

Corporate Governance

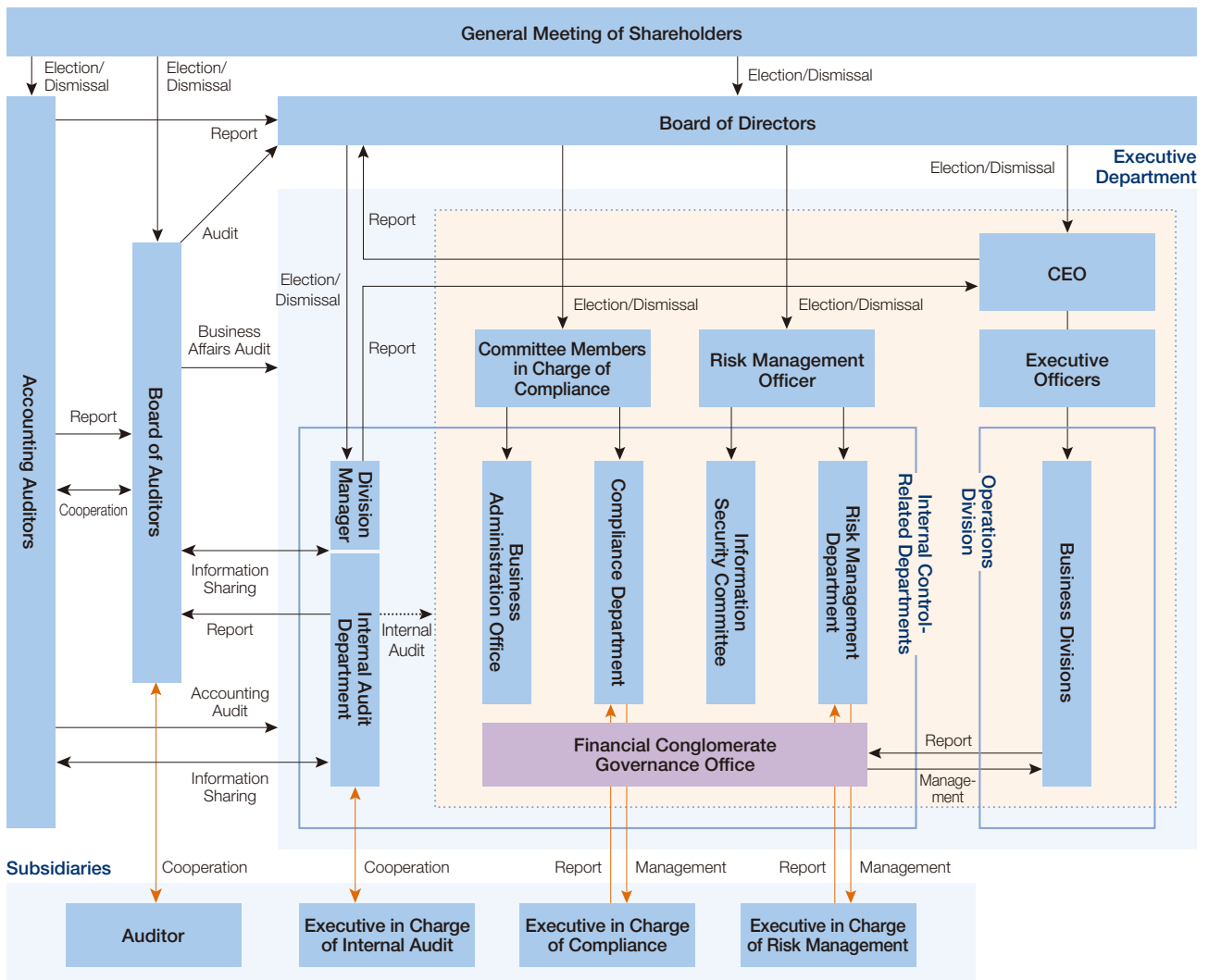
To enhance management transparency and corporate governance, SBIH recognizes that one of its most crucial management issues is to build, maintain and improve upon an organizational structure capable of responding quickly to changes in the business environment, as well as a shareholder-oriented and fair management system.

