resolutions on important matters related to business execution. Decision-making authority over some of the matters to be resolved by the Board of Directors is delegated to the meeting. In addition to being a body that makes decisions on the execution of operations, the Group Executive Officers Meeting functions as an advisory body to the President and Representative Director when decisions are made on important matters and as a body for Executive Officers sharing information and discussing issues. The Group Executive Officers Meeting consists of members designated by the President and Representative Director. In principle, Group Executive Officers Meetings are held once a month, and the full-time Auditor attends the meetings.

- Accounting auditor

Our company has appointed Deloitte Touche Tohmatsu LLC as its accounting auditor. Our company has entered into an audit agreement with Deloitte Touche Tohmatsu LLC to have it carry out audits properly. The Auditors meet with the accounting auditor regularly and as needed. They work with the accounting auditor in close coordination, receiving reports and exchange opinions when necessary.

2. Overview of the corporate governance system



3. Other matters related to corporate governance

a. Status of development of the internal control system

At a meeting of the Board of Directors held on August 1, 2016, our company resolved to revise our basic policy on developing the internal control system and is operating the revised system. The systems related to the internal control system of our company before the revision were the internal control systems that Premium Financial Services Co., Ltd., a subsidiary of our company, developed and operated, which were taken over from the subsidiary. At a meeting of the Board of Directors held in June 2017, our company decided on a basic policy and a basic plan (for the fiscal year ending March 31, 2018) for internal control related to financial reporting.

(1) System for ensuring that the Directors and employees perform their duties in accordance with laws and regulations and the Articles of Incorporation

- a. The Board of Directors hold regular meetings, in principle, once a month and extraordinary meetings as needed under the rules of the Board of Directors for board members to communicate with each other. The Board of Directors supervises the Representative Director's execution of operations and prevent violations of laws and regulations or the Articles of Incorporation.
- b. A Compliance Officer is appointed and a Compliance Division is established by a resolution of the Board of Directors. The Compliance Officer and the Compliance Division work to identify compliance challenges and problems under the Compliance Regulations.
- c. The internal audit division audits the Directors and employees' performance of their duties and will prevent violations of laws and regulations or the Articles of Incorporation.
- d. The Auditors audits the Directors' performance of their duties under the Auditors Audit Standards and audit plans.
- e. A whistle-blowing system is operated under the Whistle-blowing Regulations as a means of directly reporting violations of laws and regulations or the Articles of Incorporation by Directors and employees and other material facts related to compliance.

(2) System preserving and controlling information on the Directors' performance of their duties

- a. Information on the Directors' performance of their duties is stated or recorded in writing or electromagnetic records (hereinafter "Documents etc.") and is preserved and controlled as important confidential management documents under the Document Control Rules.
- b. The Documents etc. mentioned in the preceding paragraph shall be controlled in a way that allows access by the Directors and employees as needed.

(3) Regulations and other systems for managing the risk of losses

- a. To identify the risks that may prevent our company from achieving its management objectives and to adequately assess and manage those risks, our company appoints a Risk Management Officer and a Risk Management Division by a resolution of the Board of Directors and works actively to mitigate risks under the Risk Management

Regulations.

b. If the risks mentioned in the previous paragraph become apparent, a task force under the supervision of the Risk Management Officer sets up promptly. A system is to be established to deal with the risks promptly by obtaining advice from outside experts, including attorneys, and to minimize deterioration in the situation and the expansion of losses.

(4) System for ensuring that the Directors perform their duties efficiently

a. A system is to be established to facilitate the efficient execution of duties under resolutions of the Board of Directors, with the persons in charge of the duties and their authority specified by internal rules.

b. An information system is to be developed to make appropriate and prompt decision-making possible.

c. In principle, the Board of Directors will hold regular meetings once a month and extraordinary meetings as needed to solve problems arising in the divisions appropriately and in a timely manner, which improves efficiency in the execution of the duties that the Directors are in charge of and in company-wide operations.

d. Outside Directors is to be appointed to increase the adequacy of the Board of Directors' decision-making.

e. Medium-term management plans and budgets for each fiscal year is to be formulated. The Representative Director and the other Directors is to perform their duties to achieve the plans and budgets and will report on the progress and results to the Board of Directors.

