

Corporate Governance

Establishing an organizational structure that can capably adapt to changes in the business environment, and a management system that is fair and shareholder-oriented

Basic Framework for Corporate Governance

The Company's Board of Directors consists of 17 Directors (as of June 26, 2015), including 7 Outside Directors, to buttress the supervision of management appropriateness. In addition, an Executive Officer System has been adopted. A total of 14 individuals, comprised of 7 Directors and Executive Officers, including the Representative Director, President & CEO, who control each business department, and 7 Executive Officers, have been appointed and are charged with managing the execution of business affairs to clarify the functions and responsibilities of Directors, Executive Officers and the Board of Directors, as well as to support the timely and flexible adaptation to sudden changes in the business environment. In principle, the Board of Directors is convened once a month, to make decisions on important matters and to oversee the status of the business environment.

Additionally, the Company ensures the appropriateness of corporate governance by organically integrating audits carried out by each Statutory Auditor, the Internal Auditing Department and the Accounting Auditor. Accountability and the timely and accurate disclosure of information to shareholders and investors are the fulfillment of the responsibilities as a listed company, as well as a necessity

from the viewpoint of corporate governance. Therefore, the Company performs a highly transparent management practice through the promotion of investor relations activities, based on the following four fundamental policies.

First, the Company creates an IR structure in order to facilitate constructive engagements with the shareholders. Second, the Company thoroughly and extensively discloses information. Third, the Company establishes systems to ensure timely disclosure. Fourth, the Company ensures that opinions, comments and other input from shareholders and investors are accurately relayed to the management team.

The Company has established a Management Advisory Committee, consisting of experts in various fields, including law, accounting, management and economics, as an advisory body to the Representative Directors. The committee, which meets in principle once each quarter, enhances management soundness and transparency throughout the Group, and strengthens corporate governance.

Based on the above, the Company believes that this organizational structure allows it to comply with the basic principles of corporate governance, including ensuring management transparency and the discharge of management accountability to third parties.

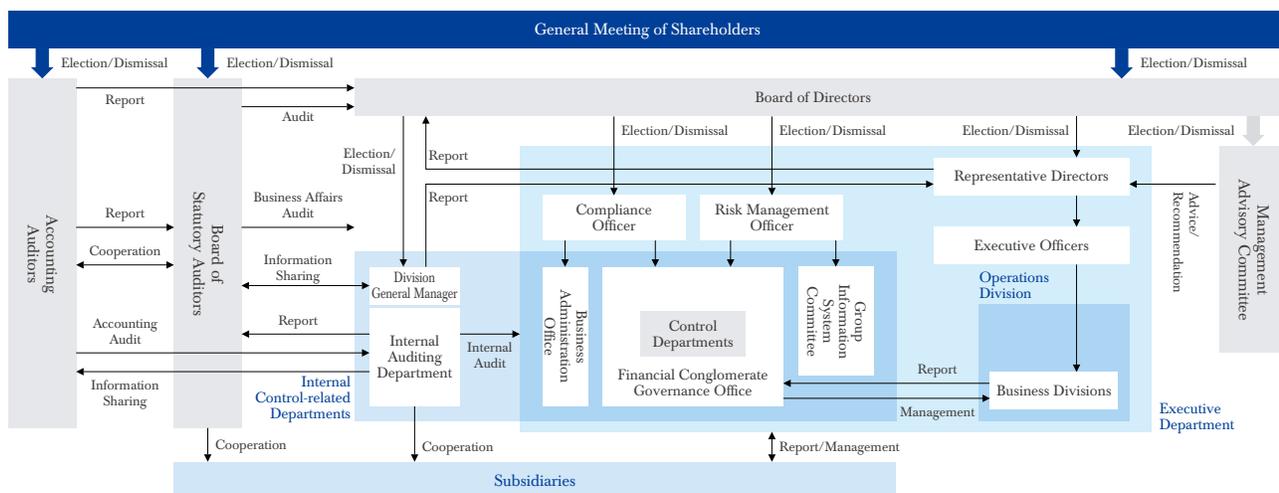
Overview of Organization

Configuration	Company with Board of Auditors
Number of Directors	17 (including 7 Outside Directors)
Number of Executive Officers	14 (including 7 Directors & Executive Officers)
Average age of Directors	54.2 years old
Number of Statutory Auditors	4 (including 2 Outside Statutory Auditors)
Number of Directors registered as Independent Directors	2
Involvement of Outside Directors in remuneration decisions (Yes/No)	Yes
Number of Ordinary Board of Directors Meetings held per year	12
Attendance rate at Board of Directors Meetings for Outside Directors	88%

