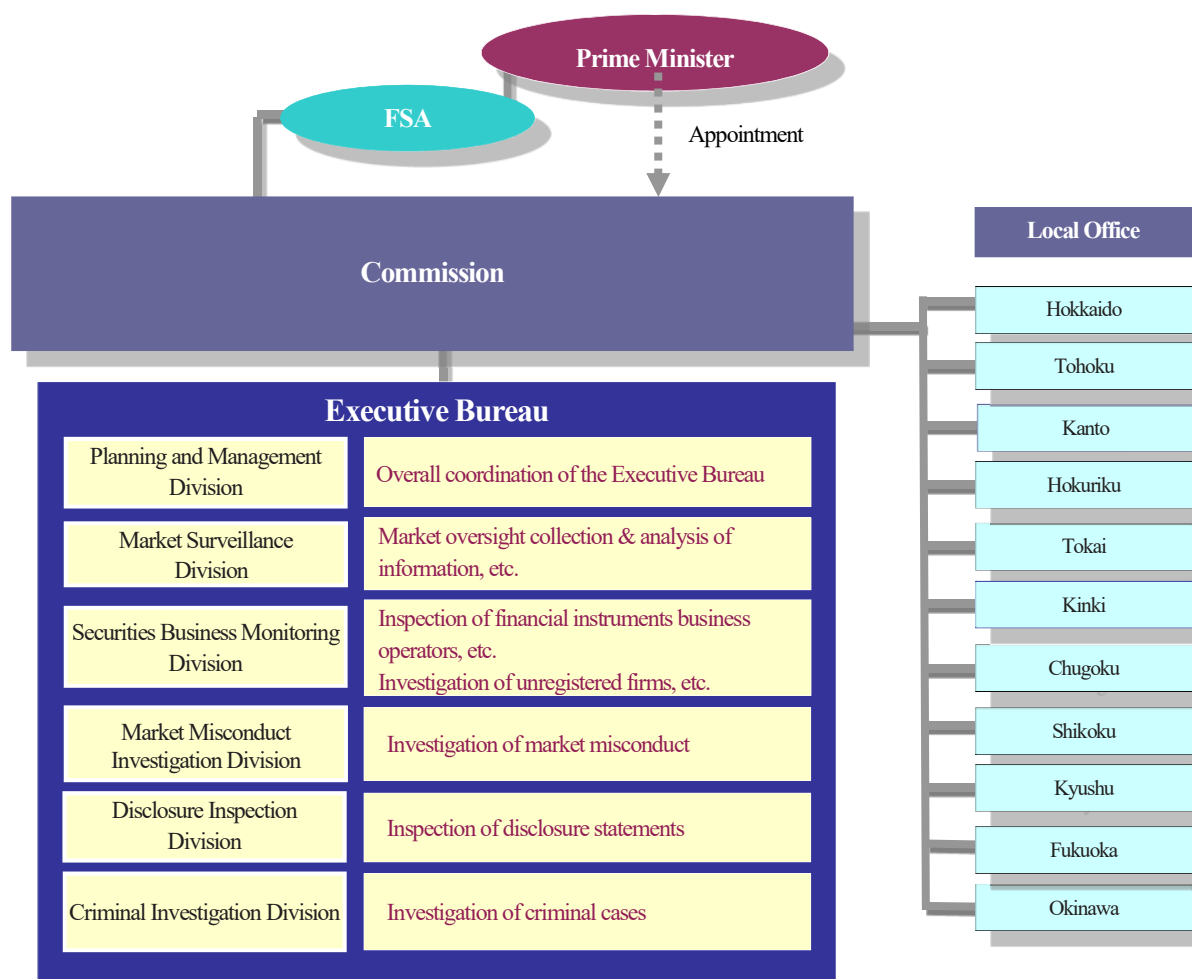


Organization

The SESC is within the Financial Services Agency (FSA), which is based on Article 54 of the Act for Establishment of the Cabinet Office and Article 6 of the Act for Establishment of the Financial Services Agency. The SESC consists of a chairman and two commissioners. They are appointed by the Prime Minister with the consent of both Houses and may use their authority independently. To ensure their independence, basically, both the chairman and the commissioners may not be dismissed during their tenure of three years. In December 2016, Chairman Mitsuhiro Hasegawa and Commissioners Yasushi Hamada and Mami Indo were appointed and started their 3-year term (9th Term).

The Executive Bureau, under the control of the SESC is composed of the following six divisions: the Planning and Management Division, the Market Surveillance Division, the Securities Business Monitoring Division, the Market Misconduct Investigation Division, the Disclosure Inspection Division, and the Criminal Investigation Division. In addition, the SESC has staff members at the Local Finance Bureaus mainly in charge of inspections of financial instruments business operators located in the regional area. In total, there are 748 staff members (of which 406 work for the head office) as of fiscal year 2017.

For the purpose of appropriate market surveillance, the SESC has been strengthening its framework of market surveillance by recruiting lawyers, certified public accountants, real-estate appraisers, etc.



Note: In July 2006, the SESC was transformed from two divisions (the Coordination and Inspection Division and the Criminal Investigation Division) and three offices (the Compliance Inspection Office, the Market Surveillance Office, and the Office of Penalties Investigation and Disclosure Documents Examination under the Coordination and Inspection Division) into five divisions (the Planning and Management Division, the Market Surveillance Division, the Securities Business Monitoring Division, the Civil Penalties Investigation and Disclosure Documents Inspection Division, and the Criminal Investigation Division). Furthermore, in July 2011, the Civil Penalties Investigation and Disclosure Documents Inspection Division was divided into two divisions (the Market Misconduct Investigation Division, and the Disclosure Inspection Division), meaning that the SESC was transformed into six divisions. In August 2011, Cross-Border Investigation Office was established within the Market Misconduct Investigation Division, to investigate transactions, etc. conducted by persons in foreign countries.