(5) Matters concerning ensuring the Auditors' effective instructions to employees

a. The Representative Director will appoint employees who will assist the Auditors with their duties if the Auditors need them.

b. The Directors and the Auditors will exchange opinions to determine the appointment, transfer, evaluation, etc. of employees who are to assist the Auditors with their duties.

c. The employees requested by the Auditors to assist them with their duties will not receive orders related to the request from the Directors.

(6) System for the Directors and employees of the Company and its subsidiaries to report to the Auditors

a. The Directors and employees of the Company and its subsidiaries report events that cause noticeable damage to the Company, material facts related to management and internal auditing, material violations of laws and regulations and the Articles of Incorporation, and other matters that the Directors regard as significant to the Auditors promptly, if these matters occur. Regardless of the above, the Auditors may request the Directors and employees of the Company and its subsidiaries to report to them as needed.

b. To understand important decision-making processes and the status of the execution of operations, the Auditors may participate in meetings of the Board of Directors and other important meetings and ask the Directors and employees of the subsidiaries for explanations.

(7) Other systems for ensuring effective audits by the Auditors

- a. A system is to be established where the Auditors can carry out audits efficiently by requesting cooperation and assistance from the internal audit division, etc. when they need to conduct investigations.
- b. The Auditors and the Representative Director exchange opinions regularly to facilitate communication.
- c. To ensure effective audits, the Auditors may leverage the help of the internal audit division and outside experts, such as audit corporations and attorneys.
- d. If the Auditors claim payment for expenses for their execution of their duties, the expenses is to be paid promptly unless the expenses are not necessary for the Auditors' execution of their duties.

(8) System for ensuring proper operations in the corporate group consisting of our company and its subsidiaries

Our company has established the Regulations on Management of Subsidiaries to ensure proper operations in the corporate group consisting of our company and its subsidiaries (hereinafter "the Group") and for mutual benefits and business development in the Group.

- a. Our company concludes management guidance agreements with subsidiaries, considering percentages of ownership, degrees of impact, sizes of subsidiaries, etc., and offers guidance and advice about overall management.
- b. The Board of Directors of our company requests qualitative and quantitative reports at monthly meetings and holds discussions.
- c. Our company exercises shareholder rights appropriately, examining agenda items.

b Status of the risk management system

Our company has established Risk Management Regulations and a Risk Management Committee. Serious management risks in the entire Group are defined exhaustively and in a cross-sectional manner. Divisions in charge of individual risks are determined, and a risk management system has been defined. Steps to be taken when the Group faces serious management risks are also defined.

4. Overview of contracts for limitation of liability

Under Article 427, Paragraph 1 of the Companies Act, the Articles of Incorporation of our company stipulate that the company may limit the liability for damages of the Directors (excluding executive directors etc.) and the Auditors provided for in Article 423, Paragraph 1 of the Companies Act.

Under the provisions of the Articles of Incorporation, the company has concluded contracts for the limitation of liability with two Outside Directors, a Standing Auditor, and two Outside Auditors. Under the contracts, the maximum liability for damages of both the Directors and the Auditors shall be an amount of 1 million yen or more specified by the company in advance or the amount specified by laws and regulations, whichever is higher. The contracts for the limitation of liability shall be applicable only if the Directors or the Auditors are without knowledge and are not grossly negligent in performing their duties causing the liability.

(iii) Audits by corporate auditors and internal auditing

As a company with a board of auditors, our company has a Standing Auditor and two Outside Auditors. They audit the Directors' performance of their duties and the Executive Officers' execution of business operations through operation audits, accounting audits, and audits of the corporate group, or group companies, under the Auditors Audit Standards and audit plans. They also audit the appropriateness of the audits of the accounting auditor, an independent auditor. They report the results of their audits to the Board of Directors. The audit policy, major audit items, and the annual audit plan approved by the Board of Auditors are also reported to the Board of Directors.

The Auditors perform the management monitoring function by attending every meeting of the Board of Directors and other important meetings and holding regular discussions with the Representative Director.

Internal audits are carried out by internal auditors belonging to the internal audit division (which has three members) in accordance with the standards for internal audits, internal audit plans, and the instructions of the Representative Director. The internal auditors audit business execution and report the audit results to the Representative Director on a monthly basis. They report the status of internal audits to the Board of Auditors.

The internal audit division is established immediately under the Representative Director as an internal auditing section independent of business lines. Auditors led by the head of the internal audit carry out internal audits that examine compliance, information management, accounting, and business processes to ensure appropriate business operations and the soundness of assets under the Internal Audit Regulations and audit policies and audit plans approved by the Representative Director.