Membership of Management Advisory Committee

Legal expert (attorney).....	Mr. Takashi Ejiri
Legal expert (attorney).....	Mr. Katsuhiko Kumazaki
Management executive/.....	Mr. Noriaki Shimazaki
Accounting expert	
Academic expert	Mr. Heizo Takenaka
	former Minister of State for Economic and Fiscal Policy and Minister of State for Financial Services
Management executive.....	Mr. Yoshinari Yajima
Accounting expert	Mr. Kiyoshi Matsuo
	(certified public accountant)

Outline of Corporate Governance Structure



Roles and Functions of Outside Directors and Outside Statutory Auditors for Corporate Governance

The Outside Directors and Outside Statutory Auditors provide objective and neutral perspective that is not affected by conflicts of interest with general shareholders. They monitor or audit, and provide advice and suggestions based on their perspectives from outside of the Company by leveraging their respective expertise, along with their wide-range of experience and knowledge of high-level management. They are charged with their role and function to ensure that the decision-making and the execution of business by the Board of Directors are conducted appropriately and soundly.

Criteria for Selection of Outside Directors and Outside Statutory Auditors

Outside Directors

- Outside Directors must possess advanced expertise and

wide-ranging experience, as well as high-level management experience and knowledge that contribute to their decision-making and supervisory roles at the Board of Directors.

- Outside Directors must be independent from the Group to perform their management supervisory role from an objective and neutral perspective. Independence is assessed practically and objectively, according to the relevant rules of the stock exchanges on which the Company is listed.
- Outside Directors must have no conflicts of interest with general shareholders.

Outside Statutory Auditors

- Outside Statutory Auditors must have extensive knowledge and experience in a wide range of fields, or excellent records of achievement in the specialist fields required for audit functions.
- Outside Statutory Auditors must be independent from the Group to perform their audit functions, from an objective and a neutral perspective. Independence is assessed practically and objectively according to the relevant rules of the stock exchanges on which the Company is listed.

Reasons for Selection of Outside Directors and Outside Statutory Auditors, Attendance at Board of Directors Meetings

Outside Directors	Independent Executives	Reason for selection	Term of office	Attendance at Board Meetings (FY2014)	
Kiyoshi Nagano	☆	Formerly President at Jasdq Securities Exchange, Inc. (currently, Japan Exchange Group, Inc.), Mr. Nagano has extensive experience and knowledge accumulated in his business career.	June 2010–	10/12	
Keiji Watanabe		Mr. Watanabe has experience and expert knowledge as an accounting professional.	June 2010–	10/12	
Akihiro Tamaki		Mr. Tamaki has experience and expert knowledge as an accounting professional.	June 2010–	10/12	
Masanao Marumono	☆	Formerly employed at Sumitomo Mitsui Banking Corporation, Mr. Marumono has extensive experience and knowledge accumulated in his business career.	June 2012–	12/12	
Teruhide Sato		Mr. Sato has extensive experience and accumulated knowledge in his business career.	June 2013–	11/12	
Ayako Hirota Weissman		Ms. Weissman has extensive experience and accumulated knowledge in her business career.	June 2015–	– (Appointed in June 2015)	
Yasumine Satake		Mr. Satake has extensive experience and accumulated knowledge in his business career.	June 2015–	– (Appointed in June 2015)	
Outside Statutory Auditors	Independent Executives	Reason for selection	Term of office	Board of Directors	Board of Statutory Auditors
Yasuo Sekiguchi		Mr. Sekiguchi has extensive experience and knowledge as a certified public accountant and engages in appropriate oversight of the Company's management from an objective perspective as a certified public accountant.	June 2014–	9/10 (Appointed in June 2014)	12/12
Hiroaki Nagasue		Mr. Nagasue has the ability to carry out effective audits based on the extensive experience and knowledge that have been accumulated through his career as a management executive.	June 2015–	– (Appointed in June 2015)	–

Remuneration for Directors and Statutory Auditors and Number of Corresponding Executives (FY2014)

Executive classification	Total remuneration (Millions of yen)	Number of corresponding executives
Directors (Excluding Outside Directors)	356	10
Statutory Auditors (Excluding Outside Statutory Auditors)	13	1
Outside Directors and Statutory Auditors	106	9

IR Activities (FY2014)

	Times	Activities
Financial results briefing for institutional investors and analysts	4	Financial results briefing held quarterly focused on financial performance and outlook
Meetings for overseas institutional investors	3	Meetings for overseas institutional investors conducted by the President and executive officers
Meetings for individual investors	6	Meetings held semi-annually at Tokyo, Osaka and Nagoya
Current Management Information Briefing for shareholders	1	Briefing held shortly after the General Meeting of Shareholders every June
Individual meetings for institutional investors and analysts	As required	Meetings held as needed upon request from domestic and overseas institutional investors and analysts
Uploading of IR materials and videos to the Company website	As required	Posting of timely disclosure materials including financial results, press releases, videos and information on CSR activities
Small Meetings for domestic institutional investors	2 (planned)	As a new endeavor, Small Meetings for domestic institutional investors held on semi-annually conducted by the President and executive officers