Basic Framework for Corporate Governance

SBIH's Board of Directors consists of 17 directors (as of June 29, 2010), and the company has adopted the Executive Officer System to clarify the functions and responsibilities of directors, executive officers and the Board of Directors, which includes the CEO and CFO as well as 6 directors and executive officers who control each business division, and 9 executive officers, for a total of 17 individuals charged to manage the execution of business affairs. We have also built a corporate governance

system that facilitates quick and flexible responses to drastic changes in the business environment. Moreover, as a general rule, the Board of Directors convenes once a month and extraordinary meetings are held when necessary to make decisions on important matters and to monitor the execution of business operations. SBIH has increased the number of outside directors by 4, with each having a high degree of independence and no conflicts of interest with general stakeholders, to fortify the monitoring of management appropriateness.

<Structure of Corporate Governance and Internal Control>



(As of June 29, 2010)

The Board of Corporate Auditors, which comprises 4 members all proficient in financial affairs and includes 2 outside corporate auditors, organically combines the audits performed by each corporate auditor, the Internal Audit Department and the accounting auditors in an effort to maintain the appropriateness of corporate governance.

Based on the above, we believe that the current system allows us to adhere to the basic principles of corporate governance, namely to preserve the transparency of management and execute management's third-party accountability.

Initiatives for Strengthening Corporate Governance

Internal Controls

SBIH, recognizing the importance of executing operations under a sound internal control system, has in place an internal control system to enhance corporate governance and the transparency of management. Our representative director makes all managers and employees aware that, together with working to maintain that system, compliance with laws and regulations and behaving ethically are vital for the realization of our Management Philosophy and Corporate Vision.

Specifically, this involves regular monthly meetings of the Board of Directors as well as irregular meetings convened when necessary in accordance with regulations of the Board to facilitate close communications among the Directors and the monitoring of the execution of duties of the representative director. In addition, a director in charge of compliance has been appointed and a Compliance Department that directly manages compliance activities has been established to identify SBIH's compliance-related issues and problems. Further, SBIH has established an internal reporting system for submitting reports directly to the Internal Audit Department and the corporate auditors, allowing directors and employees to provide information concerning violations of laws, regulations and the Articles of Incorporation as well as important facts discovered involving compliance.

Compliance conferences are held to provide an opportunity to exchange information about compliance for the entire SBI Group. These gatherings identify compliance issues and problems, and confirm that business operations are conducted properly. The director in charge of compliance and the Compliance Department hold these conferences along with compliance officers of the Group companies.

Risk Management

SBIH manages risks that may impede the execution of business operations, and the attainment of our Management Philosophy and Corporate Vision. The Board of Directors appoints a director to be in charge of risk management in accordance with crisis management, risk management and group risk management regulations. In addition, the Risk Management

Department was established to identify and properly evaluate and manage risks on a cross-sectional basis for the entire Group including SBIH.

In the event of any potential or actual management crisis that would have a major impact on SBIH's existence, the director in charge of risk management, appointed by the Board of Directors as the person with overall responsibility, will gather pertinent information and consider and implement countermeasures and measures to prevent reoccurrences, while reporting and disclosing information to relevant institutions. For all the processes involved in our business activities, we have in place a checks and balances framework involving multiple departments and a system to maximize compliance efforts, all to assure not only that we comply with relevant laws and regulations but also abide by all the terms and conditions of agreements.

In addition, concerning information management and system risk, SBIH has established a structure for the overall management of information, including customer information, and has been strengthening its system risk management structure. As a part of these efforts, we have established the Group Information System Committee composed of members appointed from each division, with the director in charge of risk management as the chairman. Especially from the standpoint of business continuity, SBIH has also built a structure to respond to any type of contingency through redundant systems and backup structures at multiple locations.

Audits by Corporate Auditors, Internal Audits and Accounting Audits

SBIH has established an Internal Audit Department. It is an organization independent from all business administration divisions and administrative divisions that comprehensively and objectively evaluates the appropriateness of SBIH's internal management structure, which involves adherence to laws and regulations, the appropriateness of operations and the proper management of internal controls, among other responsibilities. Also, recommendations and follow-ups are provided for improvement purposes with respect to issues uncovered as a result of internal audits. Audits are conducted with the help of employees and, if necessary, external specialists and such. The results of individual internal audits are reported promptly, and reports are provided to the Board of Directors through the representative director more than once every six months, in addition to regular reports to Corporate Auditors.

The Internal Audit Department is staffed by a general manager and four other employees who are experts in internal audits, financial audits and internal control systems, and they perform audits in accordance with generally accepted internal audit standards and other criteria.

The Internal Audit Department works organically with the Board of Corporate Auditors. For example, it submits reports

separately from the regular reports to the Board of Directors after completing each internal audit to exchange opinions, and incorporates audit themes and audit target areas selected by the Board of Corporate Auditors in its audits.

The department also appropriately shares information with the accounting auditors, particularly with respect to areas related to internal control systems in financial reporting.

The corporate auditors are independent of the company's executive bodies, and by auditing the executive actions of the directors, are responsible for ensuring a sound corporate governance system is in place that engenders public trust. The Board of Corporate Auditors is made up of 4 auditors, 2 of whom are outside auditors. 3 of the corporate auditors have worked in financial institutions for many years and have extensive knowledge about the financial sector in general. The remaining auditor has a long track record in accounting and has built up considerable expertise in both finance and accounting.

In accordance with criteria set out by the Board of Corporate Auditors, "standards for audit by the corporate auditors," the auditors are required to attend meetings of the Board of Directors and other important corporate bodies, review key decision documents, exchange opinions with the representative director, directors and other members of senior management, and audit internal control systems based on the "practice standards for internal controls" that set out the requirements for these audits.

As mentioned above, the Board of Corporate Auditors also coordinates its efforts with the Internal Audit Department by sharing information on a regular basis and through other means.

In regard to coordination with the accounting auditors, the Board of Corporate Auditors receives explanations from them on the annual auditing plan and other matters based on the Audit Report, when financial statements for the second quarter and full fiscal year are prepared. Also, the Board of Corporate Auditors shares information and consults with the accounting auditors when necessary.

In this way, the auditors, Internal Audit Department and the accounting auditors work together organically to ensure an appropriate corporate governance system.

Outside Directors and Outside Corporate Auditors

SBIH has 4 Outside Directors and 2 Outside Corporate Auditors. With no risk of any conflicts of interest with general shareholders, and from objective and neutral viewpoints, Outside Directors and Outside Corporate Auditors monitor or audit as well as provide advice and suggestions from an external perspective, leveraging their respective specialized knowledge as well as their wide range of experience and knowledge on high-level management. These individuals are charged with the functions and roles associated with ensuring the adequacy and appropriateness of the decision-making and execution of duties of the Board of Directors.

Their appointment enables, by focusing on their expert accounting knowledge, specialized knowledge and independence, the adherence to basic corporate governance principles such as ensuring management transparency and executing management's third-party accountability.

Compensation for Directors and Corporate Auditors

A breakdown of compensation for directors and corporate auditors is as follows:

Directors (excluding outside director(s))	16 directors	¥155 million
Corporate Auditor (excluding outside corporate auditor(s))	1 auditor	¥10 million
Outside Directors and Auditors	3 outside directors and auditors	¥25 million

* The above includes compensation for directors and corporate auditors who have retired during the fiscal year.

Initiatives During the Past Year to Enhance Corporate Governance

The Board of Directors has continued to fulfill its responsibilities as an organ for monitoring management and fair decision-making, holding at least one meeting each month. Also, to reinforce management oversight functions, corporate auditors conduct exhaustive audits based on the annual auditing plan. The Internal Auditing Department, in conjunction with external specialists, conducts comprehensive internal audits that include the Group companies. In addition, in order to meet the requirement for a "system of internal control over financial reporting" stipulated in Article 24-4-4 of the Financial Instruments and Exchange Act, companywide efforts were made to design and operate internal controls over financial reporting, whose implementation status is evaluated independently by the Internal Audit Department. Through these activities, SBIH worked to further improve its operating efficiency and prevent the occurrence of improper activities and errors.

Regarding information disclosure to investors, SBIH is dedicated to supplying its varied investors with accurate corporate information. We hold quarterly meetings to announce earnings and provide the latest report on operations following the annual shareholders meeting. Explanatory meetings (called "information meetings") are held for individual investors in major Japanese cities, where information is provided directly by a representative of SBIH. Our disclosure activities also include attendance at many investor relations conferences in Japan and other countries.

SBIH is firmly committed to the transmission of information. Earnings releases, press releases, streaming videos of quarterly earnings announcements and information meetings, as well as other relevant materials, are quickly posted on the SBIH website.