The results of internal audits are reported to the Representative Director. The internal audit division promotes effective internal audits for proper business execution, developing plans to prevent recurrence and plans for radical improvements as needed for the audited divisions and requesting the divisions to carry out the plans.

The Auditors, the internal auditors and the accounting auditor coordinate with each other in accounting audits and operation audits. They enhance the quality of audits of overall management activities by holding regular meetings and exchanging opinions as needed. Cooperation between the internal audit division, the Directors and the Auditors is enhanced to solve problems in the company promptly. The results of audits by the internal audit division are reported to the Representative Director and President, the Directors and the Auditors when necessary. If there are any problems, instructions for improvement are given as needed.

(iv) Accounting auditing

Our company has entered into an audit agreement with Deloitte Touche Tohmatsu LLC. In addition to carrying out normal accounting audits, Deloitte Touche Tohmatsu discusses major accounting issues with our company from time to time. There are no special interests between our company and the audit corporation and the designated limited liability partners and executive officers of the audit corporation. No one has been carrying out audits for more than seven consecutive years.

1. Certified public accountants who have carried out audits and audit corporations they belong to

Designated Limited Liability Partner and Executive Officer Yasuhiko Endo (Deloitte Touche Tohmatsu LLC)
Designated Limited Liability Partner and Executive Officer Toshikazu None (Deloitte Touche Tohmatsu LLC)
Designated Limited Liability Partner and Executive Officer Toshihiro Kuchiki (Deloitte Touche Tohmatsu LLC)

2. Assistants related to audits

Assistants related to audits are determined in accordance with the selection criteria of the audit corporation.

Nine certified public accountants

Nine others

(Note) Some of the nine others have passed the certified public accountant examination.

(v) Outside Directors and Outside Auditors

Our company has not established any independence criteria for appointing Outside Directors and Outside Auditors, and uses the Tokyo Stock Exchange's criteria for determining the independence of independent officers as a reference. As candidates for Outside Director, our company selects persons who meet the independence criteria specified by the Tokyo Stock Exchange and are expected to actively offer recommendations and raise questions about the protection of minority shareholders and the Group's business challenges. Our company's Independent Outside Directors have a wealth of experience and knowledge that they have accumulated in many years of engagement in business and management in operating companies that have an affinity with the Group's businesses. As Outside Directors, they provide appropriate advice and opinions when decisions are made regarding our company's major management issues.

Of our five Directors, two are Outside Directors. Of our three Auditors, two are Outside Auditors.

Outside Director Tsuguhiro Nakagawa has been appointed due to his wealth of experience and knowledge gained in his many years of involvement in business and management at Recruit Co., Ltd. (now Recruit Holdings Co., Ltd.) and a sufficient role that he is expected to play in making decisions on our company's major management issues and supervising business execution.

Outside Director Akemi Suzuki has been appointed due to her professional knowledge of legal affairs and her wealth of experience gained through her work as a lawyer and a sufficient role that she is expected to play in making decisions on our company's major management issues and supervising business execution.

Outside Auditor Setsuo Higuchi has been appointed due to his professional knowledge of finance and accounting and his wealth of experience gained through his work as a certified public accountant and the sufficient role he is expected to play in auditing the Directors' performance of their duties as an Outside Auditor.

Outside Auditor Toshikazu Moriwaki has been appointed due to his wealth of experience and knowledge gained through many years of engagement in business and management and the sufficient role he is expected to play in auditing the Directors' performance of their duties as an Outside Auditor.

There are no special interests, including personal, capital, and business relationships between the Outside Directors

and Outside Auditors and our company.

If the accounting auditor finds irregularities and requests appropriate responses or points out inadequacies and problems, the Representative Director will order the Directors or Executive Officers in charge of the matter to take the lead in investigating the matter promptly and make corrections. After receiving reports from the outside accounting auditor, the Auditors led by the Standing Auditor will ask the Director in charge of the matter to report countermeasures etc. based on the results of the investigation. Our company has established a system where if the Outside Directors or Outside Auditors communicate with the divisions of the company, each division of the company can receive requests from the Outside Directors and Outside Auditors through the Director in charge of the matter, the Standing Auditor, or the publicity and secretarial divisions.

(vi) Officers' remuneration

a. Total remuneration by category of officers at the submitting company, total amount of remuneration by category of remuneration, and number of applicable officers

The table below shows a breakdown of officers' remuneration for the Directors and Auditors of our company in the fiscal year ended March 31, 2017.

Category of officers	Amount of remuneration (thousand yen)	Amount of remuneration by category (thousand yen)				Number of applicable officers
		Base remuneration	Stock options	Bonus	Retirement bonus	
Director (excluding Outside Director)	60,311	43,260	17,051	—	—	1
Auditor (excluding Outside Auditor)	3,840	3,840	—	—	—	1
Outside Director	—	—	—	—	—	—
Outside Auditor	—	—	—	—	—	—

(Notes) 1. The amounts in the table above are rounded off.

2. The amount of remuneration for Directors is based on the amount that our company actually paid in the fiscal year and the amount to be paid in the fiscal year (including expenses based on the terms of accounting estimates; the same applies hereinafter), whether or not remuneration was actually paid in the fiscal year.

3. The amount in the "Stock options" column is expenses related to subscription rights to shares delivered to a Director posted in the fiscal year.

4. At the end of the fiscal year, our company had three Directors and two Auditors. Of the two Directors and two Auditors at our company in the fiscal year, two Directors and one Auditor received no remuneration.

b. Total consolidated remuneration by officer of the submitting company

Total consolidated remuneration by officer is not stated because no officer received total consolidated remuneration of 100 million yen or more.

c. Policy on remuneration for officers and calculation method

Remuneration for Directors shall not exceed the maximum amount under a resolution of the shareholders' meeting pursuant to the Articles of Incorporation, and is determined through discussions of the Board of Directors in accordance with the standards provided for in the Officers' Remuneration Regulations. Remuneration for Auditors shall not exceed the maximum amount under a resolution of the shareholders' meeting pursuant to the Articles of Incorporation and is determined by the Board of Auditors in consideration of the allocation of responsibilities and whether they are a Standing Auditor or a Part-time Auditor.

(vii) Shareholding

a. Of investment stocks, the number of issues that are not held purely for the purpose of investment, and their amount posted on the balance sheet

Not applicable

b. Classifications, issues, numbers of shares, balance sheet amounts, and purposes of investment stocks that are not held purely for the purpose of investment

Not applicable

c. Classifications, issues, numbers of shares, balance sheet amounts, and purposes of investment stocks that are held purely for the purpose of investment

Not applicable

(viii) Number of Directors

The Articles of Incorporation stipulate that the number of Directors at our company shall be no more than ten.

(iv) Requirements for the resolution for electing a Director

The Articles of Incorporation stipulate that the resolution for electing a Director shall be adopted by a majority of the votes of the shareholders present at the shareholders' meeting where shareholders with one third or more of the voting rights of the shareholders entitled to exercise voting rights are present. The Articles of Incorporation stipulate that a Director shall not be elected by cumulative vote.

(x) Requirements for special resolutions at the shareholders' meeting

The Articles of Incorporation stipulate the requirements for special resolutions at the shareholders' meeting provided for in Article 309, Paragraph 2 of the Companies Act that a resolution shall be adopted by two thirds or more of the

votes of the shareholders present at the shareholders' meeting where shareholders with one third or more of the voting rights of the shareholders entitled to exercise voting rights are present.

The purpose of this provision of the Articles of Incorporation is to facilitate the management of the shareholders' meeting by reducing the quorum.

(xi) Exemption of liability of Directors and Auditors

The Articles of Incorporation stipulate that an exemption from liability for damages due to the negligence of the Directors (including those who used to be Directors) and the Auditors (including those who used to be Auditors) in performing their duties may be granted by a resolution of the Board of Directors within the limitations of laws and regulations under the provision of Article 426, Paragraph 1 of the Companies Act to remove their concern over their liability for damages and allow them to perform their duties properly without faltering and carry out their roles as expected.

(xii) Organ to determine dividends, etc.

To determine capital policy and dividend policy promptly, the Articles of Incorporation stipulate that our company shall make decisions on dividends and other matters provided for in Article 459, Paragraph 1 of the Companies Act, not by a resolution of the shareholders' meeting but by a resolution of the Board of Directors unless otherwise stipulated in laws and regulations. The Articles of Incorporation also stipulate that the record dates of interim dividends and year-end dividends shall be September 30 and March 31 every year, respectively, and dividends other than interim and year-end dividends may be